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Planet Organic offers food for thought

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Supermarket shopper Rose Edwards found herself off the beaten path last week while cruising the aisles of an organic grocery store.

She isn't at all what you would call "granola" but, naturally, she was curious about the new Planet Organic market that opened two weeks ago at a strip mall in her Markham neighbourhood.

And her take on the experience was typical of what many folks still think about the organic food world.

"I think they've got a lot of great stuff, but look at the price of this toothpaste," she says, pointing to a certified organic tube on the store shelf that sells for \$6.99.

"I could probably buy 10 tubes of Colgate at Wal-Mart for that," she notes. "And I know that their cleaning products are good for the environment, but are they worth it?"

Depends who you ask. Sure, it might be a fairly alien shopping experience for some, considering the four-litre bag of milk goes for \$11.29; an English cucumber costs \$3.49; and a dozen eggs can cost anywhere from \$4.59 to \$7.79.

But the price is clearly right for people increasingly jumping on the natural food bandwagon. And it has translated into a tasty business for a Western-based grocer with big plans for the Toronto market in the next few years.

"I think what people appreciate is the better quality and taste of the food here," says Alan Thompson, the chain's store management co-ordinator who has overseen the latest



RENÉ JOHNSTON/TORONTO STAR

Planet Organic's logo gets shoppers' attention and the company's brightly lit stores and healthy offerings persuade people to pay more for their groceries.

PLANET ORGANIC

Q&A with Planet Organic co-founder Diane Shaskin:

Q. What were your total sales and profits in the last year?

A. Sales for the company in fiscal 2008 more than doubled to \$114 million. The company reported a net loss of \$228,000.

Q. How much seed capital did you have when you launched

Markham opening and the Planet Organic surge into the GTA.

"We wouldn't carry it here if we didn't feel strongly about the product. And when you're in the market for a Mercedes, you don't expect it to cost the same as a Toyota Camry," he says.

Organics by definition are minimally processed to maintain the integrity of the food without artificial ingredients, preservatives or irradiation. Certified organic means it has been produced in accordance with specific guidelines and rigorous production standards, as established by a certifying agency.

"People think it (the food) will look ugly, that it will have bugs on it still or something outrageous like that," Thompson says. But the Markham store is bright and clean with, of course, high-efficiency, environmentally friendly lighting and bold red-and-green floor tiling.

With the organic food and supplement craze hitting even the mainstream grocers, it's no wonder Planet Organic has become a star in Canada's retail universe since its humble beginnings as a lone Alberta store 15 years ago.

"I designed our first store to be an oasis from the Edmonton winter and the big-box experience that grocery shopping had become," Planet co-founder Mark Craft says.

"For me, it started in the early 1970s when it became clear to me what we were doing on the planet wasn't sustainable," the lifelong environmental activist says. The company, then known as Terra Natural Food Market, started small in 1993, when he and partner Diane Shaskin bought retailer High Level Natural Foods. They built the brand locally, but the real growth began after they decided to take it public in 2001, and Planet Organic Health Corp. was born.

There are now 10 Planet stores across Canada from Victoria to Halifax, including three in the GTA (Markham, Vaughan and Port Credit). The company also owns 50 Sangster's Health Centre outlets, a handful of Healthy's Nutrition stores in Ontario, vitamin maker Trophic Canada and Mrs. Green's Natural Markets Inc. in the U.S.

For the financial year ended June 30, the company booked a net loss of \$228,000, compared with prior-year net income of \$1.5 million.

With 650 employees and 76 stores, the company more than doubled sales to almost \$114 million from \$55.3 million in 2007.

While sales swelled on the acquisition of Mrs. Green's and the addition of stores in Canada, the year included non-cash hits of \$1.2 million in stock-based compensation and \$900,000 related to a failed acquisition in California. That and October's market turmoil saw shares fall to a 52-week low of 91 cents recently. They closed on Friday at \$1.11.

and where did you get it?

A. When we started the original company in 1993 we used \$20,000 of personal money and a \$130,000 bank loan.

Q. What's been your biggest success/failure so far?

A. Our biggest success has been our incredible growth. We had sales of \$1.6 million in 2001 and now we're at \$114 million in just seven years.

Q. What are the biggest challenges facing your business?

A. As in many retail settings, finding truly good people is hard. However, we have been lucky in developing a very talented, loyal core group of employees who really share our values – good food, good for you, good for the earth.

Analysts say prospects are good once stock markets stabilize.

"I'm very bullish on food products because we all have to eat," says analyst Robert Gibson of Octagon Capital Corp. "There is concern because organic is seen to be more expensive, but they're pulling a bit from the (mainstream) drugstores with their cosmetics and other items, which is huge margin stuff," says Gibson, who rates the stock as a buy with a target of \$2.50 a share.

Organics "are the fastest growing segment of the food industry," Thompson says.

All the produce, milk and meat on offer is organic as well as most of the deli and bulk items. The dry goods are a 60-40 split of non-organic to organic, simply because some food items aren't yet available in organic form. The coffee and chocolate is fair trade and the supplements and personal-care products are all natural. And yes, of course, Planet Organic has granola.

In the GTA, Planet Organic plans to have a total of six stores within three years, including at least one in downtown Toronto.

"Toronto is the biggest market in Canada and we need to be there," Craft says. "It's also a matter of pride and fun to open new stores to an appreciative audience."