Kroger announces purchase of Albertsons for $25 billion in deal to make grocery superchain

Alex Findijs
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Supermarket giant Kroger announced the purchase of rival chain Albertsons early Friday morning. Expected to be completed by 2024, the merger would combine the first and second largest grocery chains in the United States. Kroger, which owns regional chains like King Soopers, Ralph's and Fry's, would add other dominant regional subsidiaries like Safeway, Vons and Acme.

The deal will reportedly cost Kroger nearly $25 billion dollars using available cash and $17.4 billion in debt financing. Kroger will pay $34.10 per share, about 33 percent more than the current stock price of Albertsons.

Should the deal pass regulatory approval, Kroger would expand to over 5,000 stores and 700,000 employees. In order to avoid anti-trust litigation, the chain announced plans to divest from between 100 to 375 stores in a subsidiary called SpinCo.

However, there is considerable overlap between Alberstons and Kroger chains, which have competed with each other for years. This may prompt Kroger to sell off or close many stores and lay off thousands of workers in order to trim costs.

Cost is a primary driver for the merger. Combined, Kroger and Albertsons bring in around $209 billion in revenue. However, retailers like Walmart and Costco still outsell their grocery-focused rivals, and growing competition from Amazon has been a particular concern for grocery chains. Following Amazon's purchase of Whole Foods in 2017, the online retail giant quickly expanded its role in the grocery market, becoming the second largest grocery seller behind Walmart.

Kroger corporate executives have argued that the merger will enable Kroger and its many subsidiary chains to streamline production and distribution across its 66 total distribution centers, making it more competitive.

Ostensibly, this will allow Kroger to cut costs and leverage its market share to lower prices. But anti-monopoly watchdogs have argued that the new merger will only strengthen Kroger's domination of local grocery markets and drive up prices in an economy that has already seen 13 percent inflation in food items in the last year.

Notably, Kroger CEO Rodney McMullen said that the merger would "accelerate our position as a more compelling alternative to larger and non-union competitors."

This is directed at Walmart, the only store chain larger than Kroger, which has maintained a non-union workforce for decades. McMullen's appeal to customers and regulators as a "union" store is telling. Kroger executives seek to leverage the unionization of their workforce as a selling point, waving it as some kind of moral flag to justify the merger.

However, the gap between union and nonunion chains is being continuously eroded by sellouts engineered by the United Food and Commercial Workers Union. This was most recently shown by the contract betrayal in Columbus, Ohio, where UFCW local 1059 forced workers to vote on the same concessionary contract four times before it was ratified, with workers reporting that they were bullied and threatened with termination by union officials if they voted 'no.'

The merger also explodes the arguments of management and union officials that Kroger cannot afford to pay its workers more. Columbus workers were told that the company had no money to offer more than the measly $1.65 raise they were offered over three years. Yet Kroger has suddenly produced $25 billion in cash to swallow its second biggest rival.

Kroger has amassed such large sums of wealth through the brutal exploitation of its more than 400,000 employees. A recent study by the Economic Round Table found that two-thirds of Kroger employees struggle to afford basic necessities due to low pay and rising costs of living. Three-quarters of Kroger workers are food insecure, meaning that most Kroger workers can barely afford to shop at the store they work at.

Albertsons workers tend to make slightly more than their Kroger counter parts as a whole. Depending on how the merger proceeds, Albertsons workers may find their new corporate overlords attacking wages and working conditions as part of a "restructuring" of the Albertsons chains.

The merger announcement should be taken as a warning to all grocery workers. The consolidation of the grocery market is based on the need of the corporations and Wall Street to extract ever more wealth from the working class at a lower price. Thousands of jobs may be at risk as Kroger prepares to trim the fat from its national grocery empire and further expand its already incredible $4 billion annual profit margin.

If stores are to close, not only will it slash jobs, hours, and pay, it will contribute to the growth of "food deserts," areas where the poor and marginalized lack access to fresh and healthy food. According to the US Department of Agriculture (USDA), more than 53 million people live in areas with low access to food. As stores continue to consolidate into larger and more dispersed super-centers, the number of people who struggle to reach these stores will increase.

Kroger in particular is known for strangling out competition, including rival chains and smaller stores, establishing itself as a the dominant grocery retailer. Consolidation with Albertsons will only push this further.

Federal regulators will review the merger as part of the government's anti-trust regulations. The Federal Trade Commission (FTC) blocked a similar merger between Office Depot and Staples in 2015, despite arguments from the two chains that a merger would help lower prices and aid competition with Amazon.

However, the economic outlook in the US is vastly different now than it was in 2015. Mass working class unrest and constant supply chain disruptions are sparking fear in the financial and political elite. There may be a belief that a consolidated grocery market may allow for greater control over food distribution and worker rebellions, kept in line by the UFCW bureaucracy.

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