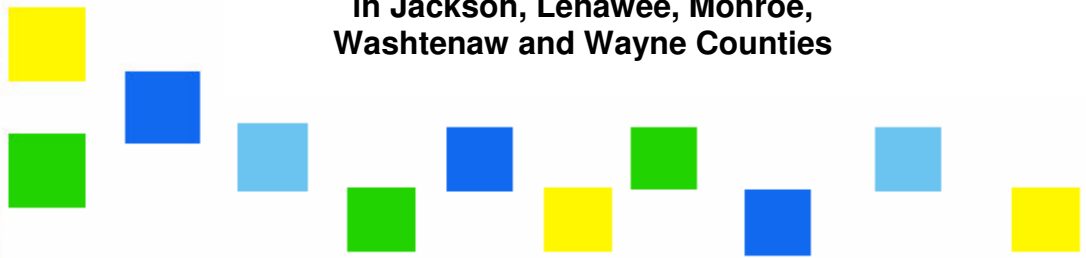


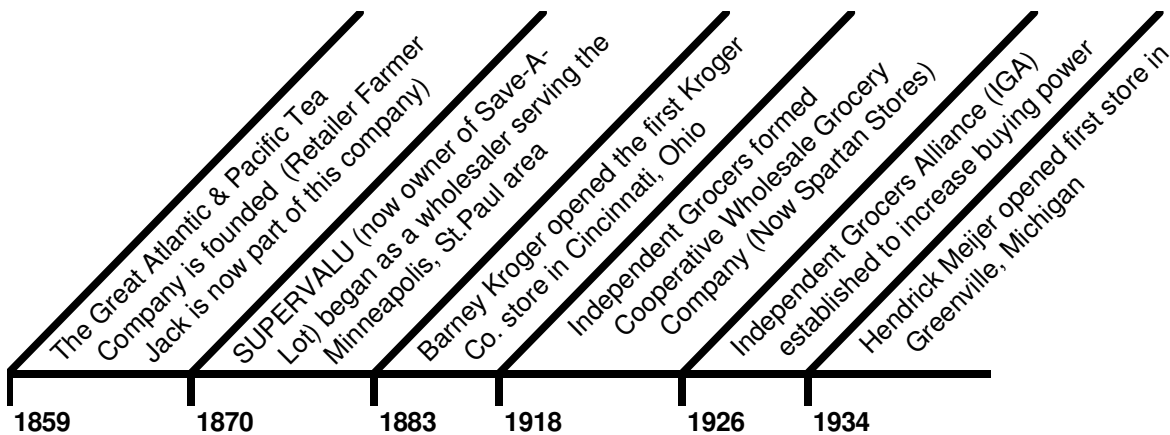
# Case Study Analysis of Marketing Potential for Local Producer to Independent Grocer in Jackson, Lenawee, Monroe, Washtenaw and Wayne Counties



## Executive Summary

While the literature on the food and grocery industry is extensive, very little work has been done on the benefits of grocers purchasing directly from farmers. As manufacturing jobs continue to decline in Michigan, it is increasingly important to create avenues of economic growth in other industries throughout the state. One area for expansion is small to medium farmers selling directly to grocers. In effort to better understand the opportunities and barriers involved in the exchange between farmers and grocers, a case study covering the five county area of Jackson, Lenawee, Monroe, Washtenaw and Wayne Counties was conducted. Individual interviews and phone conversations were arranged with independent grocers and small local chains to gain a better understanding of existing purchasing practices

## History of the Grocery Industry



The grocery industry has a long history in the United States, with major chains dating back to the late 1800s. Throughout the years, mergers and acquisitions have propelled supermarket giants to the top of the list. Based on 2004 grocery sales, four out of the top five grocery retailers, Wal-Mart, Kroger, Albertson's (Supervalu) and Costco operate in the five county area. Independent retailers have remained competitive by joining cooperatives like IGA and Spartan Stores, effectively increasing buying power and advertising capabilities.





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### Barriers

Both grocery chains and cooperatives have found the easiest way to procure products for sale in the store, while simultaneously remaining competitive on price, is to purchase through large wholesalers. As a result, it will be difficult for farmers to enter these markets. In addition, grocers located in neighborhoods where a high percentage of customers receive state assistance for food have found that fresh meat and produce spoil on the shelves. Those receiving assistance purchase their food for the month within the first ten days and tend to purchase prepackaged goods that will last the entire month.

### Opportunity

Research indicates that independent grocers without cooperative affiliation offer the greatest opportunity for growth in the farm to grocer relationship. These grocers are very closely tied to their communities and are more receptive to the idea of purchasing directly from the farmer. Four out of five of the grocers interviewed in this category indicated they were already purchasing from farmers in their area, or that they would like to purchase directly from farmers.

While the chain and independent grocer with cooperative affiliation markets may be difficult to enter on an individual store basis, several including Meijer, Whole Foods, and Spartan Stores, have made the move towards carrying an increased number of local products. In addition, as fuel prices continue to rise, the opportunity for local produces to sell to local grocery stores will increase.

### Conclusion

The grocery market is highly competitive and constantly evolving industry that has been established since the late 1800s. As a result, strong distribution systems have been created for both chains and independent grocers working with a cooperative. These groups have designed systems that provide the lowest prices on products and reduced advertising costs to remain competitive in the market place. While grocery chains have a technological advantage, independent grocers have maintained an emphasis on community and customer service. Farmers selling directly to grocers have the greatest opportunity for economic benefit in establishing relationships with independent grocers who do not have a cooperative affiliation. These grocers have the greatest flexibility in purchasing practices and recognize the economic impact buying directly from a farmer has on the community.

