

Can an old law bring down grocery prices?

Warm-up question:

Have you noticed a significant increase in grocery prices in your area? How has it affected your shopping habits?

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A MARTÍNEZ, HOST:

Grocery prices have spiked since 2020, well **outpacing** inflation. Smaller grocers say part of the problem is that big retailers have an unfair pricing advantage. Our colleagues over at The Indicator from Planet Money, Wailin Wong and Adrian Ma, explore an old **antitrust** law that some grocers want to revive.

ADRIAN MA, BYLINE: The largest grocery retailer in the U.S. is Walmart. But back in the 1930s, another grocery chain dominated the industry - A&P. Large companies like A&P could **leverage** their size to get more favorable pricing from their grocery suppliers, and this was **putting small businesses in jeopardy** during the Great Depression.

WAILIN WONG, BYLINE: And so in 1936, Congress passed the Robinson-Patman Act. It was an antitrust law focused on combating price discrimination at the wholesale level. Price discrimination is when a seller charges different pricing for the same good or service. Timothy Richards is an economist at Arizona State University.

TIMOTHY RICHARDS: So they passed the Robinson-Patman Act essentially to prevent suppliers from charging different prices to A&P, or other big retailers, than they do to small businesses.

WONG: The Federal Trade Commission brought hundreds of cases under the law in the 1960s, but then it **fizzled out**.

RICHARDS: It's such a **dead horse** of a piece of legislation. So now trying to revive different sections of it, that's why it's so controversial, because it literally was not being used by the government.

MA: And yet one group trying to **resuscitate** this supposedly dead-horse piece of legislation is the National Grocers Association. It's a trade group representing privately owned supermarkets. Randy Arceneaux is a member of that trade group

and also CEO of Affiliated Foods, which is a grocery wholesaler based in Texas. He distributes groceries to hundreds of independent retailers in eight states.

RANDY ARCENEUX: As Walmart got bigger and the Krogers of the world got bigger, the inability for us to be competitive on cost has gotten worse.

WONG: Randy's company is a middleman in the grocery supply chain.

MA: And Randy says the problem is the prices he pays at wholesale are higher than what Walmart charges their customers.

ARCENEUX: Take Betty Crocker cake mix, for example, right? Our cost is \$1.65 wholesale. Walmart's are \$1.38 on the shelf. So we're higher before we even touch the box.

MA: Of course, the reason Walmart's able to get such low prices from manufacturers is because it's so big and buys so much. But smaller grocers say the Walmarts of the world - you know, they're getting too big of a discount.

WONG: Chair Lina Khan said in 2022 that the FTC is **taking a fresh look** at Robinson-Patman.

MA: But whether reviving the law would result in lower grocery prices for a wholesaler like Randy Arceneaux and, therefore, lower prices on store shelves, that is where things get a little complicated.

ARCENEUX: The manufacturer does have to make money. The **end game** is the opportunity to be the same. And so our costs would go down, and Walmart's costs would go up.

MA: I mean, so, like, when you think about all the people who shop at a Walmart or a Kroger, they could be paying more for groceries.

WONG: Potentially, yeah. And prices at a neighborhood grocery store could go down. But still, higher prices at the places where most of our grocery dollars go is a very **tough sell**.

MA: Adrian Ma.

WONG: Wailin Wong, NPR News.

Vocabulary and Phrases:

- **Outpace:** To go faster, do better, or develop more quickly than someone or something else.
- **Antitrust:** Laws designed to prevent unfair competition and promote a fair marketplace.
- **Leverage:** To use something to maximum advantage, especially a quality or asset.
- **Put (something) in jeopardy:** To cause a situation or condition to be at risk of danger or failure.
- **Fizzled out:** To gradually end or lose strength and effect, often in a disappointing way.
- **Dead horse:** An issue that has already been concluded and is considered irrelevant or redundant to continue discussing.
- **Resuscitate:** To revive something from a state of inactivity or obsolescence.
- **Take a fresh look:** To examine something again with a new perspective or updated viewpoint.
- **End game:** The final stage of an activity or process, typically one that concludes its strategic planning.
- **Tough sell:** Something that is difficult to persuade others to accept or agree with.

Comprehension Questions:

1. What is the main reason smaller grocers are struggling with pricing compared to larger retailers like Walmart?
2. What was the purpose of the Robinson-Patman Act when it was passed in 1936?
3. Why did the use of the Robinson-Patman Act decline over time?
4. What is the current stance of the Federal Trade Commission regarding the Robinson-Patman Act?
5. How could reviving the Robinson-Patman Act potentially affect grocery prices according to the transcript?

Discussion Questions:

1. Is it fair for large companies to get better pricing deals than smaller companies? Why or why not?
2. How important do you think it is for laws like Robinson-Patman to be enforced in today's economy?
3. What could be the consequences for consumers if small grocers can't compete with big retailers on price?
4. Is reviving old laws an effective way to address modern economic problems?
5. If you were in charge, what strategies would you propose to ensure fair competition in the grocery market?