BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

CERTAIN RIPE OLIVES FROM SPAIN

TESTIMONY OF MICHAEL SEIDEL

May 24, 2018

Good afternoon. My name is Michael Seidel and I am here today representing Performance Food Group, Inc. as the corporate Director of Category Management for our Performance Foodservice division. Our corporate office is located in Richmond, Virginia.

Performance Food Group, Inc., which I will refer to as PFG, is the third largest foodservice distributor in the United States at $17.5 Billion in sales. We sell over 150,000 food service products to over 100,000 customers, coast to coast from over 70 distribution centers.

I started my Foodservice career 21 years ago as a salesman for SYSCO, I had 30-40 customers who received weekly deliveries, including deliveries of ripe olives. I know the ripe olive market well. At PFG each year we handle over 8200 tons of ripe olives from both imported and domestic sources. Specifically, we handle imported ripe olives in our PFG brands from Spain, Morocco or other approved countries, and we handle domestic ripe olives from Bell-Carter and Musco in our lineup as well.

Nationally, 29% of all food service olive sales are sold to customers who identify their establishments as Pizza or Italian. PFG has an over 60-year legacy in this Pizza/Italian segment, allowing us to have a 46% share of all olives sold to this customer segment by broadline distribution within the market areas that we compete. These customers, along with sandwich shops, are often high-volume customers concentrated in specific size ranges demanding steady, consistent supply over the course of the year. The most frequent type of ripe olive purchased by these customers is small, sliced olives. Overall, sliced olives likely comprise 65% percent of all food service sales in this market. In the U.S. market, imported sources dominate this size and segment, not because of price, but because the domestic industry cannot meet the volume requirements in this category given their own, limited production base. This is why the domestic industry is such a limited player in the institutional / food service segment. They have to calibrate their sales given both their overall volume limitations and also their limitations in specific size ranges. They look for customers that represent the best fit given their limitations. When Bell-Carter or Musco olives enter the equation in our sales, it is typically because some customers want and specify domestic olives for their needs. With only two suppliers in the U.S. available (Bell and Musco) our choices are limited. Simply put, I have to have domestic product for select customers and I do what I can to work within the domestic industry's production limitations given acreage conditions in California.

Frankly speaking, I do not see this trend ever changing. Whether it is Spanish ripe olives, or some other offshore source, imports will continue to dominate the institutional food service segment. There will not be any real shift in volumes from imported ripe olives to domestic ripe olives as a result of this case. I travel globally and I have viewed olive orchards and processing plants in several countries. Countries like Morocco or Egypt are well positioned to take up any supply gap in this market. They already are. Others are not far behind. Where a processing plant is present, the incremental capital investment to produce ripe olives is minimal. Market entry is not that difficult. For example, within the last week alone I was in Peru looking at olive orchards and can tell you it would not take much to have Peru enter this market in a more significant way, joining others who are already here.

Finally, I want to emphasize that there are the price limits associated with this product. Ripe olives with a California origin represent 9.1% of all ripe olives sold in broadline Foodservice distribution. That share is up from 8.8% last year, but there were 3245 fewer pounds sold overall. This means the market for ripe olives is flat. There are more than idle concerns that as you push the limits of pricing, you will actually curtail consumption. That can take any number of forms, ranging from outright elimination of ripe olives from the menu, to reducing the count on individual food units. My understanding is that this kind of contemplation within the food service industry is very real and we have to mindful of this fact.

What I also know is that a reputation for consistent quality and supply is utmost important in purchasing decisions. Our customers expect a 99.5% order fulfillment. The domestic ripe olive crop is not as annually stable and plentiful as the global supply. Moreover, labor scarcity in California, along with higher taxes, water costs, and intense environmental regulations create real uncertainties among buyers. Buyers see table olive acreage declining in California in response to these forces and they have doubts. These factors definitely influence food service distributor purchasing decisions. And I have no doubt that with continuing acreage declines large retail outlets also view the domestic supply situation with some concern. It is only natural to start thinking about supply chain diversification and limiting exposure to supply risks.

That concludes my testimony. I welcome any questions you may have.