

Thursday, June 18, 2009

Ethnic growth changes organic market

By Patty Mamula
For the Capital Press

Thursday, June 18, 2009



Stevenson, Wash. - Despite a weakened economy, cultural, social, political and scientific shifts have bolstered the opportunity for marketing organic food, attendees of the Organic Summit were told.

One area where opportunity for organic marketing have grown strongest is in densely populated underserved urban areas, often called food "deserts."

In a session on "Pricing, Access and the Untapped Consumer," Brahm Ahmadi, executive director of People's Grocery in Oakland, presented some eye-opening statistics.

Ethnic growth in the United States went from 13.8 million or 17 percent of the total population in 1980 to 26.4 million or 25 percent of the population in 2000. Forecasts predict ethnic households will represent 47 percent of the population in 2050.

By 2030 California's ethnic groups will comprise 70 percent of households.

Nell Newman, president of Newman's Own Organics, joined Bob Scowcroft, the executive director of the Organic Farming Research Foundation, to give the closing comments at the recent 2009 Organic Summit, presented at Skamania Lodge in Stevenson, Wash. They talked about how to make organic relevant to a social-networking generation.

The buying power of ethnic groups follows the same growth pattern. For Hispanics, total spending in billions of dollars increased from \$223 in 1990 to \$490 in 2000 and predictions for 2012 are for \$7.2 trillion.

Because ethnic consumers account for 37 percent of all supermarket sales, that's powerful marketing information, he said.

East Coast supermarket chain Pathmark has opened half of all its stores in low-income urban areas. They are its "star stores." Pathmark says, "Why do we open stores in the inner city? Because that's where the people are."

As an example of buying power, Ahmadi said that the retail demand for food in Harlem is approximately \$116 million compared to the New York metropolitan area where it's \$53 million. Likewise, in inner city west Chicago, the per-acre spending on groceries is \$85,018. Whereas in Kenilworth, one of Chicago's wealthiest neighborhoods, it's \$37,754.

"Yet, inner city markets are underserved by 30 to 70 percent," Ahmadi said. "The poorest ZIP codes in the largest metro areas have 30 percent fewer grocery stores than other areas."

People end up leaving the neighborhood to shop for groceries. Inner city Oakland loses \$250 million in food retail expenditures annually because of out shopping that spirals into even more economic loss due to lack of employment, tax revenue, the absence of the multiplier effect and the heavy cost of travel time for shoppers since 40 percent don't own vehicles.

Unfortunately, a seemingly endless stream of barriers to food retailers matches the inner city need. These include lack of access to capital and financing, land availability and readiness, site preparation and clean-up costs, higher operating costs, dissimilar purchasing patterns to suburbs and prohibitive regulations and zoning.

Breaking Barriers

Caroline Harries, from the non-profit Food Trust in Philadelphia, talked about how her organization created public/private partnerships to overcome many of these barriers. The Food Trust was developed in 1992 to bring fresh fruits and vegetables to underserved areas and it started with farmer's markets, adding 25 to low-income areas in Philadelphia.

"Our work with supermarkets was a natural outgrowth of this. We began advocating supermarket development in underserved areas, primarily as a public health issue," she said.

In December 2003 Pennsylvania became the first state to commit public funds for supermarkets in underserved areas. Through the Fresh Food Financial Initiative, retailers can apply for grants up to \$250,000 and loans up to \$2.5 million per store. "We found those were the price points that made a difference," Harries said.

To date, the program has supported 68 new stores, distributed \$63.3 million in grants and loans and helped create 3,200 jobs. "It's a marriage between public health and economic development," said Harries.

Brian Rohter, CEO of New Seasons Market in Portland, talked about his company's experiences opening the Concordia store in 2001. It was its third out of nine, soon to be eleven, stores and the first in an underserved urban neighborhood.

"The site for this store had been idling as a neglected vacant lot for six years in northeast Portland, traditionally the lowest income area of the city," he said. "It's an area where three neighborhoods overlap-a minority community, a high income and a modest income area."

Because of that overlap the median household income ranges from \$25,000 to \$95,000 and the percent of the population with a college degree ranges from 7 to 51 percent. "This is not a demographic that an upscale natural food store would approach," Rohter said. Several large corporate supermarkets had dismissed it sight unseen. "But, we identified it as a nontraditional opportunity for our store because we had local knowledge of the area, we had boots on the ground who really knew it."

Although 75 percent of its products are natural and/or organic and it support small local farms, New Seasons also twin lines products. "We put Annie's up next to Kraft," said Rather.

The two biggest obstacles were the city of Portland and financing. With the city, it stressed overall economic development and emphasized the creation of living wage jobs. It started working with the community 18 months before the store opened, looking for help and advice on recruiting and hiring and involved local leaders in development.

The budget for the new store was a little over \$3 million in 2000, and even though it had no problem raising funds for the first two stores, this one was different. It turned to family and friends for financial help. "We still came up \$750,000 short and ShoreBank Pacific came to the rescue."

The store opened Dec. 5, 2001, at 8 a.m. and by 10 a.m. it was their highest volume store.

Freelance writer Patty Mamula is based in Portland, Oregon. E-mail: pattymamula@earthlink.net

Related Links

Content © 2009 Capital Press
Software © 1998-2009 1up! Software, All Rights Reserved