

Farmer Jack exit spares both stores in Detroit

Independent grocers step in; Kroger purchases 20 sites

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BY MARGARITA BAUZA

FREE PRESS BUSINESS WRITER

Editor's note: *This story incorrectly reported the areas Farmer Jack's owner, the Great Atlantic & Pacific Tea Co., is leaving. In fact, it is not leaving the Maryland and Washington, D.C., markets.*

Farmer Jack will cease to exist by 6 p.m. today following a long battle for survival in metro Detroit that will end with 45 stores changing hands and 21 closing their doors -- including several in wealthy suburban neighborhoods.

Meanwhile, the two Detroit stores have buyers, allaying fears that residents would be left with fewer supermarket options and surrounding retailers would suffer from diminished foot traffic.

A list of Farmer Jack closures and purchases obtained by the Free Press shows:

- Kroger, based in Cincinnati, bought 20 stores, the highest number of any buyer.
- Independent grocers acquired 15 stores, including the two Detroit locations -- one on Jefferson Avenue and one on Livernois.
- Hollywood Market will walk away with three stores, in Lake Orion, Rochester Hills and Madison Heights.
- VG's bought two stores near its Fenton headquarters and one in Shelby Township.
- Busch's acquired two stores -- one in South Lyon and one in Novi.
- Oakridge Supermarket snapped up a store in Clinton Township.
- Hiller's Markets bought a store in Commerce Township.

The Great Atlantic & Pacific Tea Co., Farmer Jack's owner, will close stores in well-to-do cities such as Rochester Hills, Canton and Clarkston.

People familiar with the situation say the June 20 list from A&P provides the latest information on the stores' status. It's not certain whether all the acquired stores will reopen as grocery stores or whether closing sites will remain closed.

In desirable areas such as Rochester Hills, the company might not have found buyers to take over leases that were undervalued. A&P might try to sublet those after it closes down its grocery

business, said Dave Long, senior associate with CB Richard Ellis, a commercial real estate company based in Southfield.

News that the Detroit stores will remain open is a relief to many. Residents have long complained that the city doesn't have enough quality grocery stores, forcing them to travel beyond the city limits for good prices and products. "I'm glad they are going to independents and are not being left abandoned," said Jane Shallal, president of the Associated Food and Petroleum Dealers.

Rosalind Hardeman, who lives on Detroit's east side, said she was elated to hear that the Jefferson store has an owner.

"We need a supermarket here," she said, adding that she considers the Jefferson Farmer Jack her store. "Not to take away from the mom-and-pop operations, but this is good for the area."

Mike's Fresh Market owner Jamal Abro confirmed Thursday that he bought the Farmer Jack on Livernois. He will take it over today and close it for renovations for three weeks. There is another Mike's Fresh Market on Gratiot in Detroit.

Long said the decision to shutter stores probably had more to do with the competitive landscape in some areas than store performance.

For example, one Canton store is closing, a location where Kroger already has three stores. Wal-Mart has two stores there and is opening a third. And Meijer has two stores in Canton.

"Kroger has an absolute stranglehold in some places," Long said.

The Rochester Hills location is a good one, Long said, but it's likely no one wants to go head-to-head with Kroger there.

"Kroger's buying power gives them the ability to extract some discounts from manufacturers," he said. "It's hard for anyone to compete with that."

Many stores have been closing this week without a major announcement from A&P. The chain has not returned calls seeking comment.

Kroger is in the process of renovating 19 of the 20 stores it purchased. Six stores are scheduled to open today.

Hollywood shut down stores Thursday and will start to bring inventory to those sites today. They will be closed for a couple of days.

Hiller's plans to close the Commerce Township location today for about 90 days to renovate, but the bank will remain open. Owner Jim Hiller said the store on Union Lake Road would be gutted and completely renovated with new machinery and products.

"I'm not keeping one thing they have in there," Hiller said.

A&P is also exiting other markets, including New Orleans, Virginia and the Carolinas. The company is strongest in New York, New Jersey and Philadelphia, said supermarket analyst Robert Gorland, based in Harrisburg, Pa.

Buyers have said A&P has been asking between \$1 million and \$2 million for each store, but declined to elaborate. Expensive leases have been an issue in the sale of Farmer Jack stores. Toward the end of negotiations, A&P was negotiating both on the prices of the stores and the costs of the leases.

Farmer Jack's demise is a result of a combination of things, including competition from super centers, Kroger and independents, Gorland said.

A&P has closed several Farmer Jack stores over the years and even attempted to open stores under a no-frills format in 2004 that it called Food Basics. That strategy proved unsuccessful.

"With Farmer Jack, there's not one main reason," Gorland said. "They were slowly dropping in sales for years and years."

A&P acquired Farmer Jack from Borman Inc. in 1989. The company has operated in the Detroit area for more than 75 years.

Thousands of Farmer Jack workers being laid off this week are still looking for work, many at Kroger. Many workers say they are waiting to hear whether they'll get second interviews.

"They are going to need a lot of these people," Gorland said. "You just can't train these people overnight."

Contact **MARGARITA BAUZA** at 313-222-6823 or mbauza@freepress.com.