

VILLAGE SUPER MARKET INC
Form 10-Q
March 08, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended: January 29, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

Commission File No. 0-2633

VILLAGE SUPER MARKET, INC.
(Exact name of registrant as specified in its charter)

NEW JERSEY
(State of other jurisdiction of incorporation or
organization)

22-1576170
(I. R. S. Employer Identification No.)

733 MOUNTAIN AVENUE, SPRINGFIELD, NEW
JERSEY
(Address of principal executive offices)

07081
(Zip Code)

(973) 467-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) (Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

Indicate the number of shares outstanding of the issuer's classes of common stock as of the latest practicable date:

| | |
|---------------------|-----------|
| | March 8, |
| | 2011 |
| Class A Common | 7,066,623 |
| Stock, No Par Value | Shares |
| Class B Common | 6,376,304 |
| Stock, No Par Value | Shares |

VILLAGE SUPER MARKET, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VILLAGE SUPER MARKET, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in Thousands) (Unaudited)

| | January 29, 2011 | July 31, 2010 |
|--|---------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 75,092 | \$ 69,043 |
| Merchandise inventories | 37,592 | 36,256 |
| Patronage dividend receivable | 3,735 | 8,758 |
| Other current assets | 12,490 | 11,825 |
| Total current assets | 128,909 | 125,882 |
| Note receivable from Wakefern | 18,852 | 18,204 |
| Property, equipment and fixtures, net | 174,002 | 175,286 |
| Investment in Wakefern | 20,910 | 20,263 |
| Goodwill | 10,605 | 10,605 |
| Other assets | 4,621 | 6,889 |
| | \$ 357,899 | \$ 357,129 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of capital and financing lease obligations | \$ ---- | \$ 13 |
| Current portion of notes payable to Wakefern | 341 | 341 |
| Accounts payable to Wakefern | 48,069 | 47,088 |
| Accounts payable and accrued expenses | 25,628 | 24,434 |
| Income taxes payable | 13,091 | 12,805 |
| Total current liabilities | 87,129 | 84,681 |
| Capital and financing lease obligations | 40,465 | 40,351 |
| Notes payable to Wakefern | 1,307 | 1,480 |
| Other liabilities | 26,906 | 24,842 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Class A common stock - no par value, issued 7,544 shares at January 29, 2011 and 7,541 shares at July 31, 2010 | 34,318 | 32,434 |
| Class B common stock - no par value, 6,376 shares issued and outstanding | 1,035 | 1,035 |
| Retained earnings | 179,542 | 185,790 |
| Accumulated other comprehensive loss | (9,951) | (10,421) |
| Less cost of Class A treasury shares (477 at January 29, 2011 and 513 at July 31, 2010) | (2,852) | (3,063) |
| Total shareholders' equity | 202,092 | 205,775 |

| | | |
|--|------------|-----------|
| | \$ 357,899 | \$357,129 |
|--|------------|-----------|

See accompanying Notes to Consolidated Condensed Statements.

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VILLAGE SUPER MARKET, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(in Thousands except Per Share Amounts)
(Unaudited)

| | 13 Wks. Ended Jan. 29, 2011 | 13 Wks. Ended Jan. 23, 2010 | 26 Wks. Ended Jan. 29, 2011 | 26 Wks. Ended Jan. 23, 2010 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Sales | \$ 329,917 | \$ 315,309 | \$ 637,314 | \$ 618,093 |
| Cost of sales | 241,276 | 229,153 | 467,746 | 451,369 |
| Gross profit | 88,641 | 86,156 | 169,568 | 166,724 |
| Operating and administrative expense | 72,106 | 70,166 | 141,183 | 138,543 |
| Depreciation and amortization | 4,582 | 4,063 | 9,118 | 8,033 |
| Operating income | 11,953 | 11,927 | 19,267 | 20,148 |
| Interest expense | (1,069) | (905) | (2,137) | (1,853) |
| Interest income | 507 | 490 | 1,031 | 986 |
| Income before income taxes | 11,391 | 11,512 | 18,161 | 19,281 |
| Income taxes | 4,775 | 4,775 | 7,611 | 8,002 |
| Net income | \$ 6,616 | \$ 6,737 | \$ 10,550 | \$ 11,279 |
| Net income per share: | | | | |
| Class A Common Stock: | | | | |
| Basic | \$.59 | \$.61 | \$.94 | \$ 1.01 |
| Diluted | \$.49 | \$.50 | \$.78 | \$.83 |
| Class B Common Stock: | | | | |
| Basic | \$.38 | \$.39 | \$.61 | \$.66 |
| Diluted | \$.38 | \$.39 | \$.61 | \$.65 |

See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in Thousands) (Unaudited)

| | 26 Weeks Ended January 29, 2011 | 26 Weeks Ended January 23, 2010 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 10,550 | \$ 11,279 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,118 | 8,033 |
| Deferred taxes | 268 | (1,400) |
| Provision to value inventories at LIFO | 300 | 150 |
| Non-cash share-based compensation | 1,369 | 1,555 |
| Changes in assets and liabilities: | | |
| Merchandise inventories | (1,636) | (1,571) |
| Patronage dividend receivable | 5,023 | 3,950 |
| Accounts payable to Wakefern | 981 | 1,381 |
| Accounts payable and accrued expenses | 1,194 | (170) |
| Income taxes payable | 286 | 3,822 |
| Other assets and liabilities | 3,869 | (7) |
| Net cash provided by operating activities | 31,322 | 27,022 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (7,834) | (11,589) |
| Maturity of (investment in) notes receivable from Wakefern | (648) | 15,079 |
| Net cash provided by (used in) investing activities | (8,482) | 3,490 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from exercise of stock options | 515 | 122 |
| Excess tax benefit related to share-based compensation | 211 | 92 |
| Principal payments of long-term debt | (719) | (5,307) |
| Dividends | (16,798) | (5,238) |
| Net cash used in financing activities | (16,791) | (10,331) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,049 | 20,181 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 69,043 | 54,966 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 75,092 | \$ 75,147 |
| SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS MADE FOR: | | |
| Interest | \$ 2,137 | \$ 1,964 |
| Income taxes | \$ 6,846 | \$ 5,487 |
| NON-CASH SUPPLEMENTAL DISCLOSURES: | | |
| Investment in Wakefern | \$ 647 | \$ 590 |

See accompanying Notes to Consolidated Condensed Financial Statements.

VILLAGE SUPER MARKET, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(in Thousands) (Unaudited)

1. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly the consolidated financial position as of January 29, 2011 and the consolidated results of operations and cash flows for the thirteen and twenty-six week periods ended January 29, 2011 and January 23, 2010 of Village Super Market, Inc. ("Village" or the "Company").

The significant accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements in the July 31, 2010 Village Super Market, Inc. Annual Report on Form 10-K, which should be read in conjunction with these financial statements.

2. The results of operations for the periods ended January 29, 2011 are not necessarily indicative of the results to be expected for the full fiscal year.

3. At both January 29, 2011 and July 31, 2010, approximately 67% of merchandise inventories are valued by the LIFO method while the balance is valued by FIFO. If the FIFO method had been used for the entire inventory, inventories would have been \$14,129 and \$13,829 higher than reported at January 29, 2011 and July 31, 2010, respectively.

4. The Company computes net income per share using the two-class method, an earnings allocation formula that calculates basic and diluted net income per share for each class of common stock separately based on dividends declared and participation rights in undistributed earnings. Under the two-class method, our Class A common stock is assumed to receive a 54% greater participation in undistributed earnings than our Class B common stock, in accordance with the classes respective dividend rights.

Diluted net income per share for Class A common stock is calculated utilizing the if-converted method, which assumes the conversion of all shares of Class B common stock to shares of Class A common stock on a share-for-share basis, as this method is more dilutive than the two-class method. Diluted net income per share for Class B common stock does not assume conversion of Class B common stock to shares of Class A common stock.

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The tables below reconcile the numerators and denominators of basic and diluted net income per share for all periods presented.

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|----------|----------------|----------|
| | January 29, 2011 | | | |
| | Class A | Class B | Class A | Class B |
| Numerator: | | | | |
| Net income allocated, basic | \$ 4,017 | \$ 2,447 | \$ 6,403 | \$ 3,905 |
| Conversion of Class B to Class A shares | 2,447 | --- | 3,905 | --- |
| Effect of share-based compensation on allocated net income | --- | --- | --- | --- |
| Net income allocated, diluted | \$ 6,464 | \$ 2,447 | \$ 10,308 | \$ 3,905 |
| Denominator: | | | | |
| Weighted average shares outstanding, basic | 6,799 | 6,376 | 6,788 | 6,376 |
| Conversion of Class B to Class A shares | 6,376 | --- | 6,376 | --- |
| Dilutive effect of share-based compensation | 138 | --- | 122 | --- |
| Weighted average shares outstanding, diluted | 13,313 | 6,376 | 13,286 | 6,376 |

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|----------|----------------|----------|
| | January 23, 2010 | | | |
| | Class A | Class B | Class A | Class B |
| Numerator: | | | | |
| Net income allocated, basic | \$ 4,072 | \$ 2,506 | \$ 6,811 | \$ 4,199 |
| Conversion of Class B to Class A shares | 2,506 | --- | 4,199 | --- |
| Effect of share-based compensation on allocated net income | 17 | (17) | 25 | (27) |
| Net income allocated, diluted | \$ 6,595 | \$ 2,489 | \$ 11,035 | \$ 4,172 |
| Denominator: | | | | |
| Weighted average shares outstanding, basic | 6,727 | 6,376 | 6,723 | 6,376 |
| Conversion of Class B to Class A shares | 6,376 | --- | 6,376 | --- |
| Dilutive effect of share-based compensation | 132 | --- | 135 | --- |

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| | | | | |
|---|--------|-------|--------|-------|
| Weighted average shares outstanding, diluted | 13,235 | 6,376 | 13,234 | 6,376 |
|---|--------|-------|--------|-------|

Outstanding stock options to purchase Class A shares of 4 and 30 were excluded from the calculation of diluted net income per share at January 29, 2011 and January 23, 2010, respectively, as a result of their anti-dilutive effect. In addition, 256 and 256 non-vested restricted Class A shares, which are considered participating securities, and their allocated net income were excluded from the diluted net income per share calculation at January 29, 2011 and January 23, 2010, respectively, due to their anti-dilutive effect.

5. Comprehensive income was \$6,851 and \$11,020 for the thirteen and twenty-six week periods ended January 29, 2011, and \$6,930 and \$11,665 for the thirteen and twenty-six week periods ended January 23, 2010. Comprehensive income consists of net income and amortization of net losses on benefit plans, net of income taxes.

6. The Company sponsors four defined benefit pension plans. Net periodic pension cost for the four plans includes the following components:

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--|----------------|----------|----------------|----------|
| | 1/29/11 | 1/23/10 | 1/29/11 | 1/23/10 |
| Service cost | \$ 724 | \$ 572 | \$ 1,448 | \$ 1,144 |
| Interest cost on projected benefit obligations | 633 | 583 | 1,266 | 1,166 |
| Expected return on plan assets | (510) | (426) | (1,020) | (852) |
| Amortization of gains and losses | 390 | 320 | 780 | 640 |
| Amortization of prior service costs | 2 | 2 | 4 | 4 |
| Net periodic pension cost | \$ 1,239 | \$ 1,051 | \$ 2,478 | \$ 2,102 |

As of January 29, 2011, the Company has contributed \$16 to its pension plans in fiscal 2011. The Company expects to contribute an additional \$2,984 during the remainder of fiscal 2011 to fund its pension plans.

7. Effective August 1, 2010, Village adopted a new accounting standard which changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The adoption had no impact on the Company's consolidated financial position or results of operations.

8. On December 3, 2010, the Board of Directors declared a special dividend of \$1.25 per Class A common share and \$.8125 per Class B common share. The \$14,005 of special dividends were paid on December 28, 2010 to shareholders of record at the close of business on December 15, 2010.

9. The state of New Jersey audited the Company's tax returns for fiscal 2002 through 2005 and assessed a tax deficiency related to nexus and the deductibility of certain payments between subsidiaries. The Company contested this assessment through the state's conference and appeals process. During fiscal 2011, Village received a determination that the Company's protest was denied. The Company has filed a complaint against the New Jersey Division of Taxation contesting this decision. The ultimate resolution of this matter could significantly increase or decrease the total amount of the Company's unrecognized tax benefits, which were \$11,249 at January 29, 2011.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

(Dollars in
Thousands)

OVERVIEW

The Company operates a chain of 26 ShopRite supermarkets in New Jersey and northeastern Pennsylvania. Village is the second largest member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative and owner of the ShopRite name. As further described in the Company's Form 10-K, this ownership interest in Wakefern provides Village many of the economies of scale in purchasing, distribution, advanced retail technology and advertising associated with larger chains.

The Company's stores, five of which are owned, average 57,000 total square feet. Larger store sizes enable Village to offer the specialty departments that customers desire for one-stop shopping, including pharmacies, natural and organic departments, ethnic and international foods, and home meal replacement.

The supermarket industry is highly competitive. The Company competes directly with multiple retail formats, including national, regional and local supermarket chains as well as warehouse clubs, supercenters, drug stores, discount general merchandise stores, fast food chains, dollar stores and convenience stores. Village competes by using low pricing, superior customer service, and a broad range of consistently available quality products, including ShopRite private labeled products. The ShopRite Price Plus card and the co-branded ShopRite credit card also strengthen customer loyalty.

We consider a variety of indicators to evaluate our performance, such as same store sales; percentage of total sales by department (mix); shrink; departmental gross profit percentage; sales per labor hour; and hourly labor rates.

During fiscal 2010 and the first two quarters of fiscal 2011, the supermarket industry was impacted by changing consumer behavior due to the weak economy and high unemployment. Consumers are increasingly cooking meals at home, but spending cautiously by trading down to lower priced items, including private label, and concentrating their buying on sale items.

RESULTS OF OPERATIONS

The following table sets forth the major components of the Consolidated Condensed Statements of Operations of the Company as a percentage of sales:

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--------------------------------------|----------------|----------|----------------|----------|
| | 1/29/11 | 1/23/10 | 1/29/11 | 1/23/10 |
| Sales | 100.00 % | 100.00 % | 100.00 % | 100.00 % |
| Cost of sales | 73.13 | 72.68 | 73.39 | 73.03 |
| Gross profit | 26.87 | 27.32 | 26.61 | 26.97 |
| Operating and administrative expense | 21.86 | 22.25 | 22.15 | 22.41 |
| Depreciation and amortization | 1.39 | 1.29 | 1.43 | 1.30 |
| Operating income | 3.62 | 3.78 | 3.03 | 3.26 |
| Interest expense | (.32) | (.29) | (.34) | (.30) |
| Interest income | .15 | .16 | .16 | .16 |
| Income before taxes | 3.45 | 3.65 | 2.85 | 3.12 |
| Income taxes | 1.45 | 1.51 | 1.19 | 1.30 |
| Net income | 2.00 % | 2.14 % | 1.66 % | 1.82 % |

Sales. Sales were \$329,917 in the second quarter of fiscal 2011, an increase of 4.6% from the second quarter of the prior year. Sales increased due to the opening of the Washington, NJ replacement store on February 21, 2010 and a same store sales increase of 3.1%. This compares to a same store sales decrease in the second quarter of the prior year of 1.7% and flat same store sales in the first quarter of fiscal 2011. Same store sales increased due to improved sales in the Marmora store, which opened in May 2009 and is now included in same store sales, higher sales in one store due to a store closing by a competitor, a substantial increase in transaction counts and a slight increase in average transaction size. Inflation had a slight positive impact on sales in the second quarter of fiscal 2011. Sales continue to be impacted by changing consumer behavior due to economic weakness which has resulted in increased sale item penetration and trading down. Village expects same store sales in fiscal 2011, excluding the impact of the 53rd week in the prior year, to range from 1% to 3%. New stores and replacement stores are included in same store sales in the quarter after the store has been in operation for four full quarters. Store renovations are included in same store sales immediately.

Sales were \$637,314 in the six-month period of fiscal 2011, an increase of 3.1% from the prior year. Sales increased due to the opening of the Washington, NJ replacement store and a same store sales increase of 1.6%. Same stores sales increased due to improved sales in the Marmora store, higher sales in one store due to a competitive closing and higher transaction counts. These improvements were partially offset by reduced sales at two stores due to competitive store openings.

Gross profit. Gross profit as a percentage of sales decreased .45% in the second quarter of fiscal 2011 compared to the second quarter of the prior year primarily due to decreased departmental gross margin percentages (.43%), lower patronage dividends (.30%) and higher LIFO charges (.07%). These declines were partially offset by lower warehouse assessment charges from Wakefern (.33%). Gross profit was favorably impacted by receipt of patronage dividends from Wakefern greater than estimated amounts accrued in both the second quarter of fiscal 2011 (.14%) and 2010 (.38%).

Gross profit as a percentage of sales decreased .36% in the six-month period of fiscal 2011 compared to the corresponding period of the prior year primarily due to decreased departmental gross margin percentages (.23%), higher promotional spending (.12%) and lower patronage dividends (.10%). These declines were partially offset by decreased warehouse assessment charges from Wakefern (.09%).

Operating and administrative expense. Operating and administrative expense as a percentage of sales decreased .39% in the second quarter of fiscal 2011 compared to the second quarter of the prior year primarily due to lower payroll and benefit costs (.33%), partly due to operating leverage from the 3.1% same store sales increase. These improvements were partially offset by increased snow removal cost.

Operating and administrative expense as a percentage of sales decreased .26% in the six-month period of fiscal 2011 compared to the corresponding period of the prior year primarily due to decreased payroll and benefit costs (.27%).

Depreciation and amortization. Depreciation and amortization expense increased in the second quarter and six-month periods of fiscal 2011 compared to the corresponding periods of the prior year due to depreciation related to fixed asset additions, including the new Washington store.

Interest expense. Interest expense increased in the second quarter and six-month periods of fiscal 2011 compared to the corresponding periods of the prior year due to an amendment of a store lease near the end of fiscal 2010 being treated as a capital lease.

Interest income. Interest income was similar in the second quarter and six-month periods of fiscal 2011 compared to the corresponding periods of the prior year as amounts invested and interest rates were comparable.

Income Taxes. The effective income tax rate was 41.9% in both the second quarter and six-month periods of fiscal 2011 compared to 41.5% in the corresponding periods of the prior year.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results of operations. These policies require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's critical accounting policies relating to the impairment of long-lived assets and goodwill, accounting for patronage dividends earned as a stockholder of Wakefern, accounting for pension plans, accounting for share-based compensation, and accounting for uncertain tax positions, are described in the Company's Annual Report on Form 10-K for the year ended July 31, 2010. As of January 29, 2011, there have been no changes to any of the critical accounting policies contained therein.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$31,322 in the six-month period ended January 29, 2011 compared with \$27,022 in the corresponding period of the prior year. This increase is primarily attributable to the refund of amounts the Company had placed in escrow to fund a property acquisition. During the first six months of fiscal 2011, Village used cash to fund dividends of \$16,798 and capital expenditures of \$7,834. Capital expenditures include the purchase of land for future development.

On December 28, 2010, the Company paid special dividends totaling \$14,005, consisting of \$1.25 per Class A common share and \$.8125 per Class B common share. The Board of Directors declared these dividends to provide a return to shareholders in 2010, instead of 2011, while tax rates on dividends remained low. This action was taken before the 15% tax rate was extended. The Board's current intention is to pay quarterly dividends in 2011 in a range of \$.06 - \$.12 per Class A share (\$.039 - \$.078 per Class B share). The Board will reconsider dividend policy and other methods of providing returns to shareholders in 2012 based on a variety of factors, including tax rates on dividends and capital gains in effect at that time.

Village has budgeted approximately \$12,000 for capital expenditures in fiscal 2011. Planned expenditures for the remainder of the fiscal year include several small remodels. The Company's primary sources of liquidity in fiscal 2011 are expected to be cash and cash equivalents on hand and operating cash flow generated in fiscal 2011.

Working capital was \$41,780 at January 29, 2011 compared to \$41,201 at July 31, 2010. The working capital ratio was 1.5 to 1 at both January 29, 2011 and July 31, 2010. The Company's working capital needs are reduced since inventories are generally sold by the time payments to Wakefern and other suppliers are due.

There have been no substantial changes as of January 29, 2011 to the contractual obligations and commitments discussed on page 7 of the Company's Annual Report on Form 10-K for the year ended July 31, 2010, except for an additional \$647 required investment in Wakefern common stock.

OUTLOOK

This Form 10-Q contains certain forward-looking statements about Village's future performance. These statements are based on management's assumptions and beliefs in light of information currently available. Such statements relate to, for example: economic conditions; expected pension plan contributions; projected capital expenditures; cash flow requirements; and legal matters; and are indicated by words such as "will," "expect," "should," "intend," "anticipates," "believes" and similar words or phrases. The Company cautions the reader that there is no assurance that actual results or business conditions will not differ materially from the results expressed, suggested or implied by such forward-looking statements. The Company undertakes no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof.

- We expect same store sales to range from 1% to 3% in fiscal 2011, excluding the impact of the 53rd week that occurred in fiscal 2010.
- During fiscal 2010 and the six months of fiscal 2011, the supermarket industry was impacted by changing consumer behavior due to the weak economy and high unemployment. Consumers are increasingly cooking meals at home, but spending cautiously by trading down to lower priced items, including private label, and concentrating their buying on sale items. Management expects these trends to continue at least through the remainder of fiscal 2011.
 - We expect slight retail price inflation in fiscal 2011. Fiscal 2010 was deflationary.
- We have budgeted \$12,000 for capital expenditures in fiscal 2011, which includes the purchase of land for future development and several small remodels.
- On December 28, 2010, the Company paid special dividends of \$14,005. The Board of Directors declared these dividends to provide a return to shareholders in 2010, instead of 2011, while tax rates on dividends remained low. This action was taken before the 15% tax rate was extended. The Board's current intention is to pay quarterly dividends in 2011 in a range of \$.06 - \$.12 per Class A share (\$.039 - \$.078 per Class B share). The Board will reconsider dividend policy and other methods of providing returns to shareholders in 2012 based on a variety of factors, including tax rates on dividends and capital gains in effect at that time.
- We believe cash flow from operations and other sources of liquidity will be adequate to meet anticipated requirements for working capital, capital expenditures and debt payments for the foreseeable future.
 - We expect our effective income tax rate in fiscal 2011 to be 41-42%.
-

We expect operating expenses will be affected by increased costs in certain areas, such as medical and pension costs, and credit card fees.

Various uncertainties and other factors could cause actual results to differ from the forward-looking statements contained in this report. These include:

- The supermarket business is highly competitive and characterized by narrow profit margins. Results of operations may be materially adversely impacted by competitive pricing and promotional programs, industry consolidation and competitor store openings. Village competes with national and regional supermarkets, local supermarkets, warehouse club stores, supercenters, drug stores, convenience stores, dollar stores, discount merchandisers, restaurants and other local retailers. Some of these competitors have greater financial resources, lower merchandise acquisition cost and lower operating expenses than we do.
- The Company's stores are concentrated in New Jersey, with one store in northeastern Pennsylvania. We are vulnerable to economic downturns in New Jersey in addition to those that may affect the country as a whole. Economic conditions such as inflation, deflation, interest rates, energy costs and unemployment rates may adversely affect our sales and profits.
- Village purchases substantially all of its merchandise from Wakefern. In addition, Wakefern provides the Company with support services in numerous areas including supplies, advertising, liability and property insurance, technology support and other store services. Further, Village receives patronage dividends and other product incentives from Wakefern. Any material change in Wakefern's method of operation or a termination or material modification of Village's relationship with Wakefern could have an adverse impact on the conduct of the Company's business and could involve additional expense for Village. The failure of any Wakefern member to fulfill its obligations to Wakefern or a member's insolvency or withdrawal from Wakefern could result in increased costs to the Company. Additionally, an adverse change in Wakefern's results of operations could have an adverse affect on Village's results of operations.

- Approximately 93% of our employees are covered by collective bargaining agreements. Any work stoppages could have an adverse impact on our financial results. If we are unable to control health care and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs.
- Village could be adversely affected if consumers lose confidence in the safety and quality of the food supply chain. The real or perceived sale of contaminated food products by us could result in a loss of consumer confidence and product liability claims, which could have a material adverse effect on our sales and operations.
- We believe a number of the multi-employer plans to which we contribute are underfunded. As a result, we expect that contributions to these plans may increase. Additionally, the benefit levels and related items will be issues in the negotiation of our collective bargaining agreements. Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. The failure of a withdrawing employer to fund these obligations can impact remaining employers. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans, government regulations and the actual return on assets held in the plans, among other factors.
- Our effective tax rate may be impacted by the results of tax examinations and changes in tax laws, including the dispute with the state of New Jersey described in note 9 of the accompanying notes to the consolidated condensed financial statements.

RELATED PARTY TRANSACTIONS

A description of the Company's transactions with Wakefern, its principal supplier, and with other related parties is included on pages 9, 18 and 21 of the Company's Annual Report on Form 10-K for the year ended July 31, 2010. There have been no significant changes in the Company's relationship or nature of transactions with related parties during the six months of fiscal 2011, except for additional required investments in Wakefern common stock of \$647.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At January 29, 2011, the Company had demand deposits of \$58,298 at Wakefern earning interest at overnight money market rates, which are exposed to the impact of interest rate changes.

At January 29, 2011, the Company had an \$18,852 15-month note receivable due from Wakefern earning a fixed interest rate of 7%. This note is automatically extended for additional, recurring 90-day periods, unless, not later than one year prior to the due date, the Company notifies Wakefern requesting payment on the due date. This note currently is scheduled to mature on February 26, 2012.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures at the end of the period. This evaluation was carried out under the supervision, and with the participation, of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer, along with the Company's Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

There have been no significant changes in internal controls over financial reporting during the second quarter of fiscal 2011.

PART II - OTHER INFORMATION

Item 6. Exhibits

Exhibit 31.1 Certification

Exhibit 31.2 Certification

Exhibit 32.1 Certification (furnished, not filed)

Exhibit 32.2 Certification (furnished, not filed)

Exhibit 99.1 Press Release dated March 8, 2011

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Village Super Market,
Inc.
Registrant

Date: March 8, 2011 /s/ James
Sumas
James Sumas
(Chief Executive
Officer)

Date: March 8, 2011 /s/ Kevin R.
Begley
Kevin R. Begley
(Chief Financial
Officer)