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February 18, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Ms. Johnson,

SUPERVALU, INC. respectfully submits the comments below on the proposed rule on debit card interchange fees and routing rules.

SUPERVALU INC. is one of the largest companies in the U.S. grocery channel with annual sales of approximately \$38 billion and 150,000 employees. SUPERVALU serves customers across the United States through a network of approximately 4,270 stores composed of approximately 1,140 traditional retail stores, including 816 in-store pharmacies; 1,240 hard-discount stores, of which 890 are operated by licensee owners; and 1,890 independent stores serviced primarily by the company's traditional food distribution business. Our independent retailers and licensees are subject to the highest interchange rates as they do not qualify of the published network tiers.

We would like to comment on Reasonable and Proportional Interchange Fees, Limitations on Payment Card Routing Restriction, Fraud Prevention Adjustment and Prohibition on Circumvention or Evasion.

Section 235.3 - Reasonable and Proportional Interchange Transaction Fees

SUPERVALU, INC. recommends Alternative 1 that calls for a 7 cent safe harbor with a 12 cent cap over Alternative 2. However, we believe that the 7 cent safe harbor should be closer to the 4 cent weighted average that was documented in the proposed rule. We believe that if Alternative 2 is adopted, issuers will not set pricing below 12 cents. Issuers have proven in the past that they will charge as much as they possibly can. Additionally, 12 cents is three times the documented costs of authorization, clearing and settlement as required by the legislation. We believe that Alternative 1 will foster greater competition and ultimately lower cost of goods for consumers.

Section 235.7 – Limitations on Payment Card Routing Restrictions

SUPERVALU, INC. recommends Alternative 2 that calls for two unaffiliated networks for each type of authorization method – signature, PIN, or other – because more choice will lead to greater competition in the market which will benefit consumers. If Alternative 1, two unaffiliated networks is adopted we run the risk of Visa and MasterCard dominating the debit market to an even greater extent than they do today. We also run the risk of PIN debit, the most secure payment method, being eliminated all

together. That would obviously impact consumer choice, security and cost due the higher fraud risk of signature debit.

Section 235.4 – Fraud Prevention Adjustment

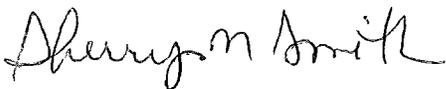
SUPERVALU, INC. supports the fraud adjustment position that was submitted to the Federal Reserve by the Merchants Payments Coalition.

Section 235.6 – Prohibition on Circumvention or Evasion

SUPERVALU, INC. recommends a wide circumvention policy which is reviewed and modified if needed on a regular basis. We believe that significant penalties should be imposed if an issuer or network circumvents the rule. Without enforcing a circumvention policy we run several risks of costs shifting to retailers and ultimately to consumers. Historically, networks have forced fraud prevention costs, such as encryption upgrades, onto merchants without justification. We also need to be vigilant to ensure that networks do not shift issuer fees onto merchants and acquirers. This could be done through both new, non-interchange fees, or by increasing existing dues, assessments and network fees. Finally, new products and technologies must be evaluated to ensure that they are not being implemented to circumvent the rule. Debit is debit – if it comes out of a checking account it is debit.

SUPERVALU, INC. strongly supports the Federal Reserve implementing these critically important provisions on debit card interchange fees. Additionally, we hope there will be no change to the implementation timeline. Ultimately, as these proposed changes take effect we believe they will help bring the excessive fees down and benefit consumers.

Sincerely,



Sherry M. Smith
Executive Vice President &
Chief Financial Officer