

Transitionals v devotees

Macro under the microscope

Pierce Cody's rollout of the Macro Wholefoods supermarket chain is stirring up the organic retail sector. HOLLY VYNER reports on what it means for the industry. Why are some people enthusiastic and others uneasy about the emerging trends?

Pierce Cody says he is taking "a leap of faith". Having recently sold his billboard business, he is investing significantly in the organic retail sector.

The UK has Fresh & Wild; the US has Wild Oats and Whole Foods Market. International organic retail chains report strong annual growth, a trend Pierce hopes to ride with his Macro Wholefoods stores in Australia. Already there are outlets at Bondi Junction and Crows Nest in Sydney. By the end of the year Pierce expects to have three stores in Melbourne and four or five in Sydney. Within 10 years he hopes to expand to 40 stores around Australia.

TRANSITIONALS AND DEVOTEES

Opinions vary on the effect the Macro Wholefoods supermarket chain will have on the industry. Essentially these opinions come from two main groups: the 'transitionals', who welcome the change and wish for the industry to go mainstream, and the 'devotees', who are not convinced. The devotees fear that the community soul and passion of the industry will be lost if organics is picked up by large corporates. They worry, too, that small retailers will die off and farmers struggle – as they have in the past when they have dabbled with supermarkets maintaining super margins at the farmer's expense.

THE ROLE OF WHOLESALERS

Wholesaler John Williams, from Organic Wholesalers in Melbourne, is encouraged by the business that Macro Wholefoods will bring. "We look forward to offering any new stores our wide range of quality produce at fair prices," he says.

"Any increase in the organic retail sector is positive; this includes supermarkets. We have some great organic stores in Melbourne with good customer followings. We wish Macro Wholefoods every success as they will have some tough competition. I believe this is also healthy for industry."

John believes the change is also positive news for growers; however it is important that growers are informed of where markets exist, especially while the industry is still growing out of its niche market capacity.

Doug Haas, a small crop farmer from Yeppoon in Central Queensland and BFA chairman, comments on the vital role that wholesalers play in the organic industry. "Wholesalers have always provided an excellent service for producers, whether large or small. In addition, they assist farmers in creating a seasonal program to supply both retailers and supermarkets," he says.

"This is of assistance for those growers, either wishing to supply supermarkets or who because of their smaller capacity do not deem it necessary to directly market their produce.



Former outdoor advertising man Pierce Cody is shaking up retailing. "The days of skanky organic vegetables are now gone. We will not stock anything that isn't quality."

When one considers the many regular occurring influences that may impact upon production systems either by detracting from, or over production, they have a hard act to follow," Doug says.

"The degree of professionalism that most certified organic producers now have gained will certainly assist the professional organic retailer who is truly commercially focused."

UNEQUIVOCAL LOYALTY TO GROWERS

By the time this publication is printed, Macro Wholefoods is likely to be the largest organic produce buyer in Melbourne. More suppliers of quality organic produce are needed to fill the growing demand.

"We wish to help this industry to grow and encourage existing certified growers to convert more land to organic and conventional farmers to make the switch to organic. This is our number one priority," says Pierce. "I understand that growers have been burnt before by supermarkets, however, I cannot state it enough: my loyalty (to growers) is unequivocal. Prices

will come down with economy of scale in time, however not at the expense of farmers."

Pierce asks that growers call him personally if there is any doubt of his intent on this matter. You can also join his mailing list for news, including market news, via the web < www.macrowholefoods.com.au > or direct on (02) 9779 9903. Information kits on how to become certified are available from Macro stores and also from the Australian Certified Organic website at < www.australianorganic.com.au >.

100% DEDICATED TO ORGANICS?

"Success is not exclusive to other food retailers," says Pierce. "We are lifting the very small market share that organic retail has in the food industry pie. We are putting in a lot of work and money and taking no free rides, to educate consumers about organics. All industry will benefit from this at the end of the day."

Scott Kinnear, a Melbourne retailer and BFA board member, is cautiously optimistic about the expansion of Macro as a large national specialist retailer. "In the short term, grower and processor returns should be consistent with increased sales of product. Though how Macro forms its long-term relationships with growers will no doubt be of interest to all in the industry." (Scott will contribute an article in the next edition of *AOJ* on the ethics of organic retailing.)

Some critics of Macro Wholefoods say the stores are not really organic because they stock a few conventional products and produce. Pierce says it is impossible to stock 100% organic at this stage due to lack of supply. "If we stocked only organic we couldn't maintain the range quality of products we have now. The days of skanky organic vegetables are now gone. We will not stock anything that isn't quality."

Although variable according to seasonal fluctuations, the stores currently stock about 85% organic produce. Nevertheless, the stores are in the process of obtaining full organic retailer certification with Australian Certified Organic. All produce in store is clearly labelled as organic or conventional. The choice is the consumer's.

CUSTOMER RESPONSE

From a shopper's perspective the store is impressive. From the outside, the Crows Nest Macro Café spills out onto the pavement. At lunch time people line up for a taste of an organic brown rice nori roll or an organic sour dough sandwich with gourmet filling.

The store is bright and natural and products are beautifully presented. As a hub for healthy lifestyles it also offers iridology, naturopathy and yoga classes.

The Crows Nest store, which was converted from a gourmet supermarket and deli, opened at the end of last year. In its first week it more than doubled the sales figures of the previous business in its 13 years of trading. The demand for organic food is evident, especially for the convenience that Macro offers with the enormous range of quality products available.

The Bondi Junction store was converted from a smaller organic retail business and is performing above expectations.

CHALLENGES AHEAD FOR AN ORGANIC RETAIL EMPIRE

Macro Wholefoods general manager Colin Finch points out that "the industry is in a fragmented state and simplifying the

My loyalty is unequivocal... We wish to help this industry to grow and encourage existing certified growers to convert more land to organic and conventional farmers to make the switch to organic. This is our number one priority.

Pierce Cody

supply chain will take time." He arranges payment each month to about 1000 suppliers, many more than conventional supermarkets handle. Another example of the task ahead is that at present only 60% of items scan through the supermarket registers. "Some vendors are reluctant to put barcodes on their products," he says. "However, we are working in partnership with them to improve this."

Colin concedes that Coles and Woolworths are potential threats to

the business and that conventional supermarkets will eventually stock more organic products. "However, by then Macro will be well established," he says. "It is a trade-off between potentially upsetting large suppliers as well as having to deal with a fragmented supply chain."

More importantly, he says, the stores will beat conventional retailers because of their place in the hearts of shoppers. "There are often two to three pregnant ladies in the store at one time!" exclaims Colin. "That's a very emotional pull."

The main challenge for Macro Wholefoods is to get conventional growers to grow organic and to get organic growers growing more. It takes time to convert land to organic status and it is important to have this underway as soon as possible.

Another priority is to educate consumers about eating organic. People linger outside Macro Wholefoods looking in curiously. The challenge is to get them to cross the line.

Pierce is optimistic that these challenges can be overcome. He is also excited about the recent appointment of Debra Cooksey as new produce buyer, one of the top two or three in the country. "It is another example of people realising organics is the future for food," he says.

In the UK, food scares have impelled consumers to buy organic products. Although the perception is that Australia is clean and green, research is growing that shows quite the opposite. Some examples include high levels of pesticides in breast milk, cancer being linked to pesticides and farmers battling disease. This, as well as research findings of higher nutrient contents in organic products compared with conventional, added to the negative effects of artificial additives and preservatives in conventional foods, all help in convincing consumers. Macro will work with Biological Farmers of Australia (BFA) to educate consumers through media releases and other marketing initiatives.

The effect of organics becoming mainstream is debatable. If Australia is to follow international trends, there will still exist community-minded organic consumers, many of whom will prefer to shop at markets, independent retailers and Community Supported Agriculture (CSA) farms. Home delivery will still offer convenience at a reduced price. Macro Wholefoods supermarkets will supply those prepared to shop organically at a supermarket, with the range and convenience that it offers. Essentially the industry will grow as a whole and there should be plenty of demand for existing and new venturers in this industry.

Some retail shops may struggle. Annabel's Natural Food Store, a long-time organic retailer situated opposite the new Macro Wholefoods at Crows Nest, recently closed. However, retailers who are not in the precinct of a Macro store may benefit, especially if they can offer convenience and a large range of quality products. ■

The retail industry debate will be continued in the next edition of Australian Organic Journal. Write to the editor to have your say.