

[Return to regular web page](#)

This is a printer friendly version of an article from **The Detroit News**
To print this article open the file menu and choose Print.

March 17, 2007

Bidders eye Farmer Jack

Spartan and group of Chaldean grocery store owners may be interested in the 66 Southeast Mich. A&P properties.

Joel J. Smith / The Detroit News

The fate of the 66 remaining Farmer Jack grocery stores in southeast Michigan is uncertain with the chain's parent company -- The Great Atlantic & Pacific Tea Co. -- reportedly shopping the locations to potential buyers, Metro Detroit grocery experts said Friday.

A wage-cutting agreement reached two years ago between struggling Farmer Jack and its unions convinced the chain to keep the Michigan stores open at least through March 5.

Officials at both New Jersey-based A&P and at Farmer Jack's Detroit headquarters declined comment. But grocery industry officials and analysts said A&P has told potential bidders the stores are for sale either as a block or piecemeal.

"They've clearly wanted to get rid of the stores for the past two years," said Ken Dalto, a Farmington Hills retail analyst and consultant. "It looks like a number of people such as food companies and large conglomerates will be bidding for Farmer Jack.

"From what I understand the bidders will cherry-pick the assets they want. It won't be a lock-stock-and-barrel purchase."

A&P has reportedly hired the Chicago-based investment firm of William Blair & Co. to handle the sale. The company has handled previous divestitures for A&P.

Dalto said that one possible bidder could be Spartan Stores Inc. in Grand Rapids, which already owns a number of supermarkets on the west side of the state.

Officials at Spartan Stores and William Blair & Co. declined to comment. Spartan could team up with a Metro Detroit group of Chaldean grocery store owners to bid on a number of stores.

Dalto said that Grand Rapids-based Meijer Inc. might be interested in some Farmer Jack locations where adjacent land is available to fit the needs of the Grand Rapids-based supercenter chain.

"I don't expect the bids to be very high because most of the stores need expensive upgrading," Dalto said. "A lot of the stores aren't in great shape."

Richard De Santa, a spokesman for A&P, did not return several phone calls seeking comment.

A&P announced earlier this month that it is purchasing New Jersey-based Pathmark Stores Inc. for about \$679 million in cash and stock. The deal added debt to A&P's balance sheet, one reason the company could be looking to sell underperforming assets.

A&P almost closed its Farmer Jack operations in Michigan two years ago when its 5,000 workers refused to accept a 10-percent wage cut. But workers finally agreed to the concessions after A&P vowed to keep at least 60 stores open until March 5, 2007.

Rick Blocker, secretary/treasurer of United Food and Commercial Workers Local 876 in Madison Heights, which represents more than 5,000 Farmer Jack employees, said he knows nothing about a possible sale of the grocery chain.

"The company won't tell us anything," he said. "I guess they can do whatever they want. But we don't want to see it sold piecemeal. It would hurt our membership."

Another analyst familiar with the bidding for the Farmer Jack stores said A&P is keeping a lid on the process, including requiring prospective bidders to sign a confidentiality agreement.

"The Farmer Jack people in Detroit might not even be aware of it," said David J. Livingston, managing partner of DJL Research in Pewaukee, Wis. "This is something between A&P, William Blair and the buyers."

He said that once the bidders select the properties they are interested in, William Blair provides them with information on just those sites. Then the bidder submits a letter of intent with the bid price, what their plans are with the employees and how they plan to finance the purchase.

The bidding process is to be handled on a secure Web site.

"I think there will be multiple bids on the good properties and some locations won't get any," Livingston said.

Ed Deeb, president of the Michigan Food and Beverage Association, said consumers will lose if Farmer Jack is liquidated. Competition typically drives lower prices. "Those stores provide service, convenience for customers and competition in this market," Deeb said. "To lose that would be a shame."

You can reach Joel J. Smith at (313) 222-2556 or jsmith@detnews.com.

[Return to regular web page](#)