

END PIECE

Organic Anxiety: Wal-Mart's push into organic

By Sam Fromartz

Wal-Mart's blitz into the organic marketplace has produced a lot of anxiety lately. It's as if the grocery giant announced plans for a supercenter in a new mall outside Organic Town USA and found the town-folk wondering what would become of Main Street. The fear is that Wal-Mart is the antithesis of what organic food is supposed to be. Even *The New York Times* editorial page said the entry of Wal-Mart into organic would have been "unimaginable" a couple of years ago.

The worry was compounded when Wal-Mart revealed it would sell organic food at a 10-percent premium to conventional foods, which sounds rigid since the price of organic vis-à-vis conventional food varies, given supply, demand and the costs of cultivation. Still, it meant that Wal-Mart would do what it has always done when it sells products. As Charles Fishman points out in *The Wal-Mart Effect*, it pressures suppliers to drop prices and deliver



high-volume goods. And when Wal-Mart has squeezed its suppliers pretty hard, it finds the opportunity to squeeze some more.

When it comes to agriculture, only the biggest

agribusinesses can play at this high-volume, low-cost game. That is why Wal-Mart is talking with an A-team of corporate suppliers for organic products—Kraft, Kellogg, Pepsi. To be sure, this isn't your family farm or entrepreneurial food business. That has led some zealots to proclaim the end of organic. Wal-Mart, they say, will drive out competitors and open the door to compromised standards.

But will it? As this brouhaha arose, Gary Hirshberg, the CEO of Stonyfield Farm, the organic yogurt company owned by France's Groupe Danone, spoke at the All Things Organic™ conference in Chicago. Rather than worry about the devolution of organic food, his message was: Get over it. Organic was no longer a movement. It was an industry. And the faster everyone woke up to that fact and helped solidify the industry, the better chance organic food would have of achieving its goal of producing food without chemicals and rampant energy use.

Hirshberg thought Wal-Mart would only stock a limited number of organic SKUs, cherry-picking fast-moving items. That meant that the vast majority of organic products would still be sold at natural food stores. This is actually how mainstreaming works. The top products—milk, soy milk, salad mix, cereals—flow to the masses at a lower cost but many other products are left

behind. This doesn't mean that those left out are losers. Far from it. The co-op Organic Valley walked when Wal-Mart sought a lower milk price. Why cut the price it felt its family farmers needed to survive, especially at a time when organic milk was in such short supply?

So while agribusiness will be the main supplier of Wal-Mart's organic products, don't count smaller players out. Those who sell locally, in farmers' markets, or primarily in co-ops and natural food stores don't need or want Wal-Mart. What they have—and need more of—are vital distribution channels at the local level. Not every shopper, after all, wants low-price all the time for everything. Shoppers will pay more for things they care deeply about.

Although some argue Wal-Mart could "democratize" organic, surveys have shown that an organic shopper cannot be predicted by income. So while the typical image of the organic shopper is a latte-swilling, yoga practicing 30's-something, white chick, the reality has always been more varied. Organic, in short, is already democratized. What Wal-Mart is hoping to do is reach many more shoppers—of various income levels—who have seen price as a barrier. But it will do so with certain products, in a segment of the market.

Wal-Mart may actually help by converting more consumers to organic food and they, in turn, may find themselves looking for higher quality and fresher organic foods, or a different shopping experience. In other words, there's room for producers who want, and depend upon, a vital Main Street in Organic Town USA, even with the new supercenter outside of town.

Samuel Fromartz is author of Organic, Inc.: Natural Foods and How They Grew. Find background and excerpts at his web site <http://www.organicinbook.com>.

ALL THE BUZZ

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for attendees of one of the Sunday morning Organic 101 sessions.

At the Monday evening OTA Annual Dinner and Dance, Katherine DiMatteo, OTA's first executive director, was awarded the OTA 2006 Organic Leadership Award for outstanding individual achievement.

All Things Organic™ is the only conference and trade show in North America focusing exclusively on the organic trade industry. Next year, All Things Organic™ is scheduled for May 5-8, also as part of co-located shows at McCormick Place. ■