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Georgia dairy farm sues Whole Foods over supply deal that soured after Amazon acquisition

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A Georgia dairy farm is suing Whole Foods Market after a big deal to supply it with dairy products went sour after Whole Foods was bought by Amazon.com in 2017.

Hart Agriculture, which is based in Richmond County, Ga., near Augusta, contends in a complaint filed Dec. 27 in federal court in Atlanta that it suffered "devastating" losses when a supply arrangement with Whole Foods and AtlantaFresh, a dairy product processor which is now out of business, was abruptly terminated in August 2017.

Amazon (Nasdaq: AMZN) acquired Whole Foods on Aug. 28, 2017.

"Hart Agriculture, an innovative and growing local dairy farming operation, was not paid what it was entitled to under a binding agreement, and we are seeking that payment," said Jake Evans of law firm Holland & Knight LLP, which is representing Hart.

Hart says in its complaint that, "In late 2015 and early 2016, Whole Foods and AtlantaFresh – then a supplier of dairy products to Whole Foods for the Atlanta metro region – sought to expand their dairy supply relationship geographically, improve the quality of the dairy products sold via that relationship, and put their relationship on stable ground for a period of years. To do so, they needed a dairy farm capable of reliably producing 100% grass-fed, certified non-GMO [genetically modified organism] milk to rigorous standards and in substantially increased quantity."

"AtlantaFresh thus reached out to Hart, whose founder and President was and is a market leader in the development of farming practices and processes for the improvement of dairy milk, and the processed dairy products made from it," the complaint goes on to say. "Whole Foods soon joined AtlantaFresh in this outreach. In light of Whole Foods' dominance in the market for organic dairy products, Hart agreed to engage in planning and preparations for the establishment of an entire, dedicated dairy farm – the Newberry Farm near Augusta, Georgia – that would be redeveloped specifically to satisfy the quality and quantity requirements of the proposed supply relationship."

"The redevelopment of the Newberry Farm was a substantial project, that ultimately would require Hart to invest the better part of a year, and over \$1,000,000 in preparation for the business to be done with Whole Foods," Hart's complaint goes on to say. "Indeed, because of this investment and the capital requirements of the ongoing business, and because of the risk that these investments would be lost if Whole Foods were to back out of the relationship, the parties recognized that Hart would be the true economic partner to Whole Foods in the prospective business."

"Hart thus demanded," the company alleges, "and Whole Foods and AtlantaFresh agreed, that their contracts provide for direct recourse by Hart to Whole Foods for damages resulting from a unilateral termination without cause by Whole Foods of the supply arrangement."

In August 2017, Hart contends, "without any complaints having been lodged and without any negotiations or attempts to re-work the terms of the supply arrangement, Whole Foods unilaterally terminated its supply arrangement with AtlantaFresh and Hart. At nearly the same time, Whole Foods was acquired by Amazon.com, Inc., and in the context of that transaction, upon information and belief, Whole Foods also unilaterally terminated supply arrangements with dozens, if not hundreds, of local producers nationwide in an attempt to consolidate its supply chains along lines intended to be followed after its acquisition by Amazon."



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The logo of the Whole Foods at 4755 Fauntleroy Way SW in West Seattle is picture October 8, 2019 but opens October 9.

Hart alleges the financial consequences "were devastating." AtlantaFresh closed its doors in March 2018, according to its web site.

Hart is asking the court to award it unspecified damages. To read Hart's complete complaint, [click here](#).

David Allison
Editor
Atlanta Business Chronicle

