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Donna Terek / The Detroit News

"I hate that it (might close)," says Charles Hicks. "I think it's bad for the neighborhood, but that's how things are going for the city -- everybody's moving out."

All Michigan Farmer Jack stores for sale

Parent company A&P reviews bids to unload chain

Joel J. Smith and Jennifer Youssef / The Detroit News

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Farmer Jack's worst-kept secret is now out in the open: The Great Atlantic & Pacific Tea Co. plans to sell the 66-store Southeastern Michigan supermarket chain by the end of the summer.

A&P confirmed Tuesday that it is reviewing multiple bids for the stores, most of which are in Metro Detroit. The company did not say who the buyers might be or disclose financial terms.

CEO Eric Claus said the stores will be sold in groups. He said the sale was necessary because of poor sales performance of the

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Farmer Jack stores in Michigan and A&P's strategy to focus its resources on its core supermarket business in the Northeast.

"While this is the correct action for A&P, it is also a difficult one," Claus said in a statement. "We appreciate their (employees') efforts and commitment as well as the patronage of our shoppers and regret that ongoing market conditions and other priorities necessitated this action."

Retail analysts said A&P had hoped to sell the Farmer Jack chain to one bidder, but there was no interest in the whole package. As a result, the company is committed to selling Farmer Jack piecemeal.

A&P had committed to keeping at least 60 Michigan stores open through March 5 of this year, after reaching a 10 percent wage-cutting agreement with union workers of the struggling grocery chain two years ago.

A&P, which has 406 stores in nine states and the District of Columbia, bought Farmer Jack stores in 1989. Its stock closed Tuesday at \$33.39, up 27 cents. The stock has climbed 30 percent this year.

Employees and labor union officials have been notified of the pending sale.

Union officials, who represent 5,000 Farmer Jack workers, did not return telephone calls Tuesday.

Deal on stores may be close

The Detroit News first reported on March 17 that A&P was shopping the stores to potential buyers. A&P hired the Chicago-based investment firm William Blair & Co. to handle the sale. The company has handled previous divestitures for the company.

David J. Livingston, managing partner of DJL Research in Pewaukee, Wis., said the fact that A&P confirmed on Tuesday that it was selling Farmer Jack likely means the company is close to a deal on some stores.

"The bids have been put in," Livingston said. "It shouldn't take too long to decide who gets what."

Livingston said likely bidders include Spartan Stores and Nash Finch, both large food distributors. He said they would buy some stores for independent owners, who would purchase products from those food suppliers. He also said local grocery store owners might bid on one or two stores, and a Chaldean syndicate of Detroit-area grocers might bid on others.

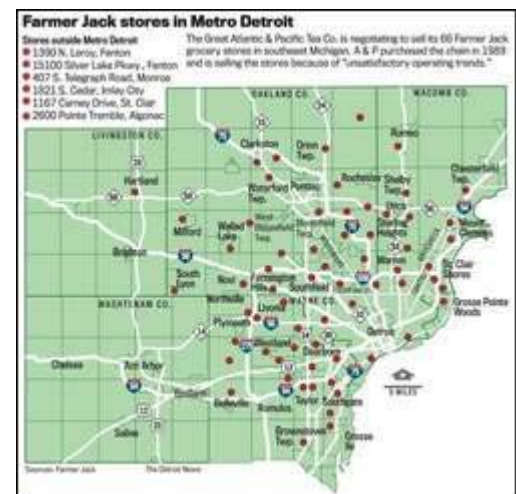
Kenneth Dalto, a Detroit-area retail analyst,






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Farmer Jack in Michigan


1924: Jewish Russian immigrant Tom Borman opens a neighborhood grocery 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 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."

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said nonfood companies, such as drugstore chains, clothing stores and hardware operations, might have submitted bids on prime locations. They would tear down those stores and rebuild to fit their needs, he said.

He said he's not surprised that A&P didn't find any bidders for all 66 Farmer Jack stores.

"Michigan just isn't a good business venture for anyone right now," Dalto said. "Word has gone out that Michigan probably has the softest economy in the country. That's a big problem, especially in the supermarket industry. Retailers know that Michigan has a number of years to go before they can expect the economy to rebound."

Shoppers' feelings mixed

Farmer Jack shoppers have mixed feelings about the sale.

Calling it another blow for the region, Charles Hicks said he fears prices will skyrocket if an independent grocer buys the Farmer Jack close to his Detroit home.

"I hate that it (might close)," said Hicks, 52. "I think it's bad for the neighborhood, but that's how things are going for the city -- everybody's moving out."

Some customers hope a major chain will buy Farmer Jack.

William Tinsley, a retired Chrysler employee from Detroit, would like to see another chain replace the Farmer Jack on Jefferson Avenue. He said he doesn't like small grocers because they aren't as clean or orderly as the chain stores.

"Besides, they don't have the selection like the big stores do," said Tinsley, 58.

Dorothy Thomas, 77, took the news in stride. The Detroit resident said she'd find another store to shop at if her Farmer Jack closes.

"You just have to roll with the punches," she said.

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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 for \$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. **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.

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 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.

2004: With A&P fighting for survival, Farmer Jack announces plans to close 13 stores in Metro Detroit.

2005: A&P announces the plan to divest itself of all Midwestern Farmer Jack operations, but later vows to keep at least 60 Farmer Jack stores open until March 5, 2007, after workers agree to concessions.

2007: After weeks of speculation, A&P publicly announces it's in talks to sell its Michigan stores.

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