

good apples

IT'S NOT HARD to find orange-flavored soda or potato chips in the Hazelwood section of Pittsburgh. Finding fresh oranges or potatoes is a different matter. When the community's only grocery store closed earlier this year, residents were left with corner stores stocked with candy bars and other junk food.

John McClelland wants to do something about that. The founder and president of Pittsburgh-based online grocer Good Apples has a plan to bring fresh produce and other healthy foods to low-income neighborhoods. He has a partner in the YMCA of Greater Pittsburgh. And he has a problem: a federal guideline that governs the use of food-stamp benefits.

Good Apples, now in its fourth year, has about 35,000 customers, making it the largest online grocer in Pennsylvania. Customers log on to the Web site, choose from among 750 products, pay via credit card and receive their orders at work or at home. In low-income areas, however, many people don't have Internet access or credit cards. No problem, says McClelland.

"We would set up kiosks in YMCAs. Anybody could go to the YMCA, go to this kiosk and sign up for a box of produce. They would be able to swipe their ACCESS card, and we would deliver to the YMCA." Plastic ACCESS cards, which are issued to Pennsylvanians who qualify for food-stamp benefits, work like bank debit cards at grocery stores. Trouble is, food-stamp recipients must receive goods upon payment. That caveat scuttled plans to test the program in Homewood's YMCA last summer.

"I do understand why there are certain limitations, but we have an opportunity to do something creative," says the YMCA's Paul McComb, who oversees health and wellness initiatives. "This is something that could expand beyond Pittsburgh to Philadelphia, Erie, other cities. We would really be able to touch the populations that need it most."

Good Apples and the YMCA already have a fruitful partnership. When the company was in its infancy, McClelland offered to redesign the snacks served at the Y's after-school sites. The YMCA is the largest after-school care provider in western Pennsylvania, serving about 1,300 children.

"They were eating licorice and Doritos and purple drinks," McClelland recalls. "So we put together a program to give them fresh fruit, milk and a healthy starch snack like Wheat Thins." The YMCA signed on, and Good Apples had its first customer.

"We made the switch on November 14, 2005. I'll never forget the date," says McComb. "We took away the Oreos and other stuff they liked and replaced them with apples, oranges, bananas, pluots (a plum-apricot hybrid), strawberries. I was a little nervous, but the kids responded really well."

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The foods they sample at the YMCA affect their eating habits at home. "It's a real educational tool," he says. "I've had parents say: 'I've been buying apples for two years, and little Johnny never ate them. Last time I took him to the grocery store, he said, "Mommy, I don't like those apples. I like Pink Ladies." ' The kids are able to identify what they like."

In neighborhoods such as Hazelwood and Homewood, the challenge is finding what they like. Economic conditions and crime keep traditional grocers at bay. That's part of the reason why obesity rates are particularly high in economically distressed areas.

If McClelland has his way, Good Apples would deliver fruit, vegetables that are easy to cook or can be eaten raw, and staples such as rice. Boxes would include basic recipes and dietary advice by local chefs and nutritionists. During Pennsylvania's peak growing season, a great deal of the produce would come from local farmers.



"I want to make it as close to 100 percent local as possible," he says. "We have a unique capability to make these connections between the suppliers and a market that needs their products."

As much as 40 percent of Good Apples inventory is locally sourced during summertime. That figure drops to 12 to 15 percent in winter. Year-round offerings include gourmet pasta from Vandergrift, breads from Mancini's in McKees Rocks, milk from Penn Hills-based Turner Dairy Farms and coffee roasted by La Prima Espresso, one of Good Apples' neighbors in the Strip District's produce-terminal building.

Communities that need access to healthier food options and farmers who need access to new markets wouldn't be the only beneficiaries of McClelland's plan.

"None of this is completely altruistic," acknowledges the 34-year-old entrepreneur, whose company stands to gain about \$20,000 per week in revenue if it had kiosks in about a dozen YMCAs. Total revenue increased 400 percent in 2007 and more than doubled – to \$2.5 million – in 2008. McClelland is in talks to raise \$5 million in venture capital that

would allow Good Apples to upgrade its Pittsburgh operations and set up shop in a second city.

The company has been able to turn a profit while keeping prices competitive with supermarkets because it buys only as much as it sells.

"Our model is based on just-in-time inventory," McClelland says. "We get the order from you, the customer, and that translates to how we make our purchases from our suppliers."

The concept is the opposite of a grocery store, which buys more than it sells and eats the spoilage costs. That's why it wouldn't be feasible for Good Apples to deliver boxes to YMCAs if they're not already paid for.

"If we have to estimate that we'll need 200 boxes and only 100 of them sell, the food bank gets 100 boxes. That's wonderful for the food bank, but how long can Good Apples do that and lose money?"

McClelland is betting that he and the YMCA will find a solution.

"I really feel like there's a way. The right people could get in a room and say, 'We need to make an exception.' I refuse to look at the bureaucracy and say we can't do it." •

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