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PROVIDING LIFE'S ESSENTIALS TO WEST VIRGINIA-
FUEL, FOOD & CONVENIENCE

OMEGA
west virginia oil marketers & grocers assoc.

December 2013

Number 632



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May Your Christmas
Be Merry & Bright

Providing Life's Essentials to West Virginia - Fuel, Food and Convenience.

Value...

one way we stand out!



Building Brand Value:

- Marathon Brand employs 33 Territory Managers and 5 Program Territory Managers to deliver value to our customers.
- Marathon Petroleum has excellent supply with truck loading racks at our 83 terminals, all operated with the driver in mind.
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Fueling the American Spirit.

From the President ...



Recently Traci compiled our **2013 Year in Review** and it was presented to the Executive Committee. We are thrilled about what we have accomplished for our members this year. Together we make a difference in our industry, in West Virginia, our communities and certainly a difference to West Virginia children. We hope that you are as proud of us and we are of you - the members we serve.

The Executive Committee met recently and to discuss our **legislative priorities for 2014**. The session begins January 8th. I have met with Governor Tomblin's staff regarding our issues and they ran some ideas past me regarding the Governor's legislative agenda as well. We are looking forward to a very successful session! We will once again host our Legislative Day and Legislative Reception at the Capitol. We will forward the date and schedule to you once we confirm with the Governor's Mansion so that you may add it to your calendar.

Probably one of the best things we do is give back to our communities. We will once again, in 2014, organize the **Taking It Home for Mother's Day Campaign for the Children's Home Society** and the **Make-A-Wish** star campaign in August. We will host a "Children's Charity" golf tournament in the Fall. As soon as plans are complete will we get a Save the Date out to you.

In January, we will mail registration information for our upcoming **2014 Golf Outing and Trade Expo**, which will be held May 13 - 15 at Lakeview Resort and Waterfront Place Hotel in Morgantown. We could not be more excited about this event!

As we look forward to 2014 we ask for your input. We are your Association. We appreciate your comments, compliments and criticism.

Traci, Katie and I wish you and yours a Very Merry Christmas and health, happiness and prosperity in 2014.

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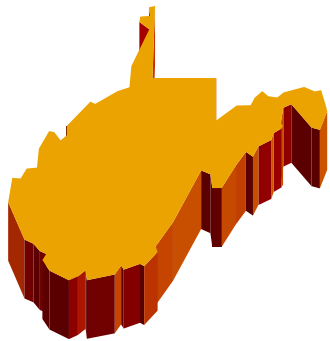
Lykins Transportation

Greg Walls

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West Virginia News

Motor Fuel Tax to Increase January 1, 2014

On January 1, 2014 the total tax on motor fuel in West Virginia will be \$0.357. This includes the new variable rate of tax on motor fuels of \$0.152 per gallon and the fixed rate of \$0.205 per gallon. In addition, alternative fuels will begin being taxed on January 1st at their gallon equivalent to gasoline. OMEGA Members should have received the Administrative Notices for these changes. If you did not receive them, please contact the Association Office.

We will have pump decals available for both gasoline and diesel in January.

Exciting Job Announcements from Governor Earl Ray Tomblin

Recently there have been some great announcements from Governor Earl Ray Tomblin in regards to new jobs coming to West Virginia. Among those are:

- **Sogefi**, an automotive parts manufacturer, in Wayne County, will do a \$20 million expansion, amounting to 250 jobs
- **Odebrecht Environmental** exploring development of new petrochemical complex on Wood County
- **Carbonyx**, a steelmaker who uses coal, in Jackson County, adding 60 new jobs
- **Toyota Plant** in Putnam County, adding 80 additional jobs
- **Macy's Fulfillment Center** in Martinsburg hiring 2,100 seasonal workers - triple the number projected - for a total of 3,000 people employed for the holiday season.

OMEGA is thrilled to see West Virginia grow. All of these new employees purchase gas and groceries from our stores and this makes us happy!

WV House of Delegates to Make Committee on Small Business Ownership

Tim Miley, speaker of the West Virginia House of Delegates, announced on November 20th that he and his leadership team would pursue a work group with the intent of it becoming a standing committee for next year's legislative term. Miley appointed 25 delegates who have backgrounds that cross a variety of vocations, such as engineering, construction, farming and both legal and financial services.

Delegate Doug Skaff, D-Kanawha was appointed chairman of the committee. Delegate Bill Hartman, D-Randolph was appointed co-vice chairman of the group, along with Delegate Jason Barrett, D-Berkeley.

Other group members include: Delegates Bob Ashley, R-Roane; Tom Azinger, R-Wood; Daryl Cowles, R-Morgan; Allen Evans, R-Grant; Barbara Fleischauer, D-Monongalia; Marty Gearhart, R-Mercer; Bill Hamilton, R-Upshur; Eric Householder, R-Berkeley; Tim Manchin, D-Marion; Mike Manypenny, D-Taylor; Carol Miller, R-Cabell; Jim Morgan, D-Cabell; Eric Nelson, R-Kanawha; Linda Phillips, D-Wyoming; John Pino, D-Fayette; Doug Reynolds, D-Cabell; Stephen Skinner, D-Jefferson; Isaac Sponaugle, D-Pendleton; Erikka Storch, R-Ohio; Ron Walters, R-Kanawha; Harry Keith White, D-Mingo; and Larry Williams, D-Preston;

The bipartisan work group hopes to meet in different parts of the state through the end of 2014, hosting discussion forums and eventually making a permanent standing committee within the House of Delegates to consider legislation that affects small business growth.

Tomblin Official: Mid-Year Budget Cuts Possible

The chief of staff for Governor Earl Ray Tomblin's administration says mid-year budget reductions or budget freezes are "likely" if the state's revenue collections continue to come in below projections.

"Being fiscally responsible and not raising taxes, there's one major way to go and that is to limit expenditures and adjust appropriations so that they match the actual revenues received," said Charles Lorensen of the possibility.

Lorensen, a former secretary of the state Department of Revenue, talked about the budget numbers on recently on MetroNews "Talkline."

"We're probably about four percent below what we projected and, if we can ascertain that's a trend or if that's something that's going to stick for the remainder of the year and can't be made up, then we're faced with dealing with it," he said.

The state has collected less in tax revenue than it thought it would after five months of the fiscal year but November was better for collections than originally reported.

State Deputy Revenue Secretary Mark Muchow said the state received a total of \$35 million in severance tax collections a few days after the deadline for November. He said the Thanksgiving holiday required taxes to be in by Nov. 27. He said severance tax collections after that day were \$14.2 million short of the month's estimate but things got much better this week.

"After two days in December we collected more in severance than all of November," Muchow said.

The state still missed revenue estimates overall by about \$4 million for the month and the budget hole is growing. It's now more than \$50 million short of estimated revenue collections. The Tomblin administration is considering cuts for the current budget and next year's spending plan.

State agencies have already been asked to submit budget proposals for the 2014-2015 fiscal year that include 7.5 percent reductions from the current year's spending and Lorensen said those cuts will most likely be implemented beginning in July.

Public education, corrections, Medicaid and others have been exempted from the cuts in the coming year.

Lawmakers will be working on the new budget during the 2014 Regular Legislative Session which will open at the State Capitol on Jan. 8.

Lottery Revenues Down Again

West Virginia Lottery revenues continued to lag behind in October in figures released at Thursday's lottery commission meeting.

Traditional games, racetrack video lottery, limited video lottery and table games brought in a combined \$99.5 million for the month, which was behind Oct. 2012 numbers by \$6 million.

Through the first four months of the fiscal year overall revenues are behind last year's numbers by \$33 million. Only online lottery games have brought in more revenue than last year at this time. Racetrack video lottery is down \$22 million and limited video lottery is off last year's pace by about \$8 million.

The decrease in revenue is blamed on the economy and gambling competition from other states.

West Virginia Among the Top States for Alcohol Taxes

When ordering your next drink at a restaurant or bar, you might want to think about the taxes you're paying.

A recent study ranks West Virginia as the 10th best state for alcohol taxes. The Mountain State also ranks higher than any of its neighboring states.

"Just knowing that changing the kind of drinks you are having. You can pay fewer taxes," said Alex McAdams, the author of the study released last month on the NerdWallet website.

The study looked at beer, wine and spirits in all 50 states, and compared those numbers with the total consumption of each beverage type in each state. Combining the two, the study generated a composite score for each state to rank them.

In West Virginia, the tax rate on beer is about half that of either wine or spirits, McAdams said. Beer is taxed at 1.7 cents per "standard drink," while wine is taxed at 3.9 cents per drink and spirits at 3.3 cents per drink. A standard drink is generally considered 12 ounces of beer that is 5 percent alcohol, 5 ounces of wine that is 12 percent alcohol, and 1.5 ounces of liquor at about 40 percent alcohol.

Ohio and West Virginia share the same beer tax rate, but Pennsylvania enjoys the lowest regional beer tax rate at 0.8 cents per drink. Virginia's rate is 2.4 cents per drink, Maryland's is 4.2 cents per drink, and Kentucky's is 7.1 cents per drink.

Ohio enjoys the lowest tax rate regionally for wine at 1.3 cents, compared to West Virginia's 3.9 cents per drink. Maryland is 5.4 cents, Virginia is 5.9 cents and Kentucky is 12.3 cents. All Pennsylvania wine sales are controlled by the state and have no direct tax rate, according to the study.

When it comes to hard liquor, West Virginia's spirits tax rate of 3.3 cents per drink is the lowest in the region, according to the study. Per-drink rates in surrounding states are Maryland, 5.2 cents; Kentucky, 8 cents; Pennsylvania, 8.5 cents; Ohio, 11.5 cents; and Virginia, 24.1 cents.

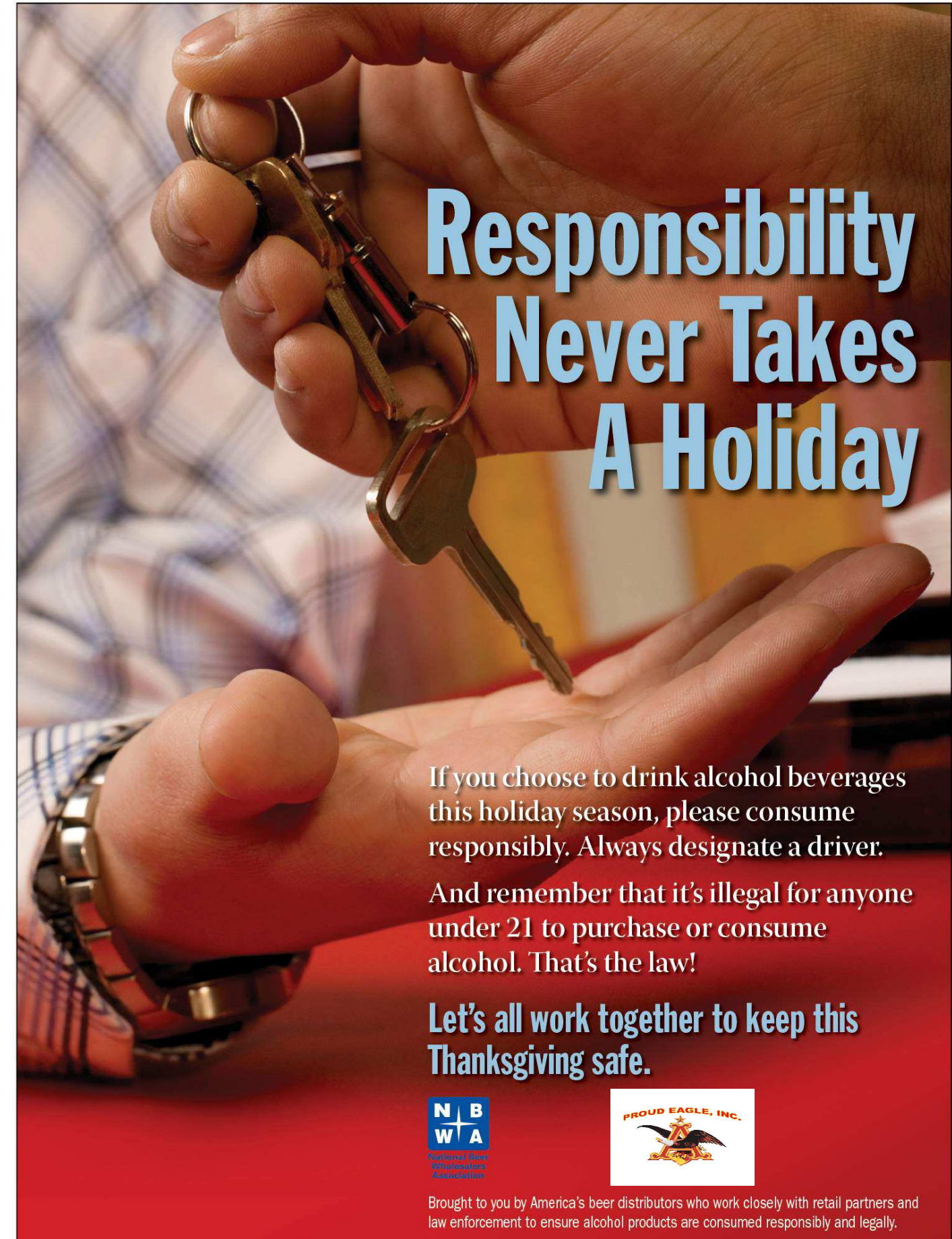
Annual State Economic Conference Says WV Has Made Strides, But State Policies Are Critical to Growth

John Deskins, director of the WVU Bureau of Business and Economic Research, told the 2014 Annual Economic Outlook Conference in Charleston the state has made strides in improving the economy, but "we still have a long way to go."

Zito Sartarelli, dean of the WVU College of Business and Economics, emphasized the critical importance state policies play in continued future growth, "There is no reason for a state with the natural resources like West Virginia has, that it can't be a powerhouse for economic development." Sartarelli noted the state needs to improve its policy environment, which he described as "over-regulated" when it comes to business

Addressing state legislators in attendance he said, "Every bill should be checked for its economic impact --- will it help create jobs and advance the economic interest of the state. And if it does not, it shouldn't be considered."

To read or download the WV Economic Outlook for 2014, visit http://be.wvu.edu/bber/outlook_pdfs/WV-Economic-Outlook-2014.pdf.

A close-up photograph of a hand holding a set of keys, with another hand open below it. The background is a blurred plaid shirt. The text is overlaid on the right side of the image.

Responsibility Never Takes A Holiday

If you choose to drink alcohol beverages this holiday season, please consume responsibly. Always designate a driver.

And remember that it's illegal for anyone under 21 to purchase or consume alcohol. That's the law!

Let's all work together to keep this Thanksgiving safe.



Brought to you by America's beer distributors who work closely with retail partners and law enforcement to ensure alcohol products are consumed responsibly and legally.



Federal Issues

Hot Issues Won't Vary Much in 2014

Lawmakers will have no lack of critical issues to face in 2014. Some will be new, but most will be very familiar. For most states, 2013 was a welcome respite from the usual election year political gridlock. That all changes next year, with 38 governorships, 46 legislative chambers, 33 United States Senate seats and all 435 House of Representatives seats up for grabs. But amidst all that politicking, lawmakers have plenty of real issues to tackle. Over the next several weeks, SNCJ editors Rich Ehsen and Korey Clark preview some of State Net Capitol Journal® these issues, while Lou Cannon takes a closer look at some of the things states got right this year.

HEALTH BENEFITS EXCHANGES — The initial rollout of the federal healthcare.gov website in October was, to say the least, troubled. The federally run site was supposed to provide consumers in states that chose not to operate their own health benefits exchange a one-stop insurance shopping experience that was seamless and efficient. It was neither. Consumers instead endured a frustrating litany of delays and other problems that shook the confidence of even the law's most ardent supporters. That led President Obama to give states the option of allowing insurers to continue offering for one year health coverage policies that were set to expire by January 1, 2014. At least 30 states have said they will allow extensions of the plans — which were being discontinued because they do not meet the minimum standards now required for coverage under the Affordable Care Act — while several others, including California, Washington and Montana, have said they will not. With a few notable exceptions, state-run exchanges have worked demonstrably better. Connecticut, New York, Washington, California and Kentucky have collectively signed up tens of thousands of enrollees with minimal glitches along the way. Meanwhile, Oregon's exchange continues to be plagued with technical problems that have left it virtually unable to enroll anyone. Operators say they hope to have those issues resolved by the end of December. With consumers facing a March 31, 2014 deadline to either obtain insurance or potentially pay a tax penalty, it is safe to presume all eyes will be on the ongoing performance of both the state and federal exchanges.

MEDICAID EXPANSION — Twenty-five states and the District of Columbia have indicated they would expand Medicaid eligibility in line with the Affordable Care Act to cover adults up to 138 percent of the federal poverty line (\$15,856 for an individual or \$26,951 for a family of three in 2013). Of the remaining 24 states, a handful (Tennessee, Pennsylvania, Iowa, Michigan and Indiana) have submitted proposals to the U.S. Department of Health and Human Services that would allow them to use federal Medicaid dollars on alternate plans to cover more low-income residents. Utah Gov. Gary Herbert (R) is pondering making a similar proposal in 2014, but as of now the remaining states are opting out. This promises to be a major issue throughout the year, particularly as gubernatorial and legislative campaigns heat up.

COMMON CORE STANDARDS — Since 2010, 45 states and the District of Columbia have adopted the Common Core State Standards, which establish what K-12 students should know in English and math at the end of each grade. A joint initiative of the National Governors Association and the Council of Chief State School Officers, the idea of the Common Core standards was to ensure two things: 1) that students graduate from high school prepared to enter college or the workforce and 2) that student achievement was determined via the same criteria no matter where a student attends school. To date, only Alaska, Nebraska, Texas and Virginia have not adopted the Common Core, while Minnesota has adopted them only for English. But this year, conservative lawmakers in several states that have already adopted the standards are now voicing strong opposition, with critics contending the new rules are untested, too expensive and an unfair usurping of local educational control by Washington D.C. Bills aimed at scuttling state participation were introduced in at least eight states. To date, only Indiana has passed such legislation, adopting a bill last spring to halt implementation of the standards until state education officials review them again and determine whether to continue on or develop new standards of their own. Oklahoma Gov. Mary Fallin (R) issued an executive order (EO 2013-40) that mandates new academic standards in English and math must be developed in the Sooner State.

Although most states are moving forward with Common Core, withdrawal or moratorium bills are currently pending or have been pre-filed in Florida, Georgia, Kansas, Michigan, North Carolina, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee and the U.S. House of Representatives.

ONLINE GAMBLING — This year, Nevada, Delaware and New Jersey became the first states to legalize online gambling within their individual borders. Enthralled by the potential new tax revenue, several states, including California, Hawaii and Pennsylvania, are considering following suit. But states may soon find themselves pre-empted by Congress, where Rep. Jim McDermott (D-Washington) has introduced HR 3491, which would legalize all online gambling except poker, and Rep. Steve King (R-Oklahoma) has introduced HR 2666, a bill to allow both the states and the federal government to tax it all. Another proposal, HR 2282 by Rep. Joe Barton (R-Texas), would specifically legalize Internet poker.

BIOSIMILARS — Among the Affordable Care Act's many tenets is a provision allowing for an abbreviated pathway to licensure for pharmaceutical drugs deemed to be biologically similar or interchangeable with those already approved by the Food and Drug Administration. To date, five states (Florida, North Dakota, Oregon, Utah, and Virginia) have passed laws that add additional restrictions on the exchange of a biologic drug for a brand name one. This year, at least 11 other states introduced but ultimately rejected similar bills. One — California's SB 598 — made it to Gov. Jerry Brown (D), but was vetoed in October. Bills remain pending only in Massachusetts and Pennsylvania, but ongoing turmoil around implementation of the ACA, as well as a failure by the FDA to issue clear guidelines for biosimilar approval, could produce another wave of such measures in 2014.

TECHNOLOGY-DRIVEN BILLS — Cars that can drive themselves. Small commercial drones for use in everything from agriculture to police work and, yes, maybe even delivering packages. Mysterious Google barges that may or may not be floating retail centers. Genetically modified plants and animals. Electronic cigarettes that produce no smoke but still contain nicotine. Widespread use of social media sites like Facebook and Twitter. These are just a sampling of the numerous technology driven issues lawmakers have been grappling with for the last few years. Odds are very good that these and other issues driven by new technology will continue to play big roles in legislatures in 2014.

MINIMUM WAGE — California Gov. Jerry Brown (D) signed legislation in September raising the Golden State minimum wage to \$10 per hour by 2016. In November, New Jersey voters approved a ballot measure to increase the Garden State minimum wage to \$8.25 an hour. Connecticut Gov. Dannel P. Malloy (D) approved a bill that will hike the Constitution minimum to \$9 per hour by Jan. 1, 2015. New York's Gov. Cuomo (D) made hiking the Empire State minimum wage to \$9 by the end of 2015 part of his 2013 budget, which lawmakers endorsed in March. Recently, the Washington D.C. Council approved a proposal to raise the District's minimum wage to \$11.50. President Barack Obama has voiced his support for a federal minimum wage of at least \$10.10 per hour. With that momentum, efforts to hike the state minimum wage are underway in Massachusetts, Idaho, South Dakota, Minnesota, Alaska, Hawaii, Illinois and Maryland.

FRACKING — The growing use of hydraulic fracturing, or fracking, was a major issue in 2013. Supporters of the controversial oil and natural gas drilling process — which entails injecting chemically treated water thousands of feet deep into the ground to break up oil- and gas-bearing shale deposits — garnered big wins in California and Illinois, which each adopted tough new measures to regulate the process. While more regulation generally wouldn't be seen as a win by drillers, California Gov. Jerry Brown and Illinois Gov. Pat Quinn, both Democrats, were under intense pressure from environmentalists to push for complete bans or moratoriums instead. Now, all eyes will be focused on New York, where Gov. Andrew Cuomo, also a Democrat, has been pondering (and pondering and pondering) whether to lift the Empire State's five-year long fracking moratorium. Cuomo delayed making his decision throughout 2013, and has given no indication of exactly when it will come. Meanwhile, State Net reports that 26 states collectively introduced 176 fracking bills this year. Many would require drillers to disclose the chemicals they are injecting into the ground and to monitor groundwater supplies near those wells. Expect more of the same in 2014.

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(Continued from Page 9)

CONGRESSIONAL WATCH — Congress currently has a number of measures under consideration that would have a major impact on the states: The Marketplace Fairness Act, which would allow states to require online retailers to collect sales tax on Internet purchases; the Water Resources Development Act of 2013, a bill that would authorize and fund billions of dollars in water-related infrastructure projects across the country; multiple measures to delay changes to the National Flood Insurance Program (see “Congress struggles to find balance in flood insurance reform” in the Nov. 18 SNCJ); and a federal farm bill, which among several things funds food assistance for the poor. Congress is not likely to take action on these issues before its current session ends in a few weeks, but if not surely will early in its next one.

WORKPLACE BULLYING — This is an issue that has been bouncing around statehouses for a decade. Many states have in recent years added greater protections for employees based on protected class status: sex or sexual orientation, race, disability, religion or national origin. But bills to protect people from harassment not based on those criteria have never gone far, particularly during times of high unemployment. Now, with the economy slowing improving and unemployment falling, there is renewed interest in this issue. It has received particular attention in recent months after allegations of bullying among players on the Miami Dolphins NFL franchise became national news. Even before that story broke, workplace bullying bills were pending in Massachusetts, New York, Pennsylvania, Vermont, Wisconsin, Hawaii, New Hampshire and New Jersey. At least one state lawmaker, Tennessee Rep. Antonio Parkinson (D), has said he will introduce anti-bullying legislation in 2014. Given the growing notoriety of this issue, lawmakers in several more states are likely to follow suit.

Obama Urges Infrastructure Spending to Spur U.S. Economy

President Barack Obama sought to put aside turmoil with the rollout of the federal health insurance marketplace by focusing on the billions of dollars in public investments he says the U.S. needs to boost the economy.

Speaking at the Port of New Orleans, Obama urged Congress to get past partisan battles and pass a budget that increases spending on science, research and education, and upgrades roads, bridges and ports.

U.S. President Barack Obama speaks at The Port Of New Orleans on November 8, 2013. Obama urged Congress to get past partisan battles and pass a budget that increases spending on science, research and education, and upgrades roads, bridges and ports.

“That creates jobs, it puts people to work,” he said. These are “not partisan issues, they are American issues.”

Obama also prodded lawmakers to pass a farm bill and immigration legislation, two items on his agenda that he has said he wants finished by the end of the year.

Lawmakers are negotiating a budget deal before the current spending authorization runs out Jan. 15.

Obama returned to economic matters after weeks of criticism over a faulty start for the government website where Americans can shop for health coverage and a wave of dissent from Democrats as well as Republicans over cancellations of individual insurance plans for hundreds of thousands of people.

The president briefly addressed the issues surrounding the Affordable Health Care Act, the signature legislative achievement of his first term, saying that the online portal will be fixed and that ultimately most people will find more comprehensive and more affordable insurance.

Job Growth

Obama spoke a few hours after the Labor Department reported that American employers added 204,000 workers to payrolls in October, more than economists projected. The growth occurred in the same month as a 16-day partial government shutdown caused by a standoff between the White House and congressional Republicans over the budget and raising the federal debt ceiling.

Obama said exports can help drive future economic growth. In 2010, the president announced an initiative to double U.S. exports between 2009 to 2014, to \$3.14 trillion. They totaled \$2.2 trillion last year.

The Port of New Orleans, at the mouth of the Mississippi River, is the fifth largest U.S. port as measured by tonnage handled, said Matthew Gresham, a spokesman for the New Orleans Port Authority. The port's cargo business generated about 160,000 jobs and \$17 billion in spending statewide, a port authority fact sheet said.

Exports through New Orleans have climbed by 140 percent since 2009, the White House said in a statement.

Port Goods

Major products flowing through the port include steel, rubber, coffee, containers, chemicals, metals, forest, farm and manufactured goods. The port's facilities serve an average of 1,800 vessels, and it has the world's longest wharf that's more than two miles long.

The Obama administration is negotiating two new trade agreements, one among Pacific nations, and the other with European nations, that if approved would increase U.S. sales of goods and services abroad, adding jobs.

To make the U.S. more competitive, Obama has proposed a \$50 billion program for infrastructure spending to upgrade the nation's bridges, roads and ports.

He's also proposed a "Fix It First" program that would identify projects needing the most urgent upgrades. His push is meant to lure additional private capital to help repair aging public works projects.

Congress hasn't taken any action on either proposal.

Obama Administration Releases 2014 Regulatory Agenda

Just prior to Thanksgiving, the Office of Management and Budget (OMB) released the Unified Regulatory Agenda for 2014 from all federal agencies throughout the U.S. government. The activities included in individual agency agendas are primarily those currently planned to have an Advance Notice of Proposed Rulemaking (ANPRM), a Notice of Proposed Rulemaking (NPRM), or a Final Rule issued within the next 12 months. Please see a Summary of Selected Items Relating to Food Regulation provided by Hogan Lovells. A link to the OMB unified regulatory agenda and pull-down menus to cabinet-level and independent agencies agendas may be found here (Note that sub-cabinet agencies, like FDA, will be found under the HHS agenda).

Budget Conferees Nearing an Agreement

With a deadline to report back to Congress on December 15, the Budget Conference, led by Senator Patty Murray (D-Wash.) and Representative Paul Ryan (R-Wis.), appears to be moving close to a budget agreement that could set spending levels for the next two years.

While there is nearly a \$90 billion difference between the competing budgets passed by the House and Senate earlier this year, it is an encouraging sign that the Budget Conference appears close to an agreement. We do not know at this point how - or whether - the agreement will address the shortfall in the Highway Trust Fund in fiscal year 2015.



Convenience Store News

The Modern Gas Station Celebrates 100th Anniversary

With as many as 200 million drivers expected to fill up over the long Thanksgiving Day weekend, a significant anniversary affecting them went unnoticed on Sunday: the 100th anniversary of the modern gas station. Here are a few statistics regarding today's fueling industry:

- ◆ There are 152,995 retail fueling sites in the United States. This is a steep and steady decline since 1994, when the station count topped 202,800 sites. This count includes 123,289 convenience stores selling fuel, plus grocery stores, truck stops, traditional gas stations and low-volume fueling locations like marinas. (Source: National Petroleum News' MarketFacts; NACS/Nielsen Convenience Industry Store Count)
- ◆ The average convenience store sells roughly 128,000 gallons of motor fuels per month, or approximately 4,000 gallons per day. (Source: NACS State of the Industry 2012 data)
- ◆ U.S. gasoline demand is an estimated 8.7 million barrels per day in 2013, or about 40 million fill-ups per day. (Source: U.S. Energy Information Administration, Short-Term Energy Outlook)
- ◆ Americans travelled 8.04 billion miles per day in 2012. (Source: U.S. Energy Information Administration, Short-Term Energy Outlook)
- ◆ While about half of the convenience stores selling gasoline are "branded" outlets that sell a specific refiner's brand of fuel, less than 0.4% are owned by the major oil companies. Chevron Corp. (406 stores), Shell Oil Products US (23 stores), and ConocoPhillips Inc. (1 store) still own and operate retail locations; ExxonMobil Corp. and BP North America do not own any locations. (Source: Nielsen data)
- ◆ Small light-duty vehicles consume an average of 453 gallons of fuel per year, which equates to 1.24 gallons per day or 8.7 gallons per week. (Source: Federal Highway Administration, Highway Statistics)
- ◆ The retail gross margin (or markup) on gasoline in 2012 was 18.4 cents/gallon, or 5.1% of the price of gas. Over the past five years, gross margins averaged 16.9 cents per gallon. (Source: Oil Price Information Service)
- ◆ Nearly three quarters (72%) of all transactions at the pump are by plastic — either debit or credit card. (Source: NACS State of the Industry 2012 data)
- ◆ Gasoline taxes averaged 49.5 cents per gallon in October 2013; diesel fuel taxes averaged 54.8 cents per gallon in October 2013. (Source: American Petroleum Institute)

A video that looks at 100 years of fueling can be accessed at www.nacstv.com/100years. An information sheet detailing the history of fueling can be found at www.nacsonline.com/gasprices.

Bipartisan Senate Bill Introduced to Fix Menu Labeling

Senators Roy Blunt (R-MO) and Angus King (I-ME) introduced legislation (S.1756) recently that would ensure FDA's menu labeling regulations do not expand to mainstream grocery stores and provides some flexibility to pizza delivery and other establishments covered under the menu labeling law. The bill is a companion to H.R. 1249, which is currently cosponsored by 51 Republican and Democratic House members. FMI issued a statement of support and provided joint-industry support letters to Senators Blunt and King.

In addition, NACS has also been actively engaged with the FDA during the regulatory process, ensuring that the agency understands the convenience store industry's unique perspective on federal nutrition disclosure obligations.

"This legislation would allow FDA to meet the objectives of the menu-labeling law without unnecessarily burdening retailers that rightfully should be outside of its scope," said Beckwith.

Consumers Like 'Green' Car Options – As Long as Green Means Money

Consumers want to see more alternative-fueled vehicles emerge over the next decade, and are willing to consider purchasing one of these vehicles, according to the results of a new consumer survey conducted by the National Association of Convenience Stores (NACS).

Three in five (62%) consumers want to see more hybrid-electric vehicles over the next decade, two in five (43%) want to see more battery electric vehicles and one in three want to see more fuel cell (34%), natural gas, (31%) or flex fuel vehicles (30%), according to the NACS survey conducted nationwide in partnership with Penn, Schoen and Berland Associates LLC.

Consumers don't simply want to see more alternative-fueled vehicle options — they are quite willing to consider buying them within the decade. Three in four (74%) would consider buying a hybrid electric, and three in five would consider purchasing a flex fuel (62%), fuel cell (58%) or battery electric vehicle (58%). Half of consumers would consider a natural gas powered vehicle (53%).

A relatively small 38% of all consumers would consider buying a diesel fuel-powered vehicle over the next decade. However, consumer willingness to consider diesel vehicles has significantly increased since May 2013. Only 31% of consumers who plan to purchase a vehicle in the next two years said that they would consider a diesel vehicle in May, whereas 50% of those consumers today are likely to consider a diesel vehicle.

Interestingly, consumers who say they are open to purchasing these "green" vehicles are heavily motivated by an economic incentive. Two in three consumers say the switch to an alternative fuel would be driven primarily by economic enticements, rather than environmentalism. Economic factors such as increased fuel efficiency or tax breaks are more important than environmental factors for those considering diesel, flex fuel, hybrid electric, propane, fuel cell, natural gas and battery electric vehicles (79%, 75%, 73%, 71%, 68%, 67%, 65%, respectively).

"This consumer survey reinforces what we have long thought: consumers are willing to embrace new fuels and vehicles but it must make sense for them financially," said NACS Vice President of Government Relations John Eichberger. "Consumers are just as wary as fuels retailers about moving toward future fuels if they don't have financial certainty."

Next week, the Fuels Institute, of which NACS is a founding organization, will release "Tomorrow's Vehicles," a report looking at the vehicle market in 2023.

Every month, NACS conducts a nationwide survey in partnership with Penn, Schoen and Berland Associates LLC to measure consumer perceptions about gas prices and how they relate to broader economic conditions. Earlier this week, NACS released its latest consumer sentiment survey that found that recent gas price decreases have helped lead to an increase in consumer optimism. For the survey, 804 gas consumers were surveyed from November 5-6, 2013. The margin of error for the entire sample is +/-3.39 at the 95% confidence interval and higher for subgroups. Summary results from this and previous surveys can be found at www.nacsonline.com/gasprices.

A Vaping State of Mind - E-Cig Company Fireside Chats

*By Bonnie Herzog, Beverage, Tobacco & Convenience Store Research
Wells Fargo Securities, LLC*

Excitement cut through the vapor in the air at our Wells Fargo Securities' Inaugural E-Cig Forum in NYC on Nov. 21st. A sense of momentum was palpable and the atmosphere was buzzing with energy at our conference where we gathered e-cig industry leaders, public health & regulatory experts, and investors. We came away with an even greater conviction that e-cigs will be a game changer and will eventually be margin-enhancing to the tobacco industry. We reiterate our Overweight rating on the tobacco sector as we are increasingly optimistic on e-cigs. Below are the themes that wove a common thread throughout our E-Cig Forum.

(Continued on Page 14)

(Continued from Page 13)

- **Continued Disruptive Innovation Needed to Propel the Category Forward** – Regulation Must Not Stifle Innovation – Nearly all of our forum presenters emphasized the importance of innovation in the burgeoning e-cig category and how crucial it is from a commercial and public health perspective that regulation not impede innovation. The industry generally acknowledges that current generation products are not yet where they need to be from a consumer “product experience” standpoint. This, in addition to possible e-cig seasonality, was suggested as reasons why Nielsen c-store e-cig sales’ growth has decelerated.
- **Entrance of Big Tobacco Welcomed, Not Feared, by Small Companies** – Vast Potential of the Category Implies There’s Room for Responsible Independents and Big Tobacco – Small companies are welcoming Big Tobacco to the e-cig category since the resources Big Tobacco has to put behind technology and advertising should ultimately drive faster category growth. Given the great potential of the category (the addressable market of smokers in the U.S. alone is >40M smokers and >\$80B), we believe there is room for top-tier independent companies that are setting the foundation for strong brands today, including many of those that presented at our conference, as well as Big Tobacco.
- **Early Market Trends Emerging – Premium Brands and Higher- Margin Rechargeables Taking Off** – The industry is moving towards a rechargeable (razor/blade) model where higher margins are generated on the cartridges/refills vs. the disposable model. Therefore, e-cig manufacturer margins can rival or exceed those of combustible cigarettes and based on our interactive model, we anticipate e-cig margins will surpass traditional cig margins in 2017.
- **Most E-Cig Companies Pursuing or Exploring International Expansion** – Likely Driving M&A - We believe successful brands have a vast global opportunity given the nearly \$800B global tobacco market. Though some companies remain focused on the U.S. (for now), most companies that are not yet in markets outside the U.S. expressed a desire to go global, either organically or through combinations or partnerships.
- **Retailers and Wholesalers Embrace E-Cigs Given Attractive Margins (~3x those of cigs)** – Opportunity to Take Back Their Power – Retailers are embracing e-cigs but still are learning their way through how to best manage and merchandise the category. Retailers that have been successful thus far have taken a “category approach” and have educated their employees (similar to wine shops) on the category to drive awareness and trial among smokers.
- **Public Health Panel Suggests a Huge Global Health Opportunity for E-Cigs Despite the Challenges of “Threading a Moving Needle”**—David Sweanor, adjunct professor of law at the University of Ottawa, moderated a panel of industry experts including David B. Abrams, PhD, Clive Bates, and Jean-François Etter, PhD, to discuss current perceptions on public health risks and trends for the e-cig category. Key takeaways include: (1) E-cigs likely significantly less harmful than traditional cigs by an enormous magnitude (98-99% less harmful) and offer a compelling alternative to smokers, which isn’t universally known among smokers since relative risk claims are not allowed; (2) Current studies on e-cigs are both insufficient and often misinterpreted, leading to a misunderstanding about the risks/benefits of e-cigs by both the public and legislators; (3) Ongoing innovation is needed to improve “experiential” aspects of e-cigs and convert more existing smokers; (4) Regulation must be thoughtful and allow for (rather than stifle) innovation and education of the public. Bottom Line – There appears to be a broad belief in the benefits of e-cigs and the vast public health opportunity.
- **Regulators Must “Mind the Gap” of Differences Between Combustible Cigs and E-Cigs and Should Encourage Innovation Through Technology & Good Science Rather Than Stifle it Through Regulation** – Clive Bates, former head of ASH (Action on Smoking and Health) hosted a panel including Neil Wilcox (blu/LO), David Graham (NJOY), and Scott Ballin, JD. The panelists all agreed regulation is good and necessary, but said the regulation of e-cigs must be different than cigs. The panelists generally believe that Mitch Zeller, director of Center for Tobacco Products (CTP) of the FDA, understands this and the industry seems encouraged by his recent comments that regulation of all nicotine products should be comprehensive and based on a continuum of risk. Mr. Wilcox succinctly summarized the principals that he believed regulators should follow as: (1) Encourage robust research; (2) Employ rigorous quality standards; (3) Allow innovation to continue; (4) Regulation should be flexible and (not too rigid); and (5) Ensure e-cigs are promoted to adult smokers only. Bottom Line – We believe there is an active, ongoing dialogue with relevant decision makers and believe forthcoming regulation (expected any day) could be an opportunity for e-cig manufacturers to better educate consumers and convert smokers.

It's Not Quite 'Bah, Humbug!' But Consumer Pessimism Lingers

Despite relatively low gas prices, consumers still aren't feeling great about the economy. For the fourth straight month at least three in five consumers (61%) say that they are pessimistic about economic prospects, according to the latest monthly NACS Consumer Fuels Survey that examines how gas prices affect consumer sentiment.

Women feel significantly worse about the economy than men, with 66% saying that they were pessimistic, compared to 56% of men. There are other significant demographic variations. More than one in four (26%) consumers age 50 or higher said that they are "very pessimistic," compared to only 11% of consumers ages 18 to 34. Consumers in the South and Northeast were equally "very pessimistic" (23%), while only 15% of consumers in the Midwest indicated so.

The national survey of drivers is conducted to measure the effect that gas prices have on consumer sentiment. Once again consumer pessimism increased as gas prices increased, although both increases were slight.

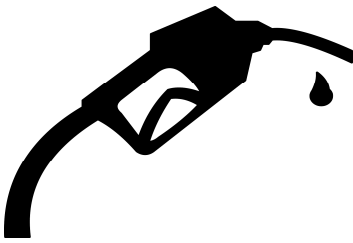
Consumers are also relatively pessimistic about the future — more than half (51%) think that gas prices will be higher next month. This marks the first time in three months that a majority of consumers feel that gas prices will increase.

While consumer pessimism lingers, consumers also say that gas prices have to go significantly higher — and increase more than 60 cents to \$3.93 per gallon — before they would reduce the amount that they drive.

"Consumers remain frustrated by a variety of factors and that shows in our survey results. Pessimism has remained stubbornly high for the past four months even though gas prices have dropped 35 cents per gallon over the same time frame," said NACS Vice President of Government Relations John Eichberger. "The retailers likely to best capture holiday shopping traffic are those who best acknowledge consumer angst and focus on delivering value to shoppers."

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Oil Marketers Update

EPA Addresses "Blend Wall" with Reduced RFS for 2014

The Environmental Protection Agency (EPA) lowered the ethanol mandate and set reduced levels for other biofuels for 2014 in a proposal released Nov. 15. The reductions were a recognition on the agency's part that fuel consumption has declined over the last several years and that today's fuel infrastructure is not able to handle ethanol blends greater than E-10. It also served as an acknowledgement that certain fuels such as cellulosic biofuels have not developed the way Congress envisioned in 2007 under the Energy Independence and Security Act.

For the first time, rather than establishing a specific target for the biofuels fuels, the agency established a range of acceptable levels of the fuels to be blended in the nation's fuel supply.

The proposal seeks comment on a range of total renewable fuel volumes for 2014 and proposes a level within that range of 15.21 billion gallons. Specifically, EPA is seeking comment on the following proposed volumes:

Category	Proposed Volume ^a	Range
Cellulosic biofuel	17 mill gal	8-30 million gallons
Biomass-based diesel	1.28 bill gal	1.28 billion gallons
Advanced biofuel	2.20 bill gal	2.0-2.51 billion gallons
Renewable fuel	15.21 bill gal	15.00-15.52 billion gallons

All volumes are ethanol-equivalent, except for biomass-based diesel which is actual

Energy and Commerce Chairman Fred Upton said the agency's proposal would "alleviate the pressure of the looming blend wall. Yet uncertainty remains for the future. As we monitor EPA's rulemaking developments, our work toward achieving comprehensive reforms and a long-term solution will continue."

For additional details on EPA's proposal, visit <http://www.epa.gov/otaq/fuels/renewablefuels/regulations.htm>. More information on renewable fuels is available at: <http://www.epa.gov/otaq/fuels/renewablefuels/index.htm>.

U.S. to Dominate Global Oil Production by 2015

The United States will surpass Russia and Saudi Arabia to become the world's largest oil producer in 2015, the International Energy Agency (IEA) reported in its long-term energy outlook. American energy production is skyrocketing and America's need for oil imports will all but disappear by 2035, IEA said.

U.S. oil production, led by Texas and North Dakota, is increasing faster than anticipated as oil companies use the techniques of hydraulic fracturing and horizontal drilling to tap oil and natural gas trapped in shale rock, IEA said.

In Brazil, recently discovered offshore oil fields will triple the country's current crude oil output to six million barrels per day by 2035, making it a leading producer and exporter.

While increased oil output from North America and Brazil reduces the role of OPEC countries in supplying oil over the next decade, the Middle East will once again become a key source of oil supply growth worldwide beginning again in the mid-2020s.

PMAA Testifies Before EPA Concerning E15

On December 5th, PMAA President Dan Gilligan testified before the EPA over the agency's 2014 proposed RFS blending volume standards. Specifically, Gilligan highlighted petroleum marketers' concerns about E15. Given underground storage tank (UST) system infrastructure legal and regulatory uncertainties, Gilligan argued that E15 is unlikely to solve the corn-based ethanol blendwall, and therefore, lowering the corn-based ethanol mandate to a level achievable up to an E10 blend with reasonable growth in E85 sales will avoid unintended consequences. "Another reason to lower the ethanol mandate is to prevent the loss of neat Premium in some markets. We are already seeing some refiner-suppliers blending E10 Premium, eliminating consumer choice to purchase fuel without ethanol. Currently, those customers are paying extra for Premium because they need ethanol free gasoline. If RIN values are exorbitant, ethanol-free gasoline could become totally unavailable in some markets, a very negative unintended consequence," Gilligan highlighted.

EPA proposed a modest reduction to the 2014 RFS blending volumes, calling for 15.21 billion gallons of biofuels -- including up to 13.01 billion gallons of corn-based ethanol -- to be blended with gasoline. If EPA were to require 14.4 billion gallons of corn-based ethanol required under The Energy Independence and Security Act of 2007 (EISA) for 2014, refiners would likely hit the ethanol "blend wall" next year given the U.S. is expected to consume approximately 133 billion gallons of gasoline. PMAA supports lowering the corn-based ethanol mandate to approximately 13 billion gallons and maintaining it at this level for the foreseeable future to prevent higher levels of ethanol blended into the nation's fuel supply.

PMAA will submit detailed comments on the agency's proposed 2014 RFS blending volumes. The public comment period closes on Jan. 28, 2014.

CDL Driver Random Drug and Alcohol Test Rates for 2014

The U.S. DOT recently announced CDL driver minimum random drug and alcohol testing rates for 2014. The test rates are the minimum percentage of employees subject to U.S. DOT drug and alcohol requirements who must undergo a random test during the upcoming calendar year. The number of random tests conducted by CDL employers for 2014 must equal at least 50 percent for drugs and 10 percent for alcohol. These are the same rates required in 2013.

Employers of both intrastate and interstate drivers requiring a CDL license are responsible for implementing and conducting driver drug and alcohol testing programs. Employers may do this using their own employees or contract services or by joining together in a drug and alcohol testing consortium that provides services to all member companies. Any individual conducting the drug and alcohol tests must be trained to operate evidential breath testing (EBT) equipment and be proficient in breath testing procedures.

Random alcohol testing must be conducted just before, during or just after a driver's performance of safety-sensitive duties including the transportation, loading or unloading of hazardous materials. The driver is randomly selected for testing from a "pool" of subject drivers. The random testing dates and times are unannounced and must be reasonably spread throughout the year.

Employers are also required to conduct pre-employment drug tests, post accident, reasonable suspicion, return to duty and follow up drug and alcohol tests on CDL drivers under certain circumstances. The test rates for random testing do not apply to pre-employment, post accident, reasonable suspicion, return to duty or follow up tests. Instead these tests are performed on a per occurrence basis.

For more information visit <http://www.fmcsa.dot.gov/safety-security/drug-alcohol/index.aspx>.

Pennsylvania to Raise Wholesale Fuel Tax on Jan. 1; Eliminating Retail Tax

From Jan. 1, Pennsylvania gasoline tax is expected to increase by 9.5cts/gal and diesel tax will rise by 13cts/gal. However, it remains to be seen if wholesale suppliers will pass on the entire tax increases to retailers and consumers, a Department of Transportation spokesman in Harrisburg, Pa., told OPIS.

Some may choose to pass on the entire tax increase to retailers and consumers, and some may only pass on the tax increase partially due to strong competition in the rack and retail markets, he said.

For drivers and consumers to feel the full effect of the hefty state tax increase, the entire fuel tax will need to be passed on through both the wholesale and retail levels.

Some groups in Pennsylvania are encouraging to drivers to drive across state lines to pump gasoline at neighboring states, including New Jersey, Delaware and Maryland. However, it is unclear if retailers would raise pump prices by close to a dime on Jan. 1. Some retailers and wholesalers may absorb the tax increase to stay competitive on the street.

It also remains to be seen if drivers would drive long distances and pay hefty tolls to other states in order to save on gasoline and diesel bills.

The DOT official said that the state is aiming to receive \$2.3 billion from the higher fuel tax in 2019.

Revenues from the gasoline and diesel tax have been essentially flat since 2000 because of high inflation, the DOT official said. At the same time, Pennsylvania needs more funds to maintain and build the fifth-oldest road network in the nation as well as fix problems with bridges, he said.

On the tax increase in January, Pennsylvania will increase the tax percentage with a cap increase to \$1.87/gal for wholesale gasoline from \$1.25/gal, and it will eliminate a 12ct/gal retail tax for gasoline station owners.

The 2014 state gasoline tax is pegged at 40.7cts/gal, compared with 31.2cts/gal state fuel tax for 2013.



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Grocery Highlights

FDA Releases Food Code 2013

In November, the Food and Drug Administration (FDA) released the updated Food Code 2013. The update is a model for state, city, county, tribal, territorial agencies and the industry. According to the FDA the Food Code " is a model for safeguarding public health and ensuring food is unadulterated and honestly presented when offered to the consumer. It represents FDA's best advice for a uniform system of provisions that address the safety and protection of food offered at retail and in foodservice."

A copy of the Food Code is available at <http://www.fda.gov/food/guidanceregulation/retailfoodprotection/foodcode/ucm374275.htm>.

Technomic's Take: 10 Trends for 2014

Technomic, the nation's leading foodservice research and consulting firm, brings together the best judgments of its consultants and editors to peer ahead into 2014, identifying trends that may significantly impact the restaurant industry. These expert insights are based on site visits evaluating the restaurant scene in cities across the country as well as interviews and surveys of operators, chefs and consumers, backed up by qualitative data from its extensive Digital Resource Library and quantitative data from its vast MenuMonitor database.

Some of these developments reflect larger societal trends while others point to specific, emerging food preferences that may or may not take hold in restaurants across the U.S.

1. **Convince me it's real:** Consumers want assurances that what they're eating is real—in every sense of the word. Today's menus describe items far more thoroughly, listing not only the ingredients but also where they came from and how they were prepared. Local sourcing is more important than ever, but beyond that is the idea of being true to place; if the restaurant positions itself as authentically Italian, for instance, it must use ingredients sourced from Italy and/or prepared using authentic Italian methods.
2. **Pushing the parameters of proteins:** Rising commodity costs for beef mean (of course) that chicken will be big again in 2014. However, the latest protein star is pork—appearing in regional barbecue items, in Hispanic and other ethnic fare, in charcuterie and as pulled-pork sandwiches. Also getting time in the spotlight are lamb and game meats, from duck to bison. Beyond meat, look for creative center-of-the-plate egg dishes as well as vegetarian alternatives, from mushrooms to beans to soy-based products like Gardein and Chipotle's Sofritas.
3. **Return of the carbs:** Starches are staging a comeback—from ramen to buckwheat noodles to pasta made with unusual ingredients. Rice bowls (and jasmine rice, basmati rice, brown rice) will be big, in part because of continued fascination with Asian fare and in part because of an association with healthfulness. Look for more in the way of flatbreads, wraps and all kinds of artisan breads, including healthy whole-grain varieties. Waffles as a base or side make traditional savory items like chicken seem edgy.
4. **Creamy, cheesy, high-fat goodness:** The demand for healthier eating is real, but so is the backlash. We'll see even more cheese melts, pasta with creamy sauces, fried appetizers and sides, and oddities like doughnut-based sandwiches. Don't take super-indulgent items too seriously, though; outrageous LTOs like Wendy's nine-patty burger are crafted more for social-media buzz than for eating.
5. **Pucker up:** Forays into less-familiar ethnic cuisines, from Korean to Scandinavian, are partly responsible for growing interest in pickled, fermented and sour foods. Korean kimchi as well as pickled onion, jalapeño, ginger, radish and more are showing up everywhere from ethnic eateries to burger joints. On the beverage menu, the trend is seen in sour cocktails as well as new flavor combinations with sour notes—a reaction to last year's candy-sweet drinks.

(Continued on page 20)

(Continued from Page 19)

6. **Day for night:** Consumers are less likely to eat according to a three-square-meals schedule; they nosh, skip meals, eat breakfast for dinner and vice versa. More restaurants are introducing innovative breakfast items—like chicken, turkey or steak breakfast sandwiches or super-spicy wraps with chipotle or Sriracha—often available all day. And while breakfast-and-lunch-only concepts are building a niche, other operators are promoting late-night breakfast menus, often in conjunction with 24-hour drive-thru service.
7. **Every day part is a snack day part:** As the snacking lifestyle goes mainstream, diners are paradoxically less interested in snack menus per se. Millennials see dollar and dollar-plus menus as the snack menu. LSRs are paying more attention to snack-size handhelds and car-friendly packaging; they're also stepping up their game with grab-and-go or market-style offerings. As FSR customers move away from meat-and-potatoes meals, operators are catering to the snacking-and-sharing ethos with pairings, trios and flights from all parts of the menu—from soup trios to beer samplers to retro popsicle-flight desserts.
8. **On tap:** Tap technology is revolutionizing the beverage world: barrel-stored cold-brewed coffee that can be sent through repurposed beer taps, facilitating a new kind of coffee bar; soda-water taps that allow chefs to create their own fruity soft drinks; wine-on-tap tasting stations in high-end supermarkets; keg-wine bar concepts and retrofits; RFID-card-controlled self-serve beer-tap walls at high-tech pubs.
9. **For fast service, bring your own device:** The fast-casual service model has hit a hiccup: customers specifying every ingredient in their burrito or sandwich make for a slow service line. Operators in every segment are finding new ways to use technology for faster, more accurate ordering. iPad orders placed tableside will be a point of differentiation for a few tech leaders, but we'll primarily see a bring-your-own-device system of advance and inside-the-restaurant ordering—as well as more customer feedback and interactive conversations. In the back of the house, increased use of iPad communication will make new menu items easier to roll out.
10. **Everything is political:** Deliberately or inadvertently, restaurant operators got caught up in political controversy as never before in 2013. Some suffered customer backlash after expressing views related to Obamacare, "family values" or other topics, but others saw increased traffic. Consumers are increasingly aware that the personal is political—that their choices and those of the restaurants they patronize regarding food, treatment of employees and suppliers, sustainability and the environment have real consequences. Consciously or unconsciously, they will gravitate to concepts that share their worldview, and some restaurants will promote this cultural identification.

Top Ten Food Trend Predictions for 2014

Last year SuperMarketGuru.com predicted how weather conditions around the globe would affect crop yields and impact food production and prices; little did we know just how big that impact would be. 2012 brought us the worst drought in 50 years, and created havoc on over 60% of all farmland here in the United States. There is little doubt that, just as the USDA has predicted, food prices will continue to rise for many years to come. The average American spends less than nine percent of their income on food, which is the lowest percentage of citizens of any other country, and less than Americans spent back in 1982 (13 percent) Yet even modest food price increases will affect both retailers and consumers in the coming year.

Snackable mini-meals and frozen foods take center stage in supermarket aisles this year while the "IndieWoman," Millennials and dads get more comfortable and powerful in the kitchen. For 2014, we predict the most dramatic of food changes.

Since 2008 we have worked closely with ConAgra Foods to develop and publicize our Top Trend Forecast. This year we also conducted a survey with the SupermarketGuru.com Consumer Panel on behalf of ConAgra Foods to surface, identify and shine a light on the latest trends and jointly share these with food retailers and further explain the impact and opportunities.

For a more in-depth look at each trend check out The Lempert Report Videos starting tomorrow November 22 – each episode is a single trend.

Our Top Ten Predictions:

1. **The Emergence of the “IndieWoman”:** Almost 31 million strong, the “IndieWoman” is 27 and older, lives alone and has no children and spends \$50 billion on food and beverages each year. They have no time, so look for more brands to offer more semi-homemade meals that use fresh, high-quality ingredients.
2. **Better for You Snacking:** The NPD Group found that as snacking increased, so did an individuals' overall diet quality. Healthy options are on the rise. Look for supermarkets to replace high-sugar, high-fat snacks at the checkout with healthier on-the-go offerings.
3. **Brands Reach Consumers Locally Through Cause Initiatives:** In 2014, brands will find greater purpose in serving the larger community. The ConAgra Foods survey found that 62 percent of consumers appreciate and want to support companies that donate to important social causes.
4. **Click to Cook:** People rely more on their mobile phones when grocery shopping. Next: the ability to select a recipe, order ingredients and check-out directly from mobile devices or in-car touch screens and drive-through windows for quick order pickup.
5. **Supermarkets-The New Culinary Schools:** Grocery stores create “community cooking centers” where shoppers can collaborate and learn from each other, just as they have been doing in social media – now it’s better, and in person!
6. **The Retailer Becomes the Brand:** The ConAgra Foods survey found that 53 percent of consumers shop at a particular retailer because it has good store brand products. No longer will private brands just emulate national brand products, but consumers will see more private label brands creating new unique products.
7. **Rise and Shine--The New Way to Start Your Day:** Breakfast remains one of the most important meals of the day. In 2014, consumers will look to add more protein to their first meal, to live a healthy lifestyle without compromising taste and indulgence. Look for more protein-rich and convenient breakfast options.
8. **Packaging Evolves to Share More with Consumers:** Consumers want more information, but the area of the package is limiting. Using a mobile device, shoppers will learn more about an ingredient or health claim by simply focusing the device on the label to tell where the ingredients come from, who prepared the food, the company’s history and even offer other customer reviews and ratings.
9. **Millenials Make the Supermarket Social:** 57 percent of Pinterest, is made of food related content with one-third saying they have purchased food or cooking items after seeing them on site, according to a survey by PriceGrabber. Next up: “click to buy” for consumers looking to purchase ingredients for a recipe on Pinterest and have them delivered to their homes.
10. **International Restaurant Flavors At Home:** From school cafeterias, to the dining room table, global flavors are sprouting up everywhere. Kids become exposed to global cuisine flavors much younger so, international flavors will be more accepted by these, and their palates will be more sophisticated. Kids influence nearly 80 percent of purchase decisions by families, so look for all shoppers to be eating more international inspired foods.



- ♦ **January 8 - Credit/Debit Cards- Is Your Front-End ready for the EMV Transition?** Presented by Dave Weis, Director of Product Management, First Data
- ♦ **January 22 - Drive Profits, Margins and Loyalty with Price Optimization Technology** Presented by Karen Dutch, Senior Vice President, Marketing
- ♦ **January 29 - AED Awareness** Presented by William Matty, Practice Leader - Retail, CardioReady
- ♦ **February 5 - LP 101 - Taking Loss Prevention to the Next Level** Presented by Bill Alford, President of the International Lighthouse Group

For more information or to register, visit www.nationalgrocers.org/webinars. All NGA Webinars are FREE for members and just \$39 for non-members.



A Vision for the Next Generation

Develop talent now for a successful future

While incentives such as bonuses and profit sharing are important, recognizing achievements and building self-esteem are priceless.

Some business owners procrastinate or avoid communicating their succession plans because they fear how family members and employees might react. However, their silence may actually create more stress and cause harm to the business. Most employees—including family members—will feel more secure about the future if they know what to expect and how they will fit in.

It's never too late to develop a business succession plan. But the earlier you start, the better. Estate planning experts agree that long-term plans to transfer businesses are generally much more successful than those "patched together" following the unexpected death or disability of an owner.

Business succession actually begins with each employee's first day on the job.

Think about it, whether he or she is one of your children or a high school student working part-time, that young person could someday be the head of the company.

Experts agree—succession planning includes creating an environment that motivates employees to use their talents and skills to reach their full potential and contribute to the success of the business. Sounds simple, but how do you accomplish it?

Perhaps a mentor program or an apprenticeship is a good start. Talented young people are more likely to stay with the company if they feel involved in something bigger than their own job. It is wise to provide opportunities by matching experienced workers with newer employees to guide them as they grow in their jobs.

As employees gain experience, they become assets to your business and their value increases. Providing key employees opportunities to gain well-rounded business experience through cross-functional training and experience is admirable. This no doubt helps them become dependable managers who can make good decisions and take initiatives to improve operations.

It's Our Business to Protect Yours[®]



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Miscellaneous

One Stop Secures Education Grants for 28 WV Schools

One Stop, a chain of convenience stores headquartered in Charleston, WV, announced that they have successfully secured \$500 grants for 28 West Virginia schools through the ExxonMobil Educational Alliance Program.

Michael Graney, President of One Stop, said, "One Stop is a part of many communities throughout the state and we are proud to be able to support our local schools. It is our hope that these grants will help enhance educational opportunities for our state's children."

Graney said secondary schools in Kanawha, Putnam, Cabell, Raleigh, Jackson, Logan, Doddridge, Marion, Monongalia, Harrison, and Mercer Counties received grants. One Stop representatives worked with school officials from around the state and ExxonMobil to apply for the funding.

Membership Directory

By now you have received your 2013 - 2014 OMEGA Membership Directory. We hope you are as happy with this publication as we are.

We do want to apologize to Witschey's Market and Woodford Oil Company, who were inadvertently left out of this publication. They were included in the information that was given to the printer, but then were not in the publication once we received it. To make amends, the printer provided a sticker, which was sent to all members to place on Page 80 in their directories. We do apologize for any inconvenience this may have caused.

If the information listed in the directory is not correct for your company, please contact the Association Office so that we may update our records.

Children's Home Society Video Features OMEGA President

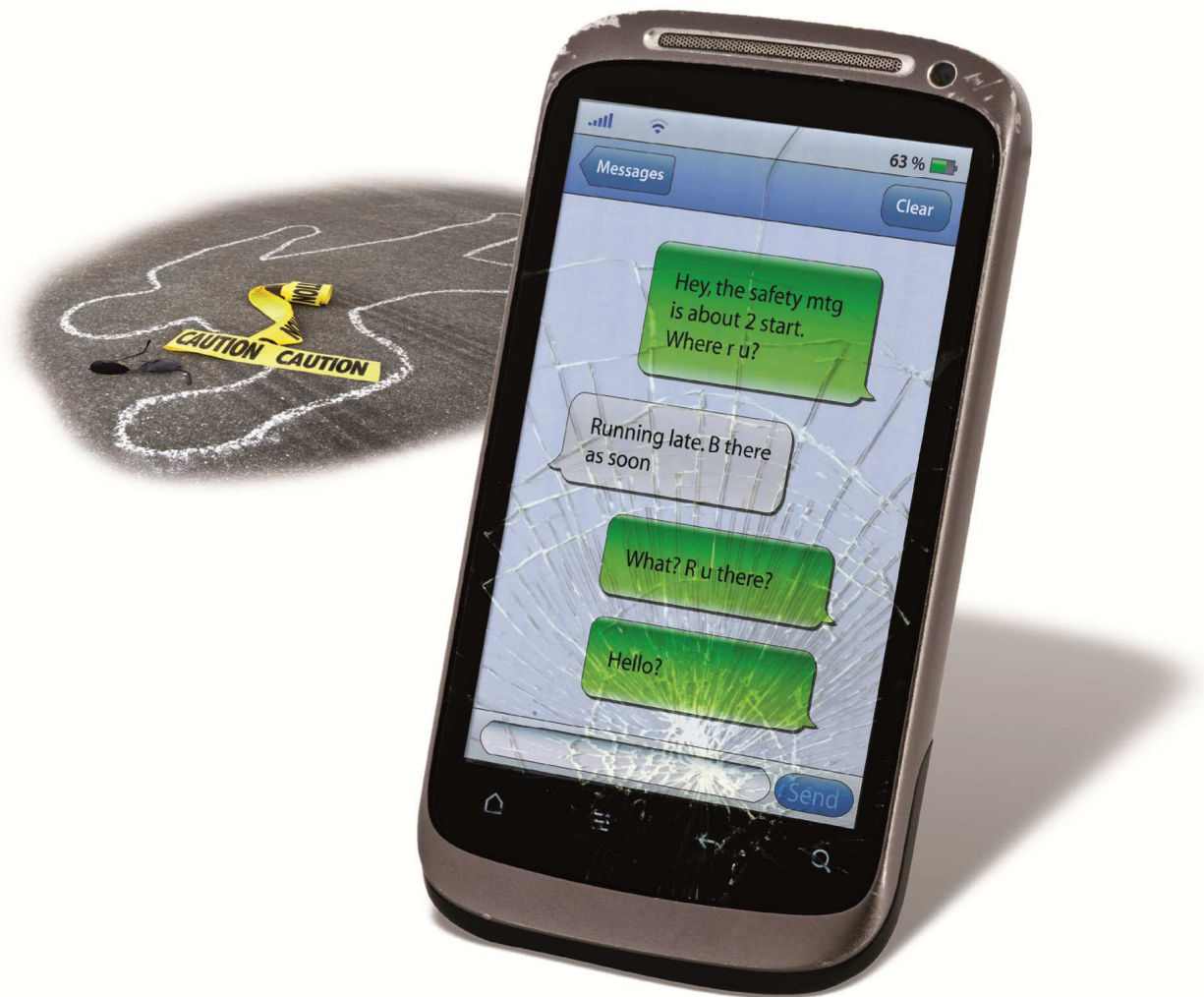
Recently, our President, Jan Vineyard, was asked to participate in a video for the Children's Home Society. We couldn't be more thrilled with how it turned out! We hope you enjoy it. Visit this link to view: <http://www.youtube.com/watch?v=-FVgbA8jjR0>.

Calendar of Events

**2014 Trade Expo & Golf Outing
May 13 - 15, 2014
Waterfront Place Hotel
Morgantown, WV**

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is a Monthly Publication of**

**West Virginia Oil Marketers and Grocers Association
2006 Kanawha Blvd., East
Charleston, WV 25311
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