

September 10, 2012

To all Safeway Suppliers,

RE: In-Bound Pallet Receiving Procedure Update

Safeway is writing to reiterate our determination to not participate in pallet exchanges, and to advise you of the pallet receiving procedure that will become effective on December 30, 2012.

Restatement of Procedure Effective September 1, 2007

Safeway will no longer exchange white wood pallets.

All white wood pallets will become the property of Safeway upon delivery. Because of the offsetting reduction in supplier transportation and accounting expenses, we will not expect, and will not accept, an increase in cost of goods based on this practice.

Shipping guidelines

All pallets, including pallet pools, are required, at a minimum, to meet the attached specifications. Pallets that do not meet such specifications may, at Safeway's option, be rejected at the receiving dock.

All pallets must be 40x48.

No floor stacking on trailers (all product, unless otherwise agreed, must be palletized).

Slipsheets must be pre-approved by Safeway Supply Chain Strategies.

Exceptions

Alternate pallet sizes for firm orders or displayers must be authorized through Safeway Supply Chain Strategies.

Inbound Pallet Receiving Procedure - Effective December 30, 2012

Safeway will accept, on in-bound shipments, only white wood and CHEP pallets.

Provided, however, that if Safeway decides, in its sole discretion, to accept a shipment (or a portion thereof) on another type of pallet, Safeway will do so only as a Non-participating Distributor. Safeway will not be responsible for any increase in cost of goods attributable to the instructions set forth in this procedure or to acceptance of non-conforming pallets.

If a vendor is interested in shipping on CHEP pallets, the contact information is:

CHEP - All DC locations – goblue@chep.com or (800) 243-7255

Safeway continues to review supply chain costs and options for goods handling and increased efficiencies in our Distribution Centers. If you have any questions regarding these procedures, please contact Mike Peterson at mike.peterson@safeway.com or (925) 226-9567.

Regards,

Evan Rainwater
GVP, Logistics