

Curtains for Cub Foods here Most stores to be taken over by other grocers

October 3, 2006

By Sandra Guy, Business Reporter

Cub Foods will exit the Chicago area market by early December, and the stores will be sold to Central Grocers Cooperative and Grand Mart International Market, a Korean family-owned grocer.

Among Central Grocers Cooperative's members are Ultra, Garden Fresh Market and Strack & Van Til groceries.

The Cub stores will be closed while they are redone as a variety of discount groceries, full-service supermarkets and Asian-themed grocery stores. They are expected to reopen early in the New Year. No financial terms of the sale were disclosed.

Cub Foods was sold in January to private equity players, led by hedge fund Cerberus Capital Management of New York, as part of a deal in which Jewel-Osco stores were sold to Supervalu and stand-alone Osco drugstores sold to CVS. Jewel-Osco's old owner, Albertson's, divested the Cub Foods chain to avoid concerns that a new Jewel owner would dominate the Chicago market.

The hedge fund closed four underperforming Cub Foods stores and 13 in-store pharmacies.

Central Grocers will take 14 of the Chicago area's 21 Cub stores, and Grand Mart will take six, said James Denges, vice president and assistant general manager of Central Grocers, headquartered in Franklin Park. Central Grocers' members include Garden Fresh Market and Strack & Van Til, which operates its own grocery stores and the Ultra discount stores.

One Cub Food store, in Matteson, lacks a buyer.

Five of the 21 stores will be converted into low-cost Ultra stores.

"Bringing Ultra to the western suburbs is opening a new area for us," Denges said. It has one Ultra store in Forest Park.

Two locations will operate as full-service Strack & Van Til grocery stores, including the Cub Foods on Elston Avenue.

Strack & Van Til, a northwest Indiana grocery company with \$217 million in fiscal 2005 revenues, had operated two Cub Food stores as franchises for more than a decade -- in south suburban Lansing and Chicago Heights -- before converting them to Ultra stores about six years ago, said David Wilkinson, president of Strack & Van Til.

Four of the Cub Food stores will operate as Garden Fresh Market stores, which specialize in selling fresh produce and meats at discount prices.

Garden Fresh, owned by independent proprietor Adi Mor, operates five stores in the Chicago area, including one in the city limits at 5701 W. Belmont.

The company will close its Garden Fresh store in Mundelein and turn it into a warehouse because it sits next to a Cub Foods that Garden Fresh is acquiring, said Dan O'Neill, vice president of operations at the Wheeling-based retailer.

"We are very excited. We've had an expansion plan in mind for the last five years, and this allows us to make a bigger expansion in one move," O'Neill said.

Grand Mart, whose family owners could not be reached for comment, devotes 60 percent of its merchandise to Asian and Latino foods, according to media reports.

Cub Foods' 1,800 employees, many union members, were told Monday afternoon they will be terminated. Federal law requires they be notified in advance. They may interview for jobs with the new grocers. Of the new owners, Strack & Van Til and Ultra employ union workers, but Garden Fresh Market does not.

Retail analyst Neil Stern of Chicago's McMillan Doolittle consulting firm said the new owners will bring shoppers a greater variety of local choices.