EXHIBIT 53

Statement of Craig Fullmer
Safeway, Inc.
at the
Stabilization and Marketing Plan Hearing
Regarding Class 1 Pricing Formulas
May 3, 2005
Sacramento, California

Mr. Hearing Officer and Members of the Panel:

My name is Craig Fullmer and I am a Director of Dairy for Safeway. My job functions include dairy industry relations, procurement and involvement in the operation of our manufacturing plants. I work with our 8 dairy manufacturing plants throughout the Western United States. Our two largest plants are located in California. Our San Leandro plant processes fluid products only, while our Commerce plant also manufactures cultured products. Safeway's Vice President of Government Relations and Legislative Affairs approved my testimony at this hearing, as he is involved in policy that affects our business.

I am here today to support Dairy Institute's petition to revise Class 1 pricing and to bring clarity to Class 1 processing and marketing. The Class 1 price is higher than needed to insure an adequate supply of milk. Class 1 sales are languishing and per capita consumption of fluid milk products has fallen faster in California than in the rest of the country. We agree with Dairy Institute that Class 1 consumers are paying more than their fair share to support the state's dairy policy. The resulting drop in sales of consumer milk is further evidence that the current pricing plan is not serving the public interest. Class 1 prices need to be reduced so as to foster more equality of raw product costs among processors vying for the same customer dollar. I believe competitive problems associated with the Producer-Distributor advantage have been well documented at previous hearings.

The current California dairy market structure and the arguments set forth in Dairy Institute's testimony provide sufficient justification for a reduction in California's Class 1 price levels. However, we believe that the panel needs to understand the realities of the situation and choices that our company faces on a daily basis. Processors in California are facing increasing pressure from outside the state. Every day there is milk moving into our state from nearby marketing areas. There has been some analysis done that would suggest there is more than a $2/CWT advantage to bring milk in from out of state compared to California's Class 1 price. Millions of gallons of raw and packaged milk move into California from outside the state each month, much of it unregulated. This is mostly Class 1 milk and is taking away revenue from our California processors and producers. Safeway has millions of dollars invested in our processing plants, and as more and more milk from outside the state is allowed to enter unrestricted, we will continue to lose volume, become unprofitable, and eventually will be forced to exit the California market. Our store divisions always have the option to source milk from non-Safeway plants if we are not able to provide them with a competitively price product. We must remain competitive with the surrounding markets and with others that supply milk to our marketplace, whether they are regulated or not.

As a processor for a publicly traded grocery retailer, we are forced to find ways to remain competitive and drive shareholder value. In our business, the single largest component of the cost of a carton of milk is the milk itself. This provides great motivation to search out the most economical method of procuring raw milk. There are times that it has made sense for processors such as us to bring milk in from out of state, either in raw or in packaged form, in order to lower our cost and remain competitive.

If California is to have different dairy policy mechanisms and milk pricing systems from other states, and a separate milk costing methodology from both regulated and unregulated supplies originating outside the state, we must ensure our policy keeps us competitive with the surrounding marketing areas or we will face continued erosion of the Class 1 usage in California and the continued reduction in the blend price, resulting in loss of income to the California producer. As a processor operating plants within California, we prefer to procure milk from local sources, all other things being equal, and will endeavor to do so as long as the California milk supply is competitively priced. A sound economic policy should be adopted that appropriately prices California milk for fluid purposes, taking into account relevant dairy market economics and the competitive realities of the marketplace. Dairy Institute's proposals are such a policy.

Thank you for your attention and consideration of our views on this important petition submitted by Dairy Institute. I am willing to answer any questions that you may have at this time and I ask for the opportunity to file a post-hearing brief.