

# SN

SUPERMARKET NEWS

## Revival of the FITTEST



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## Retailers Lag in Recovery

By JON SPRINGER

If the overall U.S. economy is improving — as a resurgent stock market seems to suggest — signs of that recovery have yet to appear in the aisles of grocery stores.

Citing continued uncertainty from consumers, along with a sales-growth headwind in the form of product-price deflation — analysts are expecting to hear grim news from food retailers reviewing the fiscal third quarter in the coming weeks. And although most major stock indexes have seen improvement this year, a recovery among grocery shares will likely lag.

“What we’ve seen so far  
See Retailers, Page 65

## Donald Back to His Roots as CEO of Haggen

By ELLIOT ZWIEBACH

**BELLINGHAM, Wash.** — Jim Donald, a longtime industry veteran who ran Pathmark Stores for several years and then became chief executive officer of Starbucks Corp., is scheduled to join regional retailer Haggen Inc. today as president and CEO.

Observers said the 33-unit supermarket chain, based here, should benefit from Donald's range of experience, people skills and operational expertise.

“Jim has the ability to see complex problems and simplify them so they become more easily solvable,” one former colleague, who asked not to be identified, told SN.

Donald was not available for comment last week, but in a press statement said he couldn't pass up the opportunity to lead Haggen, which he called “one of the most respected companies in the Pacific Northwest.”

“Haggen has led the industry in innovation, quality and service, and I am proud to join its 3,700 associates in continuing this trend. Joining Haggen brings me back to my roots in the supermarket industry, a business that I have always had a passion for.”

Haggen, which is privately held, had estimated sales last year of approximately \$870 million, a high per-store average that approaches the unit volume of Pathmark.

Donald succeeds Dale C. Henley, who has been Haggen's president and CEO since 1996. Henley, who announced earlier this year his plans to retire, will become a non-executive chairman of the board and will continue as president and CEO of Briar Development Co., a Haggen affiliate that owns and develops real estate.

Donald was chairman, president and CEO of Pathmark  
See Donald, Page 64

# Local Stars

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The bulk of the fresh produce sold at Balls is still made up of traditional, commodity products shipped in from much farther away. Even in the midst of the local growing season, only about 10% of produce offerings are local products, Ball said.

An increasing number of consumers, however, want local product whenever it can be obtained, and Ball aims to give them access to as much of it as he can.

Buying local — which in Ball's definition means buying product grown, raised or made within a 200-mile radius of the store — provides the chain with a valuable niche.

"We hope it gives us an edge on the competition," he

said, adding that it does other good things as well.

"It's good for the farmers and the community. And getting these superior products to as many people as possible at a reasonable price is my job."

Ball explained that in his attempt to increase local sourcing, Endicott became "the conduit between us and additional local farmers."

Endicott's Good Natured Family Farms is an alliance of more than 100 family-owned farms in the region, all of which have made a commitment to sustainable agriculture and humane animal care.

Working with Endicott, Ball saw an opportunity that would bring multiple benefits to his business, and benefit

independent local farms as well. But his meeting up with Endicott was chance. So his big step forward also involved a bit of good luck and timing.

Farmers needed the business and consumers were becoming more concerned about the origin of their food.

"Farms were around here, but they'd have to go to the weekend city market or a farmers' market, or drive around from door to door," Ball said.

"They spent more time selling than they did growing."

Indeed, Endicott was doing just that when she first came in contact with buyers at Balls.

Here's how it happened, as reported by The Wallace Center, a part of Winrock International, a nonprofit organization that works to increase economic opportunity, sustain natural resources and protect the environment.

A bumper crop of greenhouse tomatoes that Diana Endicott and her husband Gary had produced on their 400-acre Bronson farm was the catalyst. What Endicott did with those tomatoes formed the early foundation of what has turned into an



David Ball, third-generation operator at Balls Food Stores, sold almost \$10 million worth of locally grown and raised foods at his company last year.



**"All the farmers and other producers can deliver right to our warehouse, and then we shoot [their products] out to 29 stores."**

*DAVID BALL  
president and CEO, Balls Food Stores*

ongoing effort to sustain small farmers and distribute local products to retailers.

It led to the creation of the Good Natured Family Farms alliance and, ultimately, to

the unprecedented partnership with Balls Food Stores.

At that time, in the late '90s with too many tomatoes on hand, Diana Endicott thought, "Why can't locally grown food be sold directly to the grocery stores?"

So she approached Hen House Markets and passed out samples to produce managers in an effort to convince them to take the tomatoes off her hands at a fair and reasonable price.

The two selling points she used to convince Hen House buyers were the tomatoes' taste and local origin. The strategy worked. At that time, there was no discussion of providing marketing support. It was simply a matter of taking the crop and selling it in Hen House stores. Soon thereafter, Diana and Gary Endicott became a regular tomato supplier of Hen House Markets.

"I worked with Lou Malaponti, director of produce operations, but David was always involved," Diana Endicott told SN.

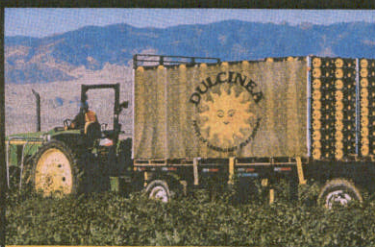
"At the same time we were expanding our lines, and we began adding other products,

*Continued on Page 38*

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