

A Greener Wal-Mart®

Wal-Mart®, the world's biggest grocery store chain and the world's biggest retail outlet, has seen the light and is going to "democratize" organic food. Officials at Sam Walton's family business recently announced that not only will they move to reducing waste and to building energy efficient super stores, they will also begin a major focus on selling organic food. They are ready to stock the shelves with organic macaroni and cheese as well as pure cane sugar coated organic cereals in the breakfast food aisle. The good folks at Wal-Mart® are concerned that organic food no longer be available only to an elite few. In the words of Lee Scott, President and CEO the goal is "to allow people who can't afford to pay more to participate in sustainability in a way that they can't actually afford to today."

The response of the organic community to the announcement reminds me of Sesame Street's purple, two-headed monster who usually argues with himself about opposites and frequently points in more than one direction at a time.

For those of us who grow organic commodities and livestock, the potential expansion of markets could be a really good thing. Marketing bulk organic grains has always been a challenge. Small companies often need limited quantities and have limited financial resources. Farmers frequently are left storing crops until the buyer needs another load. Even more difficult is the practice of not paying farmers for 30, 45 or more days after delivery, leaving the producer to pay the interest until the end buyer pays his bill. Perhaps as the demand for organic food grows, the marketing system will mature as well. Perhaps one day we will be paid on delivery just like our neighbors.

Certainly, if the world's largest retailer adopts more environmentally conservative practices, it will have a positive effect on the world around us. If Wal-Mart® increases the demand for organic food and that, in turn, increases the number of acres of farmland that are operated using organic methods, that is a good thing. Just think how many acres of organic lettuce Dole will have to produce to satisfy the demand created by acquiring shelf space in even some of Wal-Mart®'s more than 6,200 stores around the world.

I can imagine that processors of all kinds of organic products are having company-wide meetings around the clock. Board rooms are probably filled with strategies to tap into the market possibilities created by Wal-Mart®'s new, greener image.

The decision by Wal-Mart® to push organic products is truly a sign that organic is no longer a niche market. We have achieved mainstream status.

So why are many proponents of organic agriculture feeling so nervous? Perhaps we really are "elitists" and don't want the masses to have good things. Perhaps we just want to hang on to the higher premiums earned in a niche market. Maybe we "organic purists" are just looking out for our bottom line at the expense of the poor who can't afford our better food.

Consider this: Wal-Mart®'s motto is "Always low prices...always." Wal-Mart® plans to sell organic food at 10% above the cost of its already-too-low-priced conventionally produced counterpart. The processors and buyers between Wal-Mart® and the farmer's field will, of course, be expected to become more efficient in how they manage their businesses. This efficiency will mean a constant downward pressure on the price of raw products as well. So once again farmers will be pressed to make up their losses in market price by increasing volume. Will small-scale producers of organic bulk commodities be able to access these new large-scale markets at all? Will the temptation to squeeze just a little more profit out of the system result in more cheating on standards?

Anyone thinking that selling to Wal-Mart® is the answer to a dream, should consider the fate of the Rubbermaid company. Rubbermaid acquired a major contract with Wal-Mart® and Sam's Club to supply the company with large quantities of its best products. Sales were terrific. Rubbermaid was the nation's leading manufacturer of plastic storage containers. Then the price of the raw products needed to make plastic totes took a substantial leap. When Rubbermaid asked to raise the price of their product, Wal-Mart® refused, pulled many items from their stores and Rubbermaid was forced to move 50% of its production facilities to countries where

costs of production are lower. Will the race to meet this corporate giant's specifications result in even fewer organic food companies? Will that help consumers or farmers?

If farmers move to organic production for a 10% premium over conventional, will the organic standards have to be changed to make that profitable? Will farm subsidies for organic production increase to the level paid for conventional agriculture? Will it be necessary that the meaning of organic certification be further diluted until certified organic is nothing more than a marketing slogan? If that happens, will consumers refuse to pay even 10% more? Will the number of exceptions to the rules for ingredients that are not commercially available in an organic form increase? Will organic forms of those ingredients ever be commercially available as long as non-organic forms can be used?

Currently 10% of organic food is imported from countries such as China, Brazil and Mexico. How will increased imports affect consumers, the definition of "organic" and the prices to producers? Substantial vertical integration in the organic food industry already exists. Dean Food owns Horizon. General Mills owns Cascadian Farms and Kraft owns parts of the Hain Group. Will this consolidation increase? Will that benefit either consumers or producers?

Wal-Mart® officials are open about their motivations. They really are not too concerned about the nutrition of poor people. If you read their materials more closely, what they really want is to entice a higher income customer into their stores. The people who currently buy organic food – those with incomes over \$50,000 – are apparently not their usual clientele. Bruce Peterson, head of perishable foods for Wal-Mart® is quoted as saying, "Organic agriculture is just another method of agriculture – not better, not worse. This is like any other merchandising scheme we have, which is providing customers what they want. For those customers looking for an organic alternative in things like Rice Krispies, we now have an alternative for them."

Consumer demand for organic "junk food." Now there's a topic for another day...