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Robin Buckson / The Detroit News

"They have quality meats and good selection. You just don't get that at a lot of stores in Detroit," says Janet Shipp of Detroit.

Farmer Jack for sale

9,500 jobs in limbo as A&P tries to unload 70 area stores; 16 more are already being sold.

By Tenisha Mercer and Karen Dybis / The Detroit News

Farmer Jack, the 75-year-old Detroit grocery store dynasty, is searching for a buyer to keep 70 southeast Michigan stores open after its parent company, the Great Atlantic & Pacific Tea Co., said Tuesday it plans to sell the chain after 16 years of ownership.

Farmer Jack is on the block because it has been unable to carve out a successful niche in the ultra-competitive grocery store market, where paper-thin profit margins and the rise of Wal-Mart as the nation's biggest grocer are squeezing out traditional supermarkets.

The move creates uncertainty for 9,500 Farmer Jack employees and tens of thousands of customers who have shopped at Farmer Jack for



Ankur Dholakia / The Detroit News

"I love coming here," said Avis Zoma, 24, of West Bloomfield, who enjoys the wide selection at the Farmer Jack in West Bloomfield. "It's like a mini-Meijer. It'd be rough if they closed."

Farmer Jack history

1924: Jewish Russian immigrant Tom Borman opens a neighborhood grocery

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decades. But analysts say several potential buyers could emerge and the chain could grow under the right ownership because Farmer Jack stores are in good locations and have relatively strong profit potential.

Shoppers like Lynda Rochelau were surprised by A&P's decision, but hope the sale improves the chain's performance and product selection.

"There's no way this store is going to close -- it's busy all the time here," said Rochelau, 48, who shopped Tuesday at the Farmer Jack on Orchard Lake Road in West Bloomfield. A&P officials said they are selling all of the company's Midwest operations, which includes 88 Farmer Jack stores in Michigan and Ohio, as well as its Canadian division, in an attempt to revitalize the troubled grocery store empire.

Montvale, N.J.-based A&P said it will use the proceeds from the sale of Farmer Jack to pay down its debt and refocus on its core operations in the northeast. A&P said it lost \$5.7 million, or 15 cents per share, in the three months ending Feb. 26 on sales of \$2.56 billion.

A&P plans to sell 70 well-performing Metro Detroit Farmer Jack stores as a single entity but there is no guarantee a new owner would not close more stores or shelve the Farmer Jack name.

A&P spokesman Richard DeSanta said 16 stores will be sold to independent food retail chains, including nine discount Food Basics stores and two Farmer Jacks in Metro Detroit that have already been purchased. He declined to name the buyer. Those 11 stores had been expected to close.

All the stores yet to be sold will continue to operate until a buyer is found, a process that could take several months, Farmer Jack President Mike Carter said in an interview Tuesday with The Detroit News.

store, Tom's Quality Meats, at 12th and Forest in Detroit. In 1927, his brother Abraham "Al" Borman starts his own store on Kercheval on the city's east side. The brothers eventually form a partnership.

1945: The brothers split up, with Tom developing Lucky Stores and Al developing Food Fair markets.

1955: The two operations merge into Food Fair, operating under the corporate entity Borman Food Stores Inc.

1959: Now operating as Borman's Inc., the business sells more than 400,000 shares of stock, with the Bormans retaining control. Proceeds from the stock sale fuel a buying binge: Borman's buys State Super Markets of Ferndale, American Stores Inc., acquires nine Lipson-Gourwitz Co. markets in Detroit and plans an expansion to 46 stores.

1966: Borman announces it will open three suburban shopping centers that will contain gas stations, car washes, garden supply stores, Yankee discount stores and food stores -- which will operate under the new moniker of "Farmer Jack."

1972: There are about six major grocery chains competing in the region, including Chatham and Great Scott! In a speech, Paul Borman says A&P's move to discount-type stores has just about destroyed the supermarket industry.

1987: Company struggles to keep Detroit-area stores operating during a strike by clerks and cashiers, who are supported by meat cutters and the Teamsters. Borman's eventually buys out 800 workers at a cost of \$12.9 million. This starts a period of losses that will eventually prompt the sale to A&P.

1989: During a decade of merger-mania in the supermarket business, Great Atlantic & Pacific Tea Co. Inc. (A&P) pays \$76 million for 79 Farmer Jack stores operated by Borman's.

Analysts note the combined companies will place A&P in the No. 1 position in the Metro Detroit market with a 36 percent share.

1994: Nearly all A&P stores in Metro Detroit have been converted to Farmer Jack stores.

1995: Farmer Jack opens its first new store in Detroit since 1987, along with another one in Troy. Since 1992, the chain has invested \$110 million in capital projects, including new stores, renovations, expansions and face-lifts for 94 of 99 stores.

2002-03: With its latest president fired, Farmer Jack struggles to retain market share. The chain reorganizes Metro Detroit operations, closing four stores in addition to

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It is uncertain how Farmer Jack employees will be affected by the sales. Kenneth Dalto, a retail consultant in Farmington Hills, said employees could be asked to accept wage concessions and 10 to 15 percent of the work force could lose their jobs if new owners consolidate store operations.

Local 876 of the United Food and Commercial Workers union, which represents Metro Detroit Farmer Jack workers, did not respond to requests for comment.

Farmer Jack has long dominated the grocery landscape in Metro Detroit, which was a primary reason A&P bought the chain from its founders, the Borman family. Brothers Al and Tom Borman opened their first grocery store together in the 1920s as Food Fair Market and built the supermarket chain into a Michigan institution under the Farmer Jack name.

A&P, which purchased the chain from Borman's Inc. in 1989, consolidated its stores with the area's Farmer Jack locations because of its brand recognition, symbolized by the smiling, big-chinned "Farmer Jack" mascot.

"The best option for us to grow is to have a new owner that would have the capital to invest in our stores," Farmer Jack's Carter said. "We have a strong market presence, a strong brand name. We think a new owner will want to continue the use of the Farmer Jack."

Farmer Jack has "significant profit and growth potential," but the chain would not receive the attention it needs as A&P restructures, A&P Chairman and CEO Christian Haub said Tuesday during a conference call.

Grocery and turnaround analysts say Farmer Jack could find a buyer among chains such as Milwaukee-based Roundy's or Idaho-based Albertson's because its remaining stores are in good locations, have relatively strong profit potential and

cutting its headquarters staff in half. A 64,000-square-foot store opens at the corner of Jefferson and St. Jean, becoming the largest Farmer Jack in Detroit. About 30 24-hour stores trim their hours to cut costs. At one point in 2003, the company closes all stores for 37 hours and relaunches itself by unveiling lower food prices and dropping its Bonus Saving Club discount plan.

2004: With A&P fighting for financial survival, Farmer Jack announces plans to close 13 stores in Metro Detroit. Three of them reopen as deep-discount Food Basics stores, while seven other Farmer Jack stores convert to Food Basics, which are launched to great fanfare.

2005: A&P announces in April that Food Basics in Metro Detroit will be closed or sold. On Tuesday, A&P announces the plan to divest itself of all Midwestern Farmer Jack operations.

CyberSurvey

Struggling Farmer Jack

As a worker or shopper, do you consider Farmer Jack as being essential in your neighborhood?

Yes

No

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could grow under the right ownership.

"There are opportunities for other chains or independents to pick up the stores," said Jon Hauptman, vice president of Willard Bishop Consulting, a Chicago-area grocery consulting company. "A&P will be able to get a reasonably good dollar for their operations there."

A&P and the grocery store industry as a whole have struggled with increased competition from all types of retail formats. As a result, chains have become more aggressive on price, cost savings through consolidation and marketing to an ever-fickle consumer.

"Farmer Jack got lost and they didn't see who was coming from behind them," said Farmington Hills retail consultant Kenneth Dalto. "You've got big-box chains like Wal-Mart combining traditional grocery stores with department stores and they've knocked grocery stores out."

Ultimately, Farmer Jack was never able to distinguish itself.

"The key to the grocery business is to pick one or two things and do them very well," said Michael Sarafa, president of the Associated Food Dealers of Michigan, a trade group of independent grocers in Farmington Hills. Hauptman said the only way A&P could improve its core business is by selling its better-performing stores in the Midwest and Canada.

"Success, and in some cases, even survival for (chains like Farmer Jack) depends on developing and operating a truly differentiated offering," Hauptman said. "In Michigan and Ohio in particular, the markets are dominated by competitors like Meijer, Kroger and Wal-Mart's supercenters, which is not the most appealing environment in which to grow a more traditional supermarket brand."

Farmer Jack has long been beset by financial woes.

It tried to reinvent itself several times over the past three years, introducing slogans, updating its stores and outfitting its employees in cheerful new uniforms. But these changes resulted in little progress, and the chain had to shutter dozens of locations and ask its workers for wage and benefit concessions.

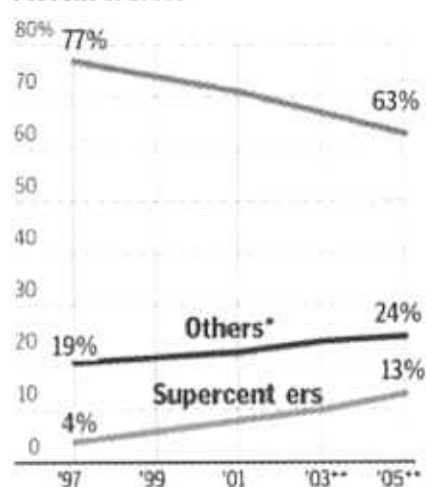
Last March, A&P tried to revive 10 underperforming Metro Detroit Farmer Jacks by transforming them into Food Basics -- discount stores with a pared-down product line and lower prices.

"Usually, a corporate owner like A&P would take a look at the chain and say, 'Do we see light at the end of the tunnel? Do we support these losses until this thing gets turned around?'" said James McTevia, chairman of James V.

Where dollars go

Traditional supermarkets are losing sales and market share as U.S. households spend more of their money at warehouse club stores and supercenters.

Percent of sales



*Includes club stores, limited assortment grocery, convenience stores, discount stores and cash-and-carry stores.

**Projected, most recent data available

Source: Management Ventures Inc.

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McTevia & Associates, a turnaround firm in Eastpointe. "They're getting clobbered and they are getting out." With grocery industry profit margins typically 1 percent, Farmer Jack had little room for missteps.

"It's a tough time to compete in the grocery store business in Michigan," said Sarafa of the Associated Food Dealers. "We have a depressed economy, higher unemployment."

Farmer Jack shopper Gabe Guzman, 20, of Mount Clemens said he didn't mind Farmer Jack being sold but worries what changes will happen as the result of a new buyer.

"I like Farmer Jack because it's close to where I live," said Guzman, who is blind and takes public transportation to shop at the Farmer Jack on Cass and Groesbeck in Mount Clemens. "Farmer Jack has been pretty consistent as far as quality goes. I hope they don't close."

Farmer Jack still remains southeast Michigan's top grocery chain. Its market penetration is still greater than Kroger, but the margin has slimmed to only a few tenths of a percentage point, Hauptman said.

Still, the new owner must find a way to distinguish the ailing chain.

"They have to have a niche," said Dalto, the Farmington Hills consultant. "They aren't going to beat Wal-Mart and Costco on price, so they've got to redefine Farmer Jack."

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Farmer Jack stores in Metro Detroit



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