Grocery chains leave food deserts barren, AP analysis finds

December 7 2015, byMike Schneider

As part of Michelle Obama's healthy eating initiative, a group of major food retailers promised in 2011 to open or expand 1,500 grocery or convenience stores in and around neighborhoods with no supermarkets by 2016. By their own count, they're far short.

Moreover, an analysis of federal food stamp data by The Associated Press reveals that the nation's largest chains—not just the handful involved in the first lady's group—have since built new supermarkets in only a fraction of the neighborhoods where they're needed most.

The Partnership for a Healthier America, which also promotes good nutrition and exercise in its anti-obesity mission, considers improving access to fresh food a key part of the solution. But the AP's research demonstrates that major grocers overwhelmingly avoid America's food deserts instead of trying to turn a profit in high-poverty areas.

Among the AP's findings:

— The nation's top 75 food retailers opened almost 10,300 stores in new locations from 2011 to the first quarter of 2015, 2,434 of which were grocery stores. Take away convenience stores and "dollar stores," which generally don't sell fresh fruits, vegetables or meat, and barely more than 250 of the new supermarkets were in so-called food deserts, or neighborhoods without stores that offer fresh produce and meats.

— As the largest supermarket chains have been slow to build in food

deserts, dollar stores have multiplied rapidly. Three chains—Dollar General, Family Dollar and Dollar Tree—made up two-thirds of new stores in food deserts. And the dollar store sector is consolidating: Dollar Tree merged with Family Dollar this year, creating the largest dollar-store chain in the nation and, in the process, less competition and less incentive to diversify what these stores offer.

— Excluding dollar stores and 7-Elevens, just 1.4 million of the more than 18 million people the USDA says lived in food deserts as of 2010 got a new supermarket in the past four years.

On top of all that, it's difficult to say how many more people live in newer food deserts created by recent store closures.

Viola Hill used to walk several times a week to a Schnucks supermarket a block away from her apartment in her struggling north St. Louis neighborhood, until that store shuttered last year. Now, she can get to a supermarket only once a month, when she pays a friend $10 to drive her to one several miles away.

"I have to get enough food to last me a whole month," said Hill, a retiree who likes to cook chicken and green beans. "It hurt us really badly when they closed because we depended on the Schnucks for medication and my food there. It was a lot of people hurt, not just me."

Schnucks officials said they were losing money on the store, which now sits boarded up with weeds growing in its parking lot.

The U.S. Department of Agriculture considers a neighborhood a food desert if at least a fifth of the residents live in poverty and a third live more than a mile from a supermarket in urban areas, or more than 10 miles in rural areas, where residents are more likely to have cars.

The first lady's group's 2014 progress report, its most recent, says the companies that made pledges have opened or renovated 602 grocery stores or other food retail locations, well below halfway toward their collective goal.

The partnership counted companies as having met their commitments if the stores they opened or renovated fell within a mile of a USDA-designated food desert in a city, or within 10 miles of a rural one. The AP analyzed which of the new stores that opened lie directly within food deserts.

Research has shown that a lack of access to healthy foods contributes to health problems, such as obesity and diabetes. Proximity to a supermarket can make a big difference in what people eat, especially if they don't drive, although other factors such as food culture also play a role.

Even though a neighborhood without a supermarket may have a corner grocer, the large chains have much greater leverage and economies of scale to bring a wider of variety of products at cheaper prices.

Jock Riggins likes to cook and tries as often as he can to make his favorite meal of cube steak with bell peppers, rice and gravy. But getting to the supermarket nearest to his home in Eatonville, Florida, north of Orlando, requires pedaling his rusted bicycle down a clogged, six-lane road with narrow shoulders, and balancing bags of groceries in each hand on the way back.

"If I don't have my vegetables for my food I substitute with sandwiches," said Riggins, 51, who gets by working odd jobs. "If there was a supermarket closer, I wouldn't have to go way out on Lee Road. It would be better."

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A FOOD OASIS

Less than 3 miles from Eatonville is what could only be described as a food oasis. In the span of a little over a mile on a single avenue in the tony Orlando suburb of Winter Park, there are two Publix supermarkets, a Trader Joe's, a Chamberlin's Natural Food Market and the site of a future 40,000-square-foot Whole Foods Market. With the exception of Chamberlin's, where the offerings are mostly organic or specialized, prices in the food oasis are cheaper than what Riggins gets in his neighborhood, and the selections are boundless by comparison.

There are no fresh fruits, vegetables or meats at the Family Dollar or Poncho's Market corner store in Eatonville, and a $3 loaf of Nature's Own wheat bread at those stores cost $2.19 at Publix on a recent visit. The same half-gallon of milk was 11 percent more expensive at the Family Dollar than at Publix, and Poncho's was out of milk.

Some of the dollar store chains have started dipping their toes into selling fresh produce. Dollar General has opened up about 150 Dollar General Market stores that sell fresh vegetables, fruit and meat, though that format makes up only 1 percent of the chain's 12,000-plus stores.

"The dollar stores are popping up everywhere in the food deserts, but that doesn't mean anything if the owners don't give customers the opportunity for fresh produce," said Norman Wilson Sr., a food desert activist who is pastor of a Pentecostal church in Orlando.

Florida lawmaker Dwight Bullard introduced legislation this year with incentives to build stores in food deserts, which tend to have higher unemployment than other neighborhoods. In urban areas, food deserts also tend to have a high percentage of minorities.

Bullard's bill went nowhere.

"Part of the frustration was centered around the fourth Publix I'd seen servicing the same community. ... It made me scratch my head and say, 'Geez, what about those communities where you can go blocks and blocks and blocks without seeing a real grocery store?' It doesn't make sense to me," said Bullard, a Democratic state senator, whose district covering urban and rural parts of South Florida is overwhelmingly black and Hispanic.

Publix spokesman Dwaine Stevens said he couldn't comment on how store locations are decided due to their "strategic and proprietary nature."

Supermarkets often build stores close to each other to compete in an area and highlight each store's niche, said Ira Goldstein, president of policy solutions at The Reinvestment Fund, a Philadelphia-based community development firm that has invested in grocery store construction in low-income neighborhoods. The stores typically look for neighborhoods that can support their format rather than changing their format to fit the neighborhood.

"That brings choice and variety to the market but it doesn't necessarily solve the problem in an inadequately served area," Goldstein said.

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BARRIERS TO ACCESS

Agriculture Secretary Tom Vilsack believes stores that open in food deserts need to be attuned to the particulars of their communities to succeed.

"You have to cater to the people who live there. You have to know who they are," Vilsack said during a recent visit to Orlando.

That's where the large supermarket chains often run into trouble, since they have rigid formats that often miss the nuances of a community, said Jeff Brown, CEO of Brown's Super Stores in the Philadelphia area.

"They're not selling what they should be selling because they don't understand," said Brown, whose company has seven stores in underserved neighborhoods.

Stores that succeed generally have other amenities, such as a pharmacy, doctor's clinic or a bank embedded in the supermarket, he said.

Building stores in low-income neighborhoods comes with unique complications, according to the Food Marketing Institute, a Washington-based trade group for food retailers. A large customer base on food stamps creates erratic flows with a rush of business in the beginning of the month when food stamps are issued, but slow business at the end of the month. Insurance and security can be more costly in neighborhoods perceived to be high crime, and workers from neighborhoods with high unemployment sometimes need extra training for basic job skills.

The average supermarket operates on a 1 or 2 percent profit margin and must be sustainable for at least a decade to recoup any profit, so retailers can't afford to pick unprofitable locations, said David Fikes, vice president of consumer and community affairs for the Food Marketing Institute.

The industry also is in flux. Two of its biggest players—Stop & Shop owner Ahold USA and Delhaize Group SA, the Brussels conglomerate that owns the Food Lion and Hannaford chains in the U.S.—recently announced merger plans. Safeway Inc. and Albertsons merged earlier

this year, and Kroger announced last month that it would buy Roundy's Supermarkets stores in Illinois and Wisconsin.

One of the nation's oldest large food retailers, A&P, recently returned to bankruptcy court, and SuperValu recently announced plans to spin off its Save-A-Lot stores. Even Wal-Mart warned recently that its profits would take a hit.

All of that, analysts say, suggests the grocery industry isn't likely to change its patterns for where it does business, and where it doesn't.

"We would love to have a supermarket in every neighborhood across America, whether if it's a food desert or not," Fikes said. "But it's got to be sustainable for all involved."