

December 1st, 2022

The Honorable Lina Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chair Khan:

As organizations representing farmers, workers, consumers, and advocates for fair food systems, we urge the Federal Trade Commission to block Kroger's acquisition of Albertsons. This deal will create a grocery empire to rival only Walmart, concentrating too much market power into one grocery chain. A combined Kroger-Albertsons will further squeeze its suppliers and workers, diminish food access, and drive out independent grocers and food businesses. This is a time when we need more community control over our food system, not more corporate concentration.

Exacerbating Buyer Power, Worsening Market Access

Small to mid-sized farmers and food businesses already face significant barriers to accessing conventional grocery markets. Exclusive kickbacks and slotting fees lock up most of the shelves for the largest food corporations, leaving little to no space for new suppliers and community-based businesses that use more sustainable farming techniques or have more diverse owners.¹

Kroger and Albertsons rely on these exclusionary Big Food payments as a part of their business model and combining the two giants could further centralize their procurement systems and shut out smaller, newer, or local vendors.² This deal will also shrink the number of buyers in the already consolidated grocery market. Higher barriers to entry combined with fewer buyers will further narrow new food businesses' pathways into the retail industry, stifling their growth and preventing innovators from attaining competitive scale.

Combining Kroger and Albertsons will also create a new mega-grocery buyer with exceptional buyer power to squeeze its suppliers, shrinking farmers' and workers' share of the food dollar. One study found that businesses that sold most of their goods to just one or two major buyers tended to lower their workers' wages over time.³ It also found that this monopsony squeezing accounted for 10% of the wage stagnation U.S. workers have seen since the 1970s.

¹ https://som.yale.edu/sites/default/files/2022-06/Grocery-Compendium_1.pdf

² <https://www.forbes.com/sites/errolschweizer/2022/10/13/why-a-krogeralbertsons-merger-is-a-bad-idea/?sh=3841156a53af>

³ <https://journals.sagepub.com/doi/10.1177/0003122418762441>

Kroger and Albertsons already exert direct buyer power over farmers as private-label manufacturers, monopsony power that this merger would only increase. For instance, Albertsons and Kroger both operate substantial milk plants in Denver, Colorado. If the companies merge, the Colorado private-label milk market will become less competitive, and Kroger-Albertsons could decide to shut down one of their plants. The merged entity will accumulate even more power to demand lower prices from the farmers supplying its private-label plants. Kroger processes roughly 90% of the milk it sells, giving it a near monopoly over its milk supply.⁴

Retail consolidation will thus beget further food processing and farming consolidation, as only the largest food corporations can afford to take pay cuts and pay more to get on Kroger-Albertsons's shelves. This trend will concentrate more wealth and control in the hands of the largest food corporations at the expense of community-based businesses.

Threatening Jobs and Squeezing Workers

In addition to workers at food manufacturers, grocery industry workers stand to lose jobs and bargaining power if Kroger takes over Albertsons. Many Kroger and Albertsons store workers already struggle to meet their basic needs. A 2021 survey of over 10,000 western U.S. Kroger workers found that 75% were food-insecure, 44% could not afford their rent, and 14% experienced homelessness.⁵ Well publicized “hero-pay” bonuses were short-lived and have been walked back; in California, Kroger even closed stores to avoid these minimal pay increases.⁶

Meanwhile, Kroger and Albertsons continue to exceed their profit projections and reap record growth.⁷ As part of this deal, Albertsons wants to direct even more resources to Wall Street by giving \$4 billion to its predominantly private equity shareholders in the form of a special dividend. This dividend would give away 75% of Albertsons's cash on hand and pad investors' pockets at a time when Albertsons's worker pension fund is underfunded by \$4.9 billion.⁸

Combining Kroger and Albertsons would decrease head-to-head competition for grocery store workers and warehouse workers in certain regions, giving Kroger more monopsony power to hold down wages. According to the Capitol Forum, as many as 1,400 Kroger and Albertsons

⁴ <https://www.wsj.com/articles/walmart-kroger-bottle-their-own-milk-and-shake-up-american-dairy-industry-11595872190>

⁵ <https://economicrt.org/publication/hungry-at-the-table/>

⁶ <https://www.washingtonpost.com/business/2021/02/03/ralphs-kroger-pandemic-pay-mandate/>

⁷ <https://www.reuters.com/business/retail-consumer/kroger-raises-annual-profit-forecast-essentials-demand-2022-06-16/> ; <https://www.marketwatch.com/story/albertsons-beats-on-profit-and-sales-raises-guidance-2022-07-26> ; <https://progressivegrocer.com/kroger-caps-year-record-growth>

⁸ <https://www.washingtonpost.com/business/2022/11/03/albertsons-special-dividend-owners/> ; <https://www.grocerydive.com/news/albertsons-special-dividend-temporarily-suspended-by-washington-court/635780/>

stores overlap, putting hundreds of locations on the chopping block.⁹ Even if the FTC were to require substantial divestitures of these competing stores, past failed grocery divestiture remedies suggest that sold-off stores would still have a higher risk of closing in the future.¹⁰ The same can be said for Kroger and Albertsons's massive distribution networks and warehouses, which also could lose locations when the companies rationalize their supply chains. Store or warehouse closures will threaten hundreds of jobs and livelihoods.

Driving Out Independent Retailers, Diminishing Food Access and Raising Prices

Kroger and Albertsons's expanded buyer power will also hurt independent grocers and cooperatives. With an expected 16% of the market, major food manufacturers will have little choice but to offer lower prices and better terms to Kroger-Albertsons in order to stay in its stores. Independent grocers and co-op grocers simply do not have the same market power to demand these concessions, even when they reach efficient scales through buying consortiums.¹¹ What's worse, food manufacturers have been known to make up for concessions made to power buyers by charging higher prices or offering inferior service to their independent customers.¹²

Over time dominant grocers have consolidated the industry and driven independents out of business. Between 1994 and 2019, the overall number of grocery stores declined by 30%.¹³ Losing independent and co-op grocers harms local economies and marginalized communities. Grocery cooperatives provide democratic alternatives to investor-owned grocers and tend to buy a larger portion of their foods from local producers than conventional grocers.¹⁴ Meanwhile, independent grocers tend to serve communities of color, rural areas, and low-income neighborhoods that chain stores have left behind.¹⁵ According to the USDA, between 2005 and 2015 the number of independent grocers in counties with growing Black populations and rural counties increased, while the number of chain stores in these areas decreased.¹⁶ As Kroger-Albertsons closes overlapping stores and drives out independent retailers, these communities are at a higher risk of losing stores and food access.

⁹ <https://thecapitolforum.com/kroger-albertsons-companies-have-overlap-of-more-than-1400-stores-khan-highly-critical-of-failed-supermarket-divestitures/>

¹⁰ <https://www.seattletimes.com/business/retail/haggen-wants-to-close-100-additional-stores/> ; A review of local news reports by the Open Markets Institute found that at least 16 of the 81 stores divested to permit the 2016 Ahold-Delhaize merger have since closed and two more have been sold back to Ahold.

¹¹ <https://www.nationalgrocers.org/wp-content/uploads/2021/03/NGA-Antitrust-White-Paper25618.pdf>

¹² Ibid.

¹³ https://www.foodandwaterwatch.org/wp-content/uploads/2021/11/IB_2111_FoodMonoSeries1-SUPERMARKETS.pdf

¹⁴ <https://civileats.com/2020/05/15/community-food-co-ops-are-thriving-during-the-pandemic/> ; <https://www.grocery.coop/article/you-are-co-op-difference>

¹⁵ <https://www.ers.usda.gov/webdocs/publications/85783/err-240.pdf>

¹⁶ Ibid

Combining Kroger and Albertsons will also eliminate head-to-head competition in certain grocery markets, giving one company more power to raise consumer prices. Grocery markets are hyper local. Consumers generally do not travel far for groceries and grocery options for shoppers in low-income and transit-limited areas can be particularly geographically restricted. National market shares thus underestimate the high degrees of concentration in regional grocery markets. By one estimate, Kroger and Albertsons merger would give just two companies more than 70% of the grocery market in over 160 cities.¹⁷

With less regional competition, Kroger-Albertsons will not face competitive pressures to pass any price savings it extracts from suppliers on to customers.¹⁸ It could also raise prices: a study by the Federal Trade Commission found that grocery mergers in already concentrated markets can result in significant price increases.¹⁹

Both chains have been accused of price-gouging during the pandemic and contributing to overall food inflation, making it harder for families to put food on the table.²⁰ Kroger and Albertsons will say that manufacturers are responsible for raising food prices, but both corporations' record profits suggest that they are not merely passing on their increased cost of doing business to shoppers, they are also taking higher margins.²¹

In conclusion, this mega-merger will harm shoppers, workers, and food producers, while investors stand to concentrate power and profit. To foster a more democratic, equitable, competitive, and resilient food system, the FTC must act to block this deal.

Sincerely,

Open Markets Institute
HEAL (Health, Environment, Agriculture, Labor) Food Alliance
Rural Advancement Foundation International-USA
American Economic Liberties Project
Americans for Financial Reform Education Fund
Campaign for Family Farms and the Environment
Center for Digital Democracy
Chicago Food Policy Action Council
Cultivate Charlottesville

¹⁷ <https://ilsr.org/statement-kroger-albertsons-merger/>

¹⁸ <https://journals.sagepub.com/doi/abs/10.1177/0003603X18770063>

¹⁹ <https://www.ftc.gov/sites/default/files/documents/reports/do-retail-mergers-affect-competition%2%A0-evidence-grocery-retailing/wp313.pdf>

²⁰ <https://progressivegrocer.com/food-retailers-face-pandemic-price-gouging-lawsuits;>
<https://www.cbsnews.com/news/retail-price-gouging-lowes-amazon-target-accountable-us/>

²¹ <https://www.supermarketnews.com/retail-amp-financial/krogers-margins-get-boost-inflation>

Demand Progress Education Fund
Farm Action
Farmworker Association of Florida
Food Animal Concerns Trust
Food & Water Watch
Institute for Agriculture and Trade Policy
Institute for Local Self-Reliance
National Family Farm Coalition
National Farmers Union
North American Marine Alliance
Public Citizen
Revolving Door Project