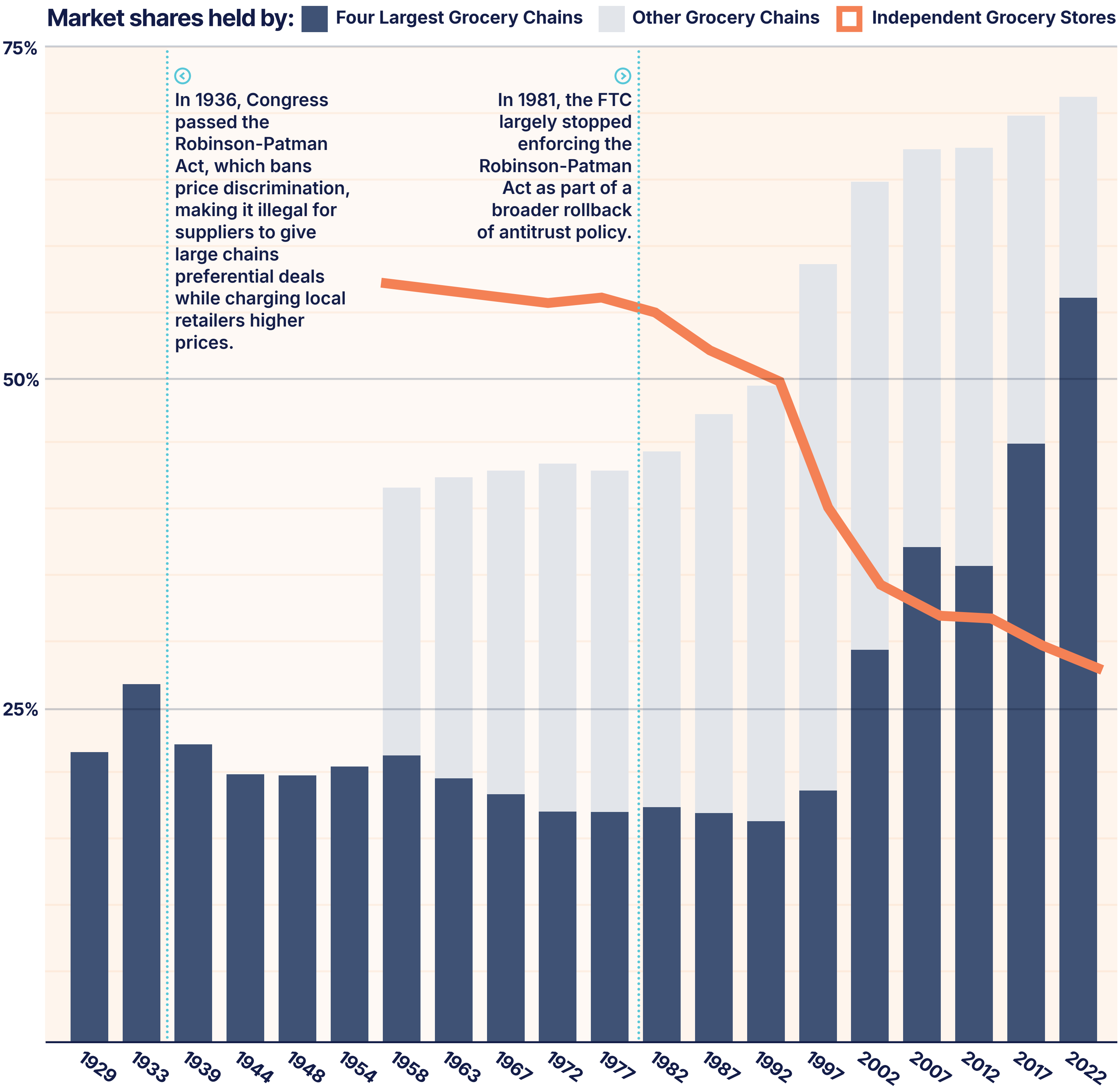
The Policy Shift That Decimated Local Grocery Stores

For decades, the grocery industry was highly competitive. Independent grocers thrived alongside large chains. Then the government stopped enforcing a key antitrust law. Rapid consolidation followed, which in turn gave rise to food deserts and a spike in grocery prices.

by Stacy Mitchell, November 2024



Notes: Some data is unavailable before 1958. Independent grocers are defined to include single-location retailers and small chains that have fewer than 100 outlets and are not among the top 50 grocery retailers. Sources: Data compiled from the U.S. Economic Census, USDA Economic Research Service, and *Supermarket News*.

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1920s-1930s

The grocery chain A&P is rapidly taking over the market, driving local grocers out of business. Lawmakers find that A&P is pressuring suppliers for preferential deals. Food manufacturers, afraid of losing their biggest customer, have no choice but to give A&P discounts while charging local grocers higher prices.

1936

Congress passes the Robinson-Patman Act, which bans price discrimination. Suppliers can offer volume discounts that are based on legitimate efficiencies, so long as those discounts are made available to all retailers.

1936-1981

For more than 40 years, the Federal Trade Commission enforces Robinson-Patman. During this time, the grocery industry is highly competitive. Independent grocers flourish, vying with chains like Kroger and Safeway for shoppers. Virtually every neighborhood and small town has a grocery store, often several.

1981

The FTC stops enforcing Robinson-Patman as part of a broader rollback of antitrust policy.

1980s

Walmart seizes on the policy shift, demanding deep discounts from suppliers. Suppliers, to offset their losses, raise prices for small grocers, who begin losing customers and closing. By 2001, Walmart is the nation's largest grocery retailer.

1990s

Chains like Kroger and Safeway follow Walmart's lead. They centralize their purchasing (previously handled regionally) to maximize leverage over suppliers. Then, in the late 1990s, they embark on a wave of mergers to consolidate their buying power.

1995

A growing number of small towns and urban neighborhoods no longer have grocery stores. A task force studying the problem coins the term "food desert."

2000s

Food manufacturers merge with one another in an effort to counterbalance the power of large retailers. Soon a few giant food conglomerates — including Kraft Heinz, PepsiCo, Tyson, and others — own most of the brands sold in supermarkets. They use their leverage as dominant buyers of crops and livestock to drive down the prices farmers receive, harming rural communities.

2020

Amid supply-chain disruptions that leave grocery manufacturers unable to meet demand, Walmart announces costly penalties for suppliers who fail to fill 98% of its orders. Suppliers comply by shorting independent grocers, who can't keep basics in stock. More shoppers turn to Walmart, whose market share soars.

2021

Despite more than a decade of federal and state tax incentives designed to lure supermarkets to underserved communities, the number of food deserts has only increased, driven in large part by the closure of locally owned grocery stores.

2022

Americans face a steep spike in grocery prices, which is fueled in part by consolidation. With too little competition, large grocery chains and food companies find they can inflate prices and profits without losing customers.

Sources:
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