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Report

THINKING OUTSIDE THE BIG BOX: Food Access, Labor, Landuse and the Wal-Mart Way

Urban and Environmental Policy Institute
Occidental College



*...for a more just, livable,
and democratic region*

**THINKING OUTSIDE THE BIG BOX:
FOOD ACCESS, LABOR, LANDUSE AND THE WAL-MART WAY**

Urban and Environmental Policy Institute
Occidental College
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Abstract

In just four decades, the Wal-Mart Company has transformed the retail sector, influenced the way we shop and work and shaped the nation's rural, suburban and urban communities. Now Wal-Mart Supercenters, vast stores that house full-scale grocery stores within their walls, are beginning to affect the food system. After summarizing Wal-Mart's labor and land use impacts, this working paper addresses an issue that has received less attention: the implications of the Supercenter model of food retailing on food access. The paper includes an examination of such issues as food selection, pricing and store accessibility, based on a case study of the first Supercenter to open in California (in La Quinta, near Palm Springs).

The paper also summarizes recent debates over the possible entry of Supercenters into three jurisdictions in Los Angeles County: the cities of Inglewood, Los Angeles and Rosemead. Big box ordinances are discussed as potentially valuable policy tools for regulating the entry of large retail outlets. The paper concludes with a policy recommendations section that details ways in which planners, policy makers, and communities can integrate large food retail stores into a smart growth and food justice approach to development. Pricing information comparing the La Quinta Supercenter with two neighboring grocery stores is included in an appendix.

*Wal-Mart
Supercenter
in La
Quinta, CA*

May 2004



Introduction

For the past several years, Wal-Mart has systematically entered rural, suburban and some urban areas around the country with a new store format called the “Supercenter.” These large retail outlets are distinguished by their size (200,000 square feet and larger) and by their expansion into the food market sector. California is among the final frontiers--the last of Wal-Mart’s rollout strategies for Supercenter stores in the United States. The retail giant has announced plans to open 40 new outlets in California over the next few years. The plan includes the Los Angeles region, where the City of Los Angeles recently passed a ‘Big Box’ ordinance to regulate the entry of Supercenters and similar establishments, where Wal-Mart lost a bitter battle to establish a Supercenter in the city of Inglewood, and where the city of Rosemead just became the first jurisdiction in L.A. County to approve construction of a Supercenter. These debates, coming on the heels of a protracted labor strike of three large supermarket chains in which the entry of Wal-Mart into the region figured prominently, has placed Wal-Mart’s Supercenter plans at the forefront of the attention of communities and local policymakers.

The intent of this working paper is to begin to identify the impacts of the development of Wal-Mart Supercenters on food retail and food access. These food-related impacts are placed in the context of the broader set of social concerns about Wal-Mart’s approach regarding such issues as wages and health benefits, land use and sprawl. The paper also seeks to identify alternatives to big box development as well as policies and approaches that contrast with Wal-Mart’s approach. The paper includes a short case study of the first Wal-Mart Supercenter in La Quinta, California. Finally, it identifies policy options that could form the basis of an alternative approach to large-scale retail and food access.

This working paper was produced by the Urban and Environmental Policy Institute and one of its divisions, the Center for Food and Justice, based at Occidental College. UEPI and CFJ focus on food access, labor and land use issues, as well as environmental and social justice approaches to those questions, through research, policy development, education, and organizing. The report builds upon a yearlong research study completed in May 2004 by then Occidental college student Abby Wheatley.¹ Amanda Shaffer, Mark Vallianatos, Abby Wheatley, Andrea Azuma and Anupama Joshi conducted the site visit to the first Wal-Mart Supercenter in California as part of the case study discussed in this paper.

The Wal-Mart Way

In just four decades, Wal-Mart has emerged as the most visible and far-reaching example of the global economy’s influence on the retail and consumer goods industries. The Bentonville, Arkansas-based company has transformed retail, influenced the way Americans shop and work, and shaped the nation’s rural and suburban communities. It is the world’s largest retail company and the nation’s largest private employer.² The *Forbes*

2000 records Wal-Mart's gross at \$256 billion, and CEO H. Lee Scott's total annual compensation at over \$22 million.³ In the U.S. alone, Wal-Mart employs approximately a million people, and its control over the market for consumer goods is growing rapidly

Continuous expansion, low prices and low wages make up the core strategies of Wal-Mart's business model: the Wal-Mart Way. Wal-Mart was founded in 1962 and built its reputation by locating in rural communities across America. Today its rapid growth is not only affecting urban communities, but has stretched across national borders, making it a formidable force in most retail markets. Wal-Mart's approach to building and maintaining its position as retail giant is to keep its prices low. This price advantage strategy assumes a number of trade-offs: consumer price benefits on certain goods, low wages and limited health benefits for its work force, and a squeeze on local businesses, among others. Strongly anti-union, the company is the focus of several major lawsuits involving refusal to pay workers for overtime, asking workers to work "off the clock," locking workers in stores overnight, hiring subcontractors that employ illegal immigrants, and paying women (the majority of Wal-Mart's workforce) less than their male counterparts.⁴

In many ways, Wal-Mart is the poster child for the burgeoning low-wage economy. Although it is difficult to determine actual wages of Wal-Mart employees since the company does not publicly disclose wage levels⁵, court records from a discrimination lawsuit identified Wal-Mart pay for hourly workers at \$8.23 in 2001.⁶ At \$8.23 an hour, a full-time Wal-Mart worker or "associate" takes home approximately \$13,861 annually. In 2001, the federal poverty line for a family of three was \$14,630.⁷ A more realistic assessment, accounting for the high cost of living in Los Angeles, set the local poverty level at \$33,300 for a family of four.⁸ Most full-time Wal-Mart employees earn less money than the federal government considers the minimum amount needed to meet basic needs, and less than half of what a family of four needs to survive in Los Angeles.

Wal-Mart contends that its wages are competitive within any community it serves. A spokesperson for the company explains, "Otherwise we could not get the talent we need to run our business."⁹ However, Wal-Mart's wages are significantly lower than those paid by many of its competitors, including the big box retailer Costco and unionized grocery stores such as Ralphs, Vons and Albertsons. Total annual pay, including wages and benefits, for unionized grocery workers is \$37,960, while Wal-Mart Associate wages, in an estimate provided to the City of Los Angeles, average between \$13,861-\$21,373.¹⁰

Wal-Mart also cuts costs by making it difficult for employees to obtain adequate health coverage. Wal-Mart has a 2-year waiting period for part-time workers and a 6-month waiting period for full-time workers to enroll in the company health insurance program. In 2002, the company raised the full-time status threshold to 36 hours a week, thereby decreasing the number of workers that qualified for health coverage after 6 months.¹¹ Wal-Mart's high employee turnover rate--the company hires 550,000 new employees every year,

3 times as many as are recruited annually by the U.S. military--means fewer employees work with the company long enough to receive benefits.¹² About 38 percent of Wal-Mart employees cannot afford the health plan that Wal-Mart offers, due to its high premium payments and large deductibles.¹³ The combination of high-turnover, long waiting periods and a tiered coverage system have led to a situation where a majority of Wal-Mart's employees rely on government health programs, draw on a spouse's health coverage, or are uninsured, transferring the burden away from their employer and onto taxpayers.

Health care is not the only cost that Wal-Mart transfers to others. A February 2004 report by a special committee of the U.S. House of Representatives found that a 200-employee Wal-Mart store could cost federal taxpayers about \$420,750 per year, or more than \$2,000 per employee. These hidden costs include those associated with the provision of free and reduced-price school lunches and Title 1 funding for children of Wal-Mart employees, as well as federal tax credits and deductions for low-income families.¹⁴ According to an August 2004 study, Wal-Mart cost the state of California almost \$2,000 per employee in health care costs and public assistance – a total of \$86 million each year.¹⁵

While Wal-Mart depends on a low wage work force, Costco, a similar low-price retailer, has taken a different approach. Costco sells exclusively in bulk, does not advertise, has no public relations department and never marks a product up more than 15%.¹⁶ Wal-Mart's Sam's Club stores duplicate Costco's approach, with one significant difference—the company's approach towards its work force. For example, cashiers at Costco with 4 ½ years experience make \$40,000 a year with benefits and the company's lowest paid workers make \$10 per hour. At Wal-Mart, the average hourly starting salary for a cashier is about \$7. After five years, a cashier could make about \$12 an hour, or \$24,960 a year, working 40-hours per week.¹⁷

Costco argues that high wages result in good business through high quality customer service, an "employee culture" that leads to company loyalty and an employee turnover rate that is one third of the retail industry average.¹⁸ A low turnover rate saves the company money in hiring and training, offsetting its comparatively high wages. As James Flanigan of the *Los Angeles Times* put it, "Costco's labor costs amount to 7% of its \$42 billion in annual sales, a key industry yardstick. By comparison, Wal-Mart Stores Inc.'s cost of labor stands at about 12% of its \$244 billion in revenue, while the same figure for the supermarket firms constitutes about 16%."¹⁹ Costco's CEO, Jim Sinegal argues that his model provides a competitive advantage, declaring: "We pay better than the supermarkets, and we pay much better than Wal-Mart, that's not altruism. It's good business."²⁰ Wal-Mart, however, maintains its approach towards wages and health benefits are central to its overall strategy on pricing and competition.

Aside from its wage and health benefit policies, Wal-Mart's business model is strongly associated with its global reach. For example, a majority of the products sold at Wal-Mart are manufactured abroad. The company constantly pressures thousands of overseas suppliers to cut costs, resulting in low wages, longer hours and production quotas for workers from Honduras

to China.²¹ The company makes purchases in such bulk quantities that it has the power to set a price for the products it stocks. According to *Business Week* magazine, “Wal-Mart's marketplace clout is hard to overstate. In household staples such as toothpaste, shampoo, and paper towels, the company commands about 30% of the U.S. market, and analysts predict that its share of many such goods could hit 50% before decade's end.”²² Producers are given the option of accepting less payment for products – and finding ways to cut costs, such as paying employees less or moving factories overseas – or risking the loss of their biggest client.

Wal-Mart's price advantage approach has a direct impact on local communities. Wal-Mart Supercenters are able to price groceries at or near cost and make a profit from the non-food items that shoppers purchase while there. This pricing strategy – in which groceries are the lure to get consumers into the store – makes it nearly impossible for even large chain supermarkets to compete. In a number of communities, grocery stores and other enterprises have gone out of business following the opening of a Wal-Mart Supercenter store. These local businesses, many of which have long-standing community ties, had previously provided higher paying jobs than Wal-Mart's lower-wage structure. Local residents are left with fewer places to shop, and lower income people or seniors who do not own vehicles are burdened by Wal-Mart's car-dependent design. Even ordinary Wal-Mart stores close when Supercenter Wal-Marts open, and the company has been known to continue leasing an empty store to prevent competition from moving in.



Apart from direct economic impacts, transportation impacts are also considerable. The huge parking lots and exclusive focus on cars for shopping generate a wide range of visual and environmental impacts, including air quality, runoff and land use concerns. Big box stores the size of Wal-Mart Supercenters can generate 1,000 car trips per hour and 10,000 trips per day.²³ By drawing visitors from across a region, the size and reach of the Supercenters impose a burden of increased traffic congestion on local communities. Wal-Mart and most other big box stores are not pedestrian-friendly, nor are they conducive to the use of public transportation.

The amount of land required for a Supercenter is another critical factor. A Wal-Mart Supercenter requires a minimum of 20 to 30 acres of land, with some sites as large as 60 acres, or 17 football fields.²⁴ Use of so much land, particularly in urban areas where land for housing, schools, and parks is scarce, represents another significant impact associated with the urban Supercenter model.

THINKING OUTSIDE THE BOX: IMPACTS OF AND ALTERNATIVES TO THE WAL-MART WAY
FOOD ACCESS, LABOR AND LAND USE



*Vast expanse
of pavement--*

*A Wal-Mart
Supercenter
parking lot in
Albuquerque,
NM*

August 2004

However, alternative land use approaches for big box stores exist. In Vancouver, British Columbia a 140,000 square foot Costco store with 900 housing units on the second level was recently built to fit within a mixed-use retail and residential neighborhood. The store brings living wage jobs and affordable retail to a population dense

neighborhood, and uses fewer than four acres, 15 times less land than the Wal-Mart Supercenter that was proposed for Inglewood. Additionally, 200,000 residents live within close proximity to the Vancouver Costco, and can walk or take public transportation to the store.²⁵ In Los Angeles, the recently opened West Hollywood Gateway offers another example of a big-box design that blends with, rather than disrupts, its urban setting. The 257,000 square foot development houses a 143,000 square foot Target big-box store as well as restaurants, cafes, specialty shops, and a community room. Wide sidewalks make the development pedestrian-friendly and its location on the busy corner of La Brea Avenue and Santa Monica Boulevard is accessible by multiple bus lines. Subterranean parking for 1,300 vehicles dramatically reduces the size of the development's footprint from the amount of land needed for ground level parking lots. These models represent



*A pedestrian-
friendly
143,000 sq. ft.
Target in West
Hollywood,
CA, blends in
with its urban
surroundings*

August 2004



stark contrasts to the trademark Wal-Mart stores that rely on enormous lots to accommodate the store and parking and are segregated from other uses or other non-auto related transportation.

The focus on cheap imported goods, lower wages and health benefits, a price advantage strategy, global reach, large land requirements, auto-dependency, and the scale of the stores constitute a Wal-Mart business model for the global economy. However, communities have a choice about what sort of business model they choose to embrace and what sort of business practices they value. Given low prices and the lure of one-stop shopping, it may seem difficult for communities to resist, let alone challenge the Wal-Mart Way, but it is possible—cities and towns across the country are organizing to engage the retail giant at several levels. With Wal-Mart poised to expand Supercenter food retailing in the Los Angeles region and throughout California, residents and elected officials have the opportunity to decide what business model they want to support and what kind of policy tools are needed to facilitate that choice. This decision should include consideration of food quality and access issues associated with the Supercenter model.

Wal-Mart and Fresh Food Access

Low-income and minority communities in southern California have historically lacked access to adequate food retail outlets, particularly full service supermarkets. After the 1992 civil disturbances in Los Angeles drew attention to the sharp disparities facing urban America, one study surveyed residents of the hardest hit neighborhoods to find out what types of retail businesses these communities needed most. The overwhelming answer was more grocery stores.²⁶ Rebuild L.A., a partnership created to attract private sector investment in the aftermath of the disturbances, obtained commitments from the region's major grocery chains to build up to 30 new supermarkets in central and south Los Angeles. For a variety of reasons, the companies built few of the pledged stores.

A grocery store gap persists to this day in Los Angeles. A study by the Urban and Environmental Policy Institute found that the number of supermarkets in the affected areas was almost precisely the same in 2002 as in 1992.²⁷ Middle and upper income areas have approximately three times as many grocery stores per capita as neighborhoods with a high concentration of low-income residents. There is also a correlation between race and the number of supermarkets in a community. The higher the concentration of whites in a community, the greater the number of supermarkets; the reverse has been found with African Americans and Latinos.²⁸

Low-income residents, who are the most likely to be transit dependent, are least able to drive to shop at supermarkets located outside of their immediate neighborhoods. For many, the only food retail options are smaller markets, convenience stores, and liquor stores, where prices tend to be higher, the quality of food lower, and fresh fruits and vegetables especially hard to find. In low-income communities, shoppers “enter the store to be faced with either junk food or alcohol.”²⁹ Inability to access healthy food is a major contributing factor to a rise in obesity and associated

health problems. Results of the 2002 Los Angeles County Public Health Survey indicate that 55 percent of adult County residents are obese or overweight. Obesity rates among adults rose by a quarter in just five years to over 19 percent. These rates are higher for African Americans (32 percent) and Latinos (24 percent) and higher in poorer areas of the City and County of L.A. The region's children are also affected, with 40 percent of 5th, 7th and 9th grade students in LAUSD overweight or at risk of becoming overweight.³⁰ Obese and overweight youth and adults are more likely to suffer from a range of illnesses. While death rates from lung cancer, AIDS, strokes, accidents, and homicides in Los Angeles County all decreased significantly during the 1990s, the mortality rate for diabetes shot up by 48 percent.³¹ With obesity and diet-related illnesses rapidly becoming the nation's number one preventable cause of death, L.A.'s grocery store gap is not just another statistic of social disparity. The lack of access to fresh, healthy, affordable food in many neighborhoods should be considered a public health crisis.

How does the entry of Wal-Mart Supercenters into California fit into this picture? Are Wal-Mart and other big box stores the answers to L.A.'s crisis of fresh food access? In a Wal-Mart-funded study, The Los Angeles Economic Development Corporation commented, "There are many parts of Los Angeles that are underserved by retail. The need is acute in the grocery sector and those communities stand to gain the most if Wal-Mart were to enter the market and offer low prices."³² Is the Supercenter model the best choice, or are there alternative policy and retail approaches that would better address communities' need for fresh, affordable food?

To begin to examine these questions, a site visit to the first Wal-Mart Supercenter in California was conducted. This pioneer store is located in La Quinta, a desert community two hours east of the City of Los Angeles, near Palm Springs. Information on the price, selection and marketing of foods was collected from this store in the spring of 2004, approximately 2 months after the store opened its doors. The same information was also obtained from two supermarkets, Stater Brothers and Vons, located near the Wal-Mart in La Quinta. The data was used to compare fresh food marketing practices among the three stores and gain some insights into Wal-Mart's model of food retailing. With some of Los Angeles' urban food access issues in mind, the Occidental researchers investigated six main factors:

1.) Selection of fresh produce. Does the store offer a wide variety of fresh fruits and vegetables?

2.) Price of healthy food items. What is the price of a "market basket" of healthy, affordable food items, with a special emphasis on fresh fruits and vegetables?

*Entrance to
Food Center
at La Quinta,
CA Wal-Mart
Supercenter.*

May 2004



3.) Display of food items. Are locally or California-grown and/or organic items labeled and featured? What items are strategically placed near entrances and check out lines?

4.) Prepared food partnerships. What, if any, restaurants or prepared food kiosks are located inside the stores?

5.) Design and built environment. How is land used and what transportation options do consumers have?

6.) Competitive impact. Will the entry of Supercenters into the food retail arena affect other Southern California food stores?

Selection

A core health concern for many urban neighborhoods is that many small food retail stores such as convenience stores, corner markets, and liquor stores do not carry a wide range of fresh fruits and vegetables. Given the Los Angeles grocery gap, small food retail stores serve as an important food procurement point for many residents, and their limited offerings and high prices can present major barriers to healthy eating. The first criteria for judging Supercenters' suitability for improving fresh food access in Los Angeles is therefore the selection of food available inside these vast big box stores. A Wal-Mart Supercenter contains a supermarket housed within a Wal-Mart store. The selection and quality of food is roughly comparable to that of most grocery stores. To quantify the produce selection at the three stores surveyed, the number of individual fresh fruit and vegetable items available for sale were counted. There were 163 individual produce items at the La Quinta Supercenter, 195 items at the Stater Bros, and 190 items at the Vons store. For purposes of comparison, Wal-Mart offered 18 percent fewer produce items than the average of the two supermarkets. However, the produce section of the Supercenter contained most of the fruits and vegetables a customer might expect to find in a grocery store.

Prices

The price of food is another key concern in terms of low-income residents' ability to access fresh food. Even when healthy food is available in smaller food stores in urban neighborhoods, it is often more expensive than comparable items at suburban supermarkets. Wal-Mart's price advantage strategy is designed to squeeze every possible saving out of the production chain by maximizing its economies of scale, establishing a low wage structure for its employees, pressuring suppliers to conform to Wal-Mart specifications, and passing costs on to the broader society. As a result, Wal-Mart's prices are often lower than its competitors' are. To compare food prices at the La Quinta Wal-Mart and the two La Quinta supermarkets, a shopping list of common, healthy food items was compiled. This market basket list was modified from the U.S. Department of Agriculture's Thrifty Food Plan, a basic mix of staple food items that the USDA has identified. To focus on the fresh, nutritious foods that are

most lacking in many lower-income neighborhoods, some of the items on USDA's list (i.e., spices) were deleted and additional fresh fruits and vegetables added to the market basket. Pricing for each item and the complete market basket used for this comparative assessment is included in the appendix. A price comparison of the Wal-Mart Supercenter, Stater Bros and Vons found that Wal-Mart offered lower prices for the revised market basket. However, the price differential between Wal-Mart and local grocery stores was lower for fresh fruits and vegetables than for other food items. Overall, the market basket of healthy food items cost more at Stater Bros (20 percent) and Vons (23 percent) than Wal-Mart. The price differential between Wal-Mart and Stater Bros and Vons was 6 and 10 percent respectively.

Display

Location, selection and price are all factors that draw customers to a store. Once inside, their purchases can be influenced by the store's organization, display scheme, internal advertising and signage. In order to determine if Wal-Mart and its competitors were actively promoting healthy foods, particularly fruits and vegetables, the way that the three stores labeled and featured produce items was examined. The location of store signage indicating that produce items were 1) locally grown, 2) grown in California, or 3) organically grown were all assessed. A portion of produce at all three stores had growers' labels affixed so that customers who picked up and examined the items could identify them as grown and packed in California. None of the three stores effectively featured their local or California grown fruits and vegetables with larger, retailer-created signs that could be seen by shoppers passing by. Wal-Mart had small signs indicating that three items were locally grown (celery, carrots, and one variety of lettuce.) The two supermarkets failed to feature any of their produce based on its local or California origins.

Vons had the most organic produce items available (27 items), and placed these organic fruits and vegetables in a designated section, making it easier for customers to locate and notice organic options. Wal-Mart had fewer organic items (6). These six items were clustered in one part of the produce section, but because there was no store sign drawing attention to the organic items, they blended in with the surrounding conventionally grown items. Stater Bros had no organic items for sale.

The two display areas where customers are most likely to see products and make impulse buys are located near the store entrance and near check out lines. All three stores had candy and other processed snacks at the check out lines. Wal-Mart featured chips, candy, water and bananas in the aisle that divided the food section from the rest of the store. Stater Bros placed candy, chips, drinks, breads, cigarettes, and donuts in visible spots near the doors. In contrast, Vons had a display of avocados and tomatoes at the entrance near the produce section, and a deli display near the other store entrance.

Prepared Food Partnerships

In most low-income neighborhoods, fast food and take out restaurants abound, while sit-down restaurants and those offering healthy items on the menu are rare. This proliferation of fast food in urban America has contributed to an unhealthy food environment. As the pace of American life and number of working hours have risen, grocery shoppers have increasingly turned to pre-cooked, prepared meals. All three of the stores we surveyed had deli counters and extensive selections of pre-cooked food items. Some supermarkets have taken the trend for pre-prepared meals to the next step by partnering with restaurant or food specialty item chains and hosting branded food kiosks inside the grocery store. Grocery stores are following in the footsteps of big box retail stores, which have partnered with restaurants for a number of years. Most regular Wal-Mart stores (without food Supercenters) house fast food chains.

A food retail store's choice of partner restaurants/kiosks contributes to its impact on a local food environment. The La Quinta Wal-Mart Supercenter hosts a number of retail food establishments, including a McDonalds restaurant. The Vons location has what amounts to a miniature food court where customers can order food and beverages from a Pronto Sandwiches counter, a Starbucks cart and a sushi-bar. The Stater Bros store does not host any restaurants or food kiosks.

Design and the Built Environment

The way that food stores are designed and situated in the built environment helps determine how these locations meet local retail needs. Two of the barriers to attracting supermarkets to urban neighborhoods are the scarcity of large, unused lots on which to situate new markets and the dependence of many lower income residents on public transit and walking as their means of transportation. One way that stores can be made more accessible to elderly shoppers and those without private transportation is through shuttle service to and from the store. A recent study found that inner-city supermarkets could improve their profit margins and the health of the communities they serve by offering shoppers free transportation. The study highlighted two successful shuttle programs currently operating in the City of Los Angeles. Numero Uno Market, a small chain of supermarkets serving inner-city Los Angeles neighborhoods, maintains its own fleet of vans and provides customers a free ride home with their groceries upon request. Three Ralphs supermarkets in the Los Angeles area also contract with a shuttle company to offer the same service.³³ With these issues in mind, the land use patterns and transportation options of the three La Quinta stores were examined.

All three stores are located within a few miles of one another along Highway 111 in La Quinta. This stretch of highway is dominated by shopping centers, along with a few fruit stands and shops selling date shakes that provide a reminder of the area's rural heritage. The Stater Bros and Vons both anchor shopping centers consisting of between eight and ten stores. The Wal-Mart Supercenter stands alone, set far back from the highway behind its own parking lot.

The average supermarket in the United States is approximately 44,000 square feet in size. New supermarkets being built today are somewhat larger at approximately 60,000 square feet. By comparison, the new Wal-Mart Supercenter in La Quinta covers a 225,000 square foot area, nearly the size of four football fields. The Supercenter's parking lot, with spaces for 1200 cars, further extends the land requirements for the store.

All of the three locations appeared to be designed for customers with cars, and none offered shuttle service to customers. Buses from the Sunline Transit Company serve highway 111, so shoppers who do not own a car can take the bus to the three stores. Bus access to the Supercenter was the least convenient of the three locations. A transit-dependent shopper would have to carry groceries across the expanse of the parking lot, down the street, across the highway, and back up the street to the bus stop across Highway 111 from Wal-Mart: a one quarter to one half mile walk.

In terms of size, design, location, and transportation options, the Wal-Mart Supercenter is much less appropriate for an urban setting where open space is scarce and many residents are transit dependent.

Competitive Impact

Wal-Mart is not operating in a retail vacuum – the company's model of food retail influences how existing grocery stores and other competitors do business. Evidence from other regions suggests that the opening of Supercenters can cause competitors to lower prices and drive some grocery stores out of business, ultimately affecting consumers' access to fresh food. According to one trade publication, "a Wal-Mart comes in and uses the grocery items as loss leaders to get the people to come in."³⁴ This strategy could be detrimental to food retail businesses, most of which operate on a very tight margin, selling primarily food products. Without the ability to lower prices to the extent that they are no longer profitable, these businesses will be hard pressed to compete with Wal-Mart. According to *Retail Forward*, a global management and consulting firm, "for every one Supercenter that will open, two supermarkets will close. Since 1992, the supermarket industry has experienced a net loss of 13,500 stores."³⁵

Impacts on small farms and local agriculture

The access and retail issues discussed above involve the consumer side of the food system. It is also important to examine Wal-Mart's impacts on the producer side of local food systems. As Wal-Mart becomes a large purchaser of food items, how does the Wal-Mart business model affect agriculture, food processing and distribution? If the company applies pressure on producers to lower costs to suppliers in the food sector, Supercenters will likely contribute to existing trends that have transformed the agricultural sector. These trends include depressed crop prices and farm worker wages, more small farmers forced out of business, an increased bias towards pesticide-intensive industrial agriculture, and produce traveling a greater number of "food-miles" to reach consumers.

A few Supercenters in the U.S. have reportedly purchased fruits and vegetables from nearby farmers, an approach that could benefit small, local farmers if it became a company-wide policy. However, under the current model, even local purchasing can be problematic. For example, as Wal-Mart prepares to bring Supercenters to Southern California, the retail giant may be establishing a forward contract with a large Clementine tangerine grower in nearby Kern County. This relationship could suppress prices on the popular citrus crop, to the detriment of smaller scale farmers throughout the region.³⁶ Wal-Mart's ability to pressure suppliers is daunting to huge companies such as Vlasic³⁷ and Del Monte³⁸—the impact of losing a Wal-Mart contract would be even greater for a small farm. Finally, Wal-Mart's current requirements for vendors, such as costs associated with obtaining a vendor ID number and insurance, and delivery requirements, make it financially unviable for most smaller operations.³⁹ To fully assess Wal-Mart's impacts on agriculture and local food systems, research on the sources of the food it sells and the nature of the company's contracts with farmers and food brokers is needed.

Summary of Food Impacts

If the grocery departments of Wal-Mart Supercenters were to be removed from these large stores and situated in urban neighborhoods, they might help address L.A.'s grocery gap and the continuing crisis of fresh food access in many lower income areas. Judging by the first California Supercenters, the selection of fresh produce and other healthy food items at Wal-Mart is adequate, and prices are low. However, these food departments are just one part of huge mega-stores with vast parking lots, making them ill suited for dense neighborhoods. From a land use perspective, Supercenters represent an inefficient model for increasing fresh food access in under-served urban communities. Wal-Mart Supercenters also have a track record of undercutting existing grocery stores. In an urban setting where many neighborhoods already lack supermarkets, the closure of any full service grocery stores would have a significant negative impact on local fresh food access. Those who would benefit from Wal-Mart Supercenters are consumers with cars from throughout the region, shoppers who already have significant retail choices. Meanwhile, residents of underserved, low-income, transit-dependent neighborhoods stand to lose local supermarkets, worsening the existing disparity in food access.

For both producers and consumers, the current Wal-Mart model for food procurement and retail does not fit in the definition of community food security--“a condition in which all community residents obtain a safe, culturally acceptable, nutritionally adequate diet through a sustainable food system that maximizes community self-reliance and social justice”⁴⁰—and does not allow for democratic participation in the future of the food system. Given Wal-Mart's likely status as a major player in food retail, it is imperative that further research be conducted and policies that promote access to healthy food for everyone considered.

Policies that Address the Wal-Mart Business Model

California is a new frontier for the Supercenter model of food retailing. In 2002, to great fanfare, Wal-Mart announced plans to build 40 new Supercenters in California over the next five years. However, public opposition has slowed the construction of new stores. In response to public outcry about Wal-Mart, some officials in cities slated for new Supercenters have denied permits to the retail giant or passed new policies that restrict big-box stores. Wal-Mart's has responded by going to great lengths to challenge laws that stand in its way of becoming the largest corporation in the world. This section describes Wal-Mart's plans for California and the policy debates that have arisen since the arrival of the Supercenters to the state.

The first Supercenter in California opened in March 2004 in La Quinta, near Palm Springs. Wal-Mart has also broken ground at several other locations across the state, and has taken concrete steps (filing for zoning permits, etc.) to construct Supercenters in the following locations: Gilroy, Red Bluff, Bakersfield, Redding, Palm Springs, Inglewood, Hemet, Stockton, West Sacramento, Anderson, Selma, Lemoore, Lodi, Woodland, Tracy, Fresno, Chico, and Hanford.⁴¹

Despite Wal-Mart's low prices and promises of jobs and increased sales revenue, residents in a number of communities have launched campaigns to keep Supercenters out of their neighborhoods. The concerns of each community vary depending on local circumstances, but there are some issues about the impact of Supercenters and similar mega-retailers that are repeatedly raised by residents and elected officials. These concerns include:

- Increased traffic congestion, pollution and noise.
- The potential loss of local merchants and unionized grocery stores.
- The substitution of low-paying jobs for jobs that provide higher wages, substantial health benefits, and support a middle-class livelihood.
- The potential decrease in sales revenue, coupled with an increase in "external" costs (such as healthcare costs) that can strain public funding sources.
- Overall livability issues, including the disappearance of walkable communities and the visual blight of huge, boxy stores and immense parking lots.
- Possible reduction of access to fresh, locally produced food due to competitive pressures and impacts on the local farm economy.

Big box ordinances are the policy instrument primarily used by localities to regulate the entry or expansion of Wal-Mart and other large-scale retailers. The typical big box ordinance restricts the size of retail stores and/or the type of goods sold within the store. In California, the cities of Oakland, Martinez, Turlock, and Agoura Hills, as well as Alameda and Contra Costa Counties, have passed ordinances banning stores larger than approximately 100,000

square feet that devote more than 5 to 10 percent of shelf space to grocery items or other non-taxable items. A few additional communities, including San Diego, Sonoma, Mt. Shasta and Oakdale are looking at the possibility of implementing similar ordinances.

Showdown in Inglewood

The recent policy debate in the City of Inglewood holds particular relevance for Wal-Mart's move into food retailing in urban areas in California. In Inglewood, Wal-Mart planned to build a Supercenter and a Sam's Club as part of a shopping center the size of 17 football fields.⁴² In October of 2002, the City of Inglewood passed a big box ordinance prohibiting the construction of stores larger than 155,000 square feet that devote more than 20,000 square feet to non-taxable items (such as food). With its plans blocked, Wal-Mart attacked the ordinance on a number of fronts. The company submitted 9,256 signatures collected from Inglewood residents asking the City Council to repeal the ordinance.⁴³ Wal-Mart also threatened to sue the city for unfairly targeting them in the ordinance. Because of these actions, the ordinance was repealed.⁴⁴

Not satisfied that the big box ordinance was off the books, Wal-Mart sponsored an initiative of its own: a 75-page measure that would essentially bypass local government, laws and oversight. If passed, measure 4A would command the city to approve the proposed Wal-Mart Supercenter without environmental review, traffic studies, public hearings or input from municipal officials who currently make the final decision.⁴⁵

Wal-Mart tailored its campaign in support of measure 4A around Inglewood's demographics. Inglewood is a predominantly African American and Latino city that, like many communities, is experiencing a shortage of employment opportunities. Through various marketing techniques, Wal-Mart communicated that it wanted to serve a community in need by providing jobs and offering affordable goods. Wal-Mart attempted to gain support from the black community by saturating black-themed TV shows on cable and network stations with ads displaying "smiling, cheerful black shoppers praising Wal-Mart for selling top-quality goods at bargain-basement prices and for being a leader in revitalizing underserved black communities."⁴⁶

Some of the City's residents were persuaded by these arguments. Steve Harvey, the host of a morning show in Los Angeles, which draws a primarily African American audience, echoed this point on the morning the vote was to take place in Inglewood. He stated that he was aware of the negative impacts of Wal-Mart, but that the residents of Inglewood needed jobs. Other community leaders, including Inglewood's mayor and a majority of its City Council members, reached the opposite conclusion and opposed Wal-Mart's efforts. Wal-Mart spent over one million dollars to convince residents to vote yes on Measure 4A. Ironically, the company paid its signature gatherers more than it pays its "associates."⁴⁷ The Coalition for a Better Inglewood, working with one-tenth the budget of its opponent, led a grass-roots campaign to defeat the initiative. The Coalition argued that the low-wage retail jobs

that Wal-Mart offered were not the answer to Inglewood's need for economic development, especially since Wal-Mart tends to displace jobs at competing retail establishments. They also pointed out that the City of Inglewood is not severely under-retailed and that it does not have a substantial grocery gap, as do some urban areas.⁴⁸ On April 6, 2004, Inglewood residents voted on the referendum. Despite Wal-Mart's expensive ad campaign, 7,000 of the City's residents voted against the measure, while just 4,500 of the voters supported it.⁴⁹

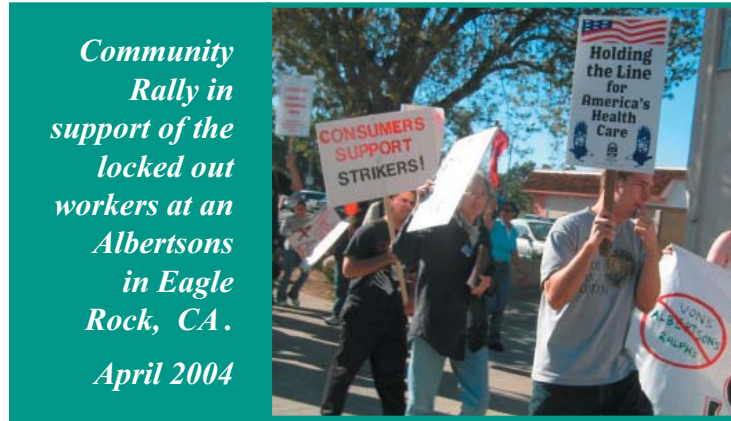
Los Angeles' Big Box Ordinance

Soon after Wal-Mart was blocked in Inglewood, the attention of Wal-Mart and its critics turned to the neighboring City of Los Angeles. Since 2002, the L.A. City Council had been considering the option of adopting a big box ordinance of its own. In March 2003, the Council, led on this issue by Councilpersons Garcetti and Reyes, authorized the Community Development Department to hire a consultant to prepare a report on available options for regulating large retail establishments. The firm of Rodino and Associates investigated how other municipalities had managed big box stores, and held two public hearings in L.A. In late October 2003, the consultants submitted a 70-page report that included the following specific recommendations:⁵⁰

1. Conduct impact assessments of proposed new big box stores.
2. Set wage and benefit requirements higher than those typically paid by Wal-Mart and other non-union retailers.
3. Establish local hiring requirements to ensure that at least 50 percent of workers at new stores live in the incentive zone in which the store is located.
4. Institute land use and design guidelines to minimize the negative impacts of giant parking lots and bleak storefronts, and to require pedestrian amenities and linkages.
5. Establish a re-leasing requirement so that big box retailers cannot close stores and forbid competitors from leasing the vacant space.
6. Require that promotion of local retail be partially funded by big box stores.
7. Encourage neighboring cities to adopt similar big box legislation so that a company such as Wal-Mart cannot create competition between neighboring cities to obtain tax breaks and concessions from municipalities.

In mid-December 2003, the Los Angeles City Attorney issued recommendations based on the Rodino Report. The Attorney's office took a different tack than recommended in the Report, and pursued the size-limit model adopted by other cities throughout the state. The City Attorney suggested the Council craft a big box ordinance that would bar stores of greater than

100,000 square feet with more than 10 percent of shelf space dedicated to non-taxable items (like food) from opening in or within a mile of any of the City’s economic assistance zones.⁵¹



Community Rally in support of the locked out workers at an Albertsons in Eagle Rock, CA. April 2004

Just as these reports were released, tens of thousands of grocery workers and millions of shoppers across Southern California were sharply experiencing the issues at the core of the reports. During a major lock-out and strike of union grocery in 2003 and early 2004, the three grocery chains involved cited the upcoming entry of Wal-Mart to the region as one of their main motivations to cut costs and roll-back health benefits. Wal-Mart

had not yet opened a single Supercenter in California, and yet its impact was already being felt.

In the aftermath of the grocery strike, the City Council and the City Planning Commission turned to the task of drafting an ordinance with a renewed sense of urgency. Early drafts of an ordinance were modeled closely after the City Attorney’s recommendations.⁵² By the time the ordinance passed through committees and was adopted by the full council, it had been modified to a store-by-store assessment approach.



The new version of the ordinance still has the same triggers: a focus on stores in economic assistance areas, larger than 100,000 square feet, with more than 10 percent of shelf space dedicated to non-taxable items. However, the ordinance no longer bans all of these stores, instead requiring an economic impact analysis of each proposed big box store to be submitted by the company seeking to build the store and supplemented by the City’s Community Development Department or Community Redevelopment Agency. The stores will only be allowed if the analysis and a “consideration of all economic benefits and costs” find that the superstore “would not materially adversely affect the economic welfare of the Impact Area.”⁵³ The City Planning Commission will make this determination for each proposed big box store, with appeals going to the City Council.

The economic impact analysis reports prepared for each proposed store must assess a broad range of impacts. The draft ordinance includes the following areas of analysis:

1. Impacts on nearby grocery or retail shopping centers
2. Economic stimulation of the impact area
3. Physical displacement of existing businesses
4. Physical displacement of housing, parks, childcare facilities, or community centers
5. Provision of new or lower cost products and services
6. Job impacts, including numbers and quality of jobs displaced or created
7. Fiscal impact on the City's tax revenues

The ordinance also allows for mitigation measures to address any negative economic impacts identified by the study, but does not specify mitigation requirements or categories, as the Rodino report did.⁵⁴

Rosemead and Beyond

Wal-Mart's failure to win fast track approval in Inglewood, and the creation of a new assessment process for the City of Los Angeles, mark the beginning of the debate over Supercenters in the L.A. region. With 90 independent cities in Los Angeles County alone, businesses like Wal-Mart have many opportunities to "jurisdiction shop" for welcoming locations. In early September 2004, the city council of Rosemead, a town of 50,000 located 12 miles east of downtown L.A., granted approval for a Wal-Mart Supercenter. Some residents, labor activists and elected officials had opposed the move. But a majority of council members were swayed by arguments that a new Supercenter would boost city sales tax receipts by more than 20 percent, and increase shopping opportunities in a town whose last major chain grocery store had closed weeks earlier. Commenting on the vote, Supercenter opponent State Senator Gloria Romero described "the Wal-Martization of our economy in California. Local Governments are essentially behaving like addicts, and Wal-Mart is their crack cocaine. It's a short-term fix."⁵⁵

The Rosemead Supercenter still faces a number of obstacles. Opponents of the store have announced that they are preparing legal challenges and a recall effort of pro-Wal-Mart council members. Meanwhile, Wal-Mart plans to build a regular store first, and then add a grocery section at a later date. The intensity of the controversy surrounding Supercenters in California⁵⁶ suggests the need for policy tools that move beyond 'yes' or 'no' votes to alternative approaches to large-scale retail. The retail food sector, which has largely been absent from these kinds of policy reviews, should be included in these considerations.

Policy Recommendations

The Los Angeles ordinance identifies a number of opportunities to create space for consideration of the economic impacts of Wal-Mart Supercenters and other big box stores. The economic impacts cannot be considered in isolation from their impacts on land use and livability. Ideally, the new ordinance, combined with environmental impact assessments and existing zoning requirements, will allow communities and decision-makers to consider a full range of impacts of proposed stores. Communities could block stores that would not benefit local neighborhoods and the City as a whole. Community members, planners and elected officials could also negotiate with responsible developers to create a new type of development mitigation strategy called Community Benefits Plans. These plans call for new stores that are approved and built, to maximize the positive community impacts of new developments, to be determined in part by community needs.

If it proves infeasible to coordinate different assessment processes, the Los Angeles City Council could act in the future to expand the Big Box ordinance so that the overall assessment process addresses design, transportation and food access issues. Moreover, it could explicitly mandate the Community Benefits Plans approach as the method to address those issues and meet other community needs.

A Community Benefits Plan in the context of a new big box store could include some or all of the following conditions:

Food Access:

1. A transportation plan to ensure that people without cars have reasonably easy access to the store. Transportation strategies could include locating the new store near existing transit shops, requiring the store to provide shuttle service to shoppers, and improving public transportation options to the store location.
2. On site farmers' market to attract customers and offer fresh produce from local farms, a strategy that has been successfully utilized by grocery stores to attract customers on slow business days, to increase purchases of non-fresh food items from the hosting stores.
3. A commitment on the part of big box stores in low-income neighborhoods to provide a selection of fresh food, food quality and costs per item comparable to suburban or middle-income locations.
4. A linkage fee paid by developers of big box stores. In order to ensure that low-income communities receive new supermarkets and equivalent food retail outlets, big box stores opening anywhere in Los Angeles pay into a fund dedicated to attracting full-service food stores to inner city neighborhoods.

Labor

1. Living wages for employees, possibly keyed to the prevailing wage paid by large retail stores other than Wal-Mart.
2. Neutrality towards unionization campaigns to allow workers to decide whether to affiliate with labor unions without harassment from management.
3. Local and/or first source hiring programs to guarantee that a percentage of workers are hired from surrounding neighborhoods or from a First Source Program, which is often a community group that recruits, screens and sometimes trains employees.
4. Worker retention policies, based on Los Angeles' Worker Retention Ordinance, to ensure that if a store or company is bought by another business, the current workers will have the right to retain their jobs.

Land Use and Environmental Protection

1. Compact design requirements to minimize the amount of land used to build new big box stores, including limits on the number of aboveground parking spaces, and stipulations for the use of innovative, multi-level buildings to reduce the store's footprint.
2. A traffic management plan that ensures that entrances and exits are safe and convenient, that excessive traffic is not routed through residential streets, and that delivery trucks do not idle in public and expose residents and shoppers to diesel emissions.
3. Pedestrian-oriented designs to encourage shoppers to walk to the store and to more effectively integrate the store with the surrounding neighborhood.
4. Green building practices such as the use of non-toxic and renewable building materials, use of clean energy, and parking lot design and greening to reduce toxic runoff.
5. Mitigation of negative neighborhood impacts; environmental impacts identified by an environmental impact report and addressed in consultation with the community.

Policy Choices: A Conclusion

Will Wal-Mart's decision to open 40 Supercenters in California inevitably lead to the types of labor, land use and food access impacts that are associated with the Wal-Mart business model? Or can policy approaches be adopted that utilize a Community Benefits Plan framework to address those impacts and support initiatives that enhance rather than decrease fresh food access, promote more efficient and equitable land use policies, and provide for higher entry-

level wages and adequate health benefits? The policy decisions to be taken in Los Angeles and other California communities will ultimately influence what model will prevail.

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Appendix

Item	Wal-Mart	Stater Bros	Vons
<i>Breads, Grains and Legumes</i>			
bagles, plain, enriched, (6)	1.60	1.00	1.96
bread, white, enriched, (1 loaf)	0.55	0.79	0.89
hamburger buns, enriched, (8)	0.85	0.66	0.66
crackers, snack, low salt	0.87	0.99	0.99
oatmeal, quick, rolled oats (1lb)	0.71	0.88	1.37
corn flakes (1lb)	1.13	1.77	1.78
flour, enriched (small bag) (1lb)	0.19	0.24	0.20
flour, enriched (bulk) (1lb)	0.24	0.20	0.29
elbow macaroni, enriched (1lb)	0.48	0.60	0.70
rice, enriched (small bag) (1lb)	0.45	0.65	0.45
rice, enriched (bulk) (1lb)	0.33	0.44	0.29
pearl barley (1lb)	0.84	0.59	0.66
whole wheat flour (1lb)	0.61	0.46	0.47
whole wheat bread (1lb)	1.33	0.66	1.46
tortillas, corn	1.14	1.29	1.39
lentils, dry (1lb)	0.62	0.89	0.95
beans, kidney, canned, canned, (15 oz)	0.82	0.99	0.50
beans, lima, dry, (1lb)	0.87	0.99	1.19
beans, garbanzo, canned, (15 oz)	0.82	0.99	0.50
rice, brown (1lb)	0.93	0.85	0.83
Subtotal	15.36	15.92	17.52
Comparison to Wal-Mart Prices		3.66%	14.04%
<i>Fats and Oils</i>			
peanut butter, crunchy	1.31	0.88	1.77
canola oil	0.71	0.90	0.82
margerine	0.58	0.69	0.85
low-fat ranch dressing	1.98	2.99	1.50
Subtotal	4.57	5.46	4.94
Comparison to Wal-Mart Prices		19.36%	7.96%
<i>Sugars</i>			
brown sugar (1lb)	0.50	0.95	0.95
granulated sugar (1lb)	0.37	0.34	0.36
honey, grade A	3.17	2.99	1.99
Subtotal	4.04	4.28	3.30
Comparison to Wal-Mart Prices		5.75%	-18.49%

<i>Fresh Fruits and Vegetables</i>			
apples (cheapest variety) (1lb)	0.68	1.19	0.99
bananas (1lb)	0.48	0.55	0.50
melon (1lb)	1.87	0.59	0.79
oranges (1lb)	0.47	0.78	0.50
cabbage (1lb)	0.48	0.48	0.59
carrots (2 lb bag)	0.98	0.89	0.99
celery (1lb)	0.98	0.99	0.99
green pepper (1lb)	0.50	0.50	0.50
lettuce, green leaf (1lb)	1.18	1.19	1.29
onion, white (1lb)	0.54	0.89	0.99
potatoes, russet (10 lb bag)	1.50	2.49	1.99
zucchini	0.99	0.99	1.29
yams (1lb)	0.88	0.99	1.29
cucumbers (each)	0.50	0.59	0.79
spinach, bunch	0.94	1.29	1.19
tomatoes, roma (1lb)	0.88	0.99	0.99
grapefruit, red (1lb)	0.84	0.99	0.99
Salad (bagged), spring-mix	2.43	2.99	2.99
greens (1lb)	0.94	0.79	0.89
mushrooms, white, 5 oz	1.58	1.89	1.99
grapes, seedless, red (1lb)	1.97	0.99	2.49
strawberries (1lb)	1.84	0.80	1.00
avacados, haas (1lb)	0.75	1.89	0.99
lemons (1lb)	0.20	0.39	0.50
Sub total	24.40	26.12	27.51
Comparison to Wal-Mart Prices		7.05%	12.75%
<i>Canned Fruits and Vegetables</i>			
applesauce, 25 oz	0.97	1.09	1.39
peaches, canned, in juice, 15 oz	0.84	0.99	0.99
pear halves, canned, in juice, 15 oz,	0.84	0.99	0.99
tomato paste, 6 oz	0.33	0.39	0.50
frozen orange juice, 12 oz can	0.96	0.99	0.99
apple juice, 64 oz, from concentrate	1.97	1.99	1.94
green beans, frozen, cut, 16 oz	0.84	1.29	1.00
peas, frozen, 16 oz	0.84	1.36	1.00
pineapple rings, canned in juice, 20 oz	0.78	0.99	0.99
tomato (pasta) sauce, plain, 26 oz	1.00	1.89	1.66
tomatoes, diced, canned, 14 ½ oz	0.77	0.59	0.60
Sub total	10.14	12.56	12.05
Comparison to Wal-Mart Prices		23.87%	18.84%

<i>Meat, Fish and Dairy</i>			
milk, skim, 1 gallon	2.14	3.49	3.74
milk, 2 %, 1 gallon	2.74	3.45	4.19
yoghurt, plain, reduced fat, 8 oz	0.38	0.59	0.40
fish, white, fresh (cod or red snapper, 1 lb)	3.83	3.99	5.49
cod, frozen, 12 oz	2.30	4.49	3.49
beef, ground lean, 1 lb	2.98	4.49	4.49
tuna fish, chunk style, water packed, 6 oz	0.50	0.49	0.75
turkey breast, 1 lb	2.98	3.99	5.59
chicken, boneless & skinless breasts, 1 lb	2.96	4.99	2.63
eggs, large grade AA, one dozen	1.06	1.99	2.49
Sub total	21.87	31.96	33.26
Comparison to Wal-Mart Prices		46.14%	52.08%
Total Basket Price	80.39	96.29	98.57
Comparison to Wal-Mart Prices		19.79%	22.62%