



Rocky Mountain Farmers Union

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December 16, 2022

The Honorable Phil Weiser
Colorado Attorney General
Office of the Attorney General
Colorado Department of Law
Ralph L. Carr Judicial Building
1300 Broadway, 10th Floor
Denver, CO 80203

Dear Attorney General Weiser:

Introduction

Rocky Mountain Farmers Union (RMFU) represents family farmers and ranchers in Colorado, New Mexico, and Wyoming with about 17,000 members. Since 1907, RMFU has been dedicated to sustaining our rural communities, to wise stewardship and use of natural resources, to the protection of our safe, secure food supply, and to achieving profitability for farmers and ranchers.

As an advocate for farmers, ranchers, and rural communities, we are troubled by the potential merger between the two largest grocery chains in the country—Kroger and Albertsons. This merger could have detrimental effects on rural communities and the livelihoods of farmers and ranchers here in Colorado and throughout the rest of the country. We address our two most pressing concerns below—the effects of market concentration on farmers and ranchers and the effects of market concentration on rural communities.

Market Concentration Effects on Farmers and Ranchers

Colorado farmers and ranchers already face an uphill battle to obtain a fair price from grocery stores and grocery suppliers when selling their products. The proposed merger between Kroger and Albertsons would only exacerbate this issue. If this merger were to go through, Colorado farmers and ranchers would have less options of where to sell their goods. This merger would also eliminate what little power they do have to leverage offers from one chain against the other to obtain a fair price.

In statements put forth by both companies, they have stated that this merger would allow them to be on an even playing field with their three largest competitors—Walmart, Amazon, and Costco. Farmers and ranchers have very little power with these large corporations to negotiate a fair price for their goods. We believe that if this merger were to move forward this same type of dynamic would be established in the consolidated Kroger-Albertsons chain. These issues with Kroger and Albertsons would not be born out of this merger but would be exacerbated if this proposal goes through. As stated in a letter to the Chairperson of the Federal Trade Commission that was signed onto by our parent



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organization, National Farmers Union, “this is a time when we need more community control over our food system, not more corporate concentration”.

Due to the decrease in competition and increase in market concentration, these large grocery chains, including Kroger and Albertsons, have been able to force suppliers into selling their goods at a price that is untenable for many family farmers and ranchers to be able to survive. According to the USDA Economic Research Service, only 14.3 cents of every dollar spent on food is paid to farmers and ranchers. Additionally, as stated in the letter to the Chairperson of the FTC, the coalition shared that “businesses that sold most of their goods to just one or two major buyers tended to lower their workers’ wages over time...[and]...that this monopsony squeezing accounted for 10% of the wage stagnation U.S. workers have seen since the 1970s”. If Kroger and Albertsons were allowed to merge, this would only aggravate these issues due to the merged company’s power to demand unsustainable price points from suppliers. Family farmers and ranchers in Colorado would not be able to compete with large agricultural conglomerates and still be able to make a livable wage to support themselves and their employees.

On a related note, Kroger and Albertsons already have private-label milk operations and both own large milk plants in Denver. The coalition, including National Farmers Union, shared in their letter that “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”. This would be detrimental to the labor force that works for these large milk operations and the companies that contract with them. It would also be damaging to dairies in the state and broader region by allowing the merged company to “demand lower prices from the farmers supplying its private label plants”, according to the coalition letter.

Market Concentration Effects on Rural Communities

The market concentration as a result of the merger between Kroger and Albertsons has the potential to force independent grocers and smaller grocery chains out of the market, which could have devastating effects on rural communities. Even if the independent grocers or smaller grocery chains are not forced out of the market, they would be forced to pay higher prices from suppliers. These grocers would then pass that price onto consumers in rural communities that have no other option but to shop at these stores with higher prices.

Our members are concerned about what this merger could mean for their communities. Some of our members have told us that they are worried about the survival of their local grocers. They are particularly concerned with the increasing number of food deserts in rural communities and the increasing distance that some must travel to reach a grocery store.

During their testimony to the Senate Judiciary Subcommittee on Antitrust, Competition Policy, and Consumer Rights hearing earlier this month, the CEO of Kroger stated that they “will not close any stores, distribution centers, or manufacturing facilities, or layoff any frontline associates as a result of this merger”. Of the 253 combined Kroger and Albertsons locations in Colorado, many are physically



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near one another or share a common market that includes neighboring rural communities. It is unfathomable to believe that the combined Kroger-Albertsons will keep stores in these situations open.

Even if they divest in some of these stores and sell them to smaller grocers, it is unlikely to curb the adverse effects of the merger. After Albertsons bought out Safeway and divested in 168 stores, the purchaser went bankrupt within the year. During the Senate hearing, it was mentioned that “merging parties have incentives to make sure that the purchaser of divested assets is not an effective competitor”. While the exact number of stores that will be divested during the merger has not been determined yet, Kroger has stated that it will be between 100 and 375 stores nationally with an untold amount in Colorado.

With the likelihood of many Colorado stores being part of the divestment plan coupled with diminishing competition, we foresee an increase in grocery prices for families in rural Colorado that are already struggling to afford groceries. In addition to the divested stores also anticipate the closure of multiple Kroger and Albertson stores as well as the closure of independent grocers that are not able to compete with the proposed conglomerate, which would lead to the loss of vital jobs for many in rural communities. The potential of fewer options, higher prices, and lost jobs would significantly hurt rural communities across Colorado.

Conclusion

We would like to thank you for your time in hearing out our concerns. RMFU is grateful for your attention to this matter thus far through the creation of the taskforce within your office and your efforts to lead a multi-state coalition to investigate the merger between Kroger and Albertsons. We urge that you heed the concerns of our members about the potential harm that this merger could have on the livelihoods of Colorado’s farmers and ranchers as well as on rural communities more broadly by doing everything in your power to halt this merger. We offer any assistance to further inform this process. We would be happy to provide additional comments or connect any of our members to serve as a resource and partner in this vital endeavor to amplify the voices of the agricultural and rural communities as you advance in your efforts to block this merger.

Sincerely,

Chad Franke
President, Rocky Mountain Farmers Union

For additional questions and if you wish to discuss any of this further, please reach out to Dan Waldvogle, Director of Rocky Mountain Farmers Union (daniel.waldvogle@rmfu.org).