

Biden Takes Aim at Grocery Chains Over Food Prices

President Biden has begun to accuse stores of overcharging shoppers, as food costs remain a burden for consumers and a political problem for the president.



By Jim Tankersley

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President Biden, whose approval rating has suffered amid high inflation, is beginning to pressure large grocery chains to slash food prices for American consumers, accusing the stores of reaping excess profits and ripping off shoppers.

“There are still too many corporations in America ripping people off: price gouging, junk fees, greedflation, shrinkflation,” Mr. Biden said last week in South Carolina. Aides say those comments are a preview of more pressure to come against grocery chains and other companies that are maintaining higher-than-usual profit margins after a period of rapid price growth.

Mr. Biden’s public offensive reflects the political reality that, while inflation is moderating, voters are angry about how much they are paying at the grocery store, and that is weighing on Mr. Biden’s approval rating ahead of the 2024 election.

Economic research suggests the cost of eggs, milk and other staples — which consumers buy far more frequently than big-ticket items like furniture or electronics — play an outsized role in shaping Americans’ views of inflation. Those prices jumped more than 11 percent in 2022 and 5 percent last year, amid a postpandemic inflation surge that was the nation’s fastest burst of price increases in four decades.

The rate of increase is slowing rapidly: In December, prices for food consumed at home were up by just over 1 percent, according to the Labor Department. But administration officials say Mr. Biden is keenly aware that prices remain too elevated for many families, even as key items, like gasoline and household furnishings, are now cheaper than they were at their postpandemic peak.

And yet there is a general belief across administration officials and their allies that there is little else Mr. Biden could do unilaterally to force grocery prices down quickly.

“It’s hard to figure out what the short-term policy response is in this situation,” said Bharat Ramamurti, a former economic aide to Mr. Biden and an author of a report on grocery-price inflation that the progressive Groundwork Collaborative in Washington published on Friday.

“When you have something that is driven in part by supply disruptions, what can you actually do to put downward pressure on prices?” he said.

The Federal Trade Commission is reviewing — and widely expected to block — a merger between two large grocery-store chains, Kroger and Albertsons. Opponents of the deal say it would reduce competition and allow the merged company to charge shoppers higher prices. But blocking that deal would do little to address the current price pop.

A Kroger executive on Thursday welcomed Mr. Biden’s increased focus on grocer profits, insisting that the merger would reduce costs for customers.


“We agree with President Biden: Too many grocers in America have increased margins in contrast to Kroger, who have reduced our margins consistently for nearly 20 years to save customers billions,” said Keith Dailey, Kroger’s group vice president of corporate affairs and chief sustainability officer. “Through our merger with Albertsons, Kroger will lower prices for even more of America’s consumers.”


A new analysis from the White House Council of Economic Advisers suggests that elevated profit margins among large grocery retailers could be contributing to the stubbornly high price of food on store shelves. The analysis, which relies on Quarterly Financial Reports data from the Census Bureau, found that food and beverage stores had increased their margins by about two percentage points since the eve of the pandemic, reaching their highest level in two decades.

Much of that increase came in 2021 and 2022, around the time that other retailers — like clothing and sporting goods stores — also saw profit margins jump. Grocery-store margins have stayed elevated, the analysis finds, even as other retailers' margins have fallen back to more normal levels based on recent history.

“President Biden has made clear that as input prices fall, corporations should pass those savings on to consumers,” Michael Kikukawa, a White House spokesman, said this week.



Mr. Biden made a similar point last fall in a post on the social media platform X.

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Give American consumers a break.

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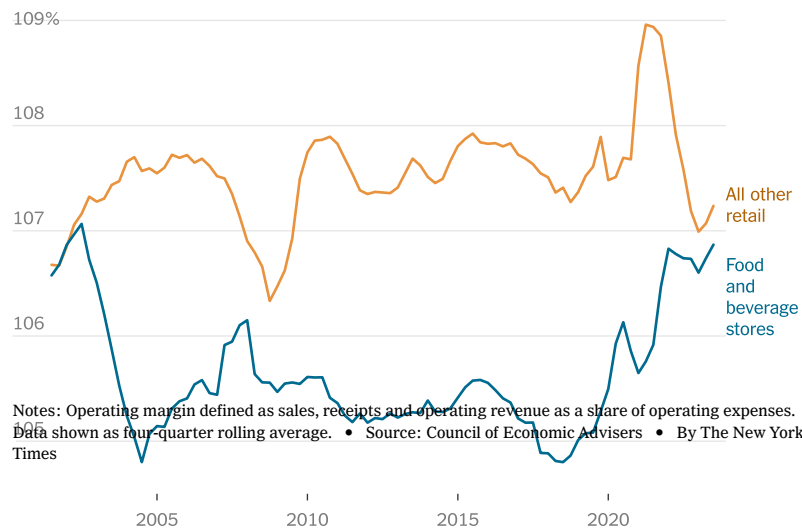
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But the White House analysis also implies that increased grocery profit margins do not come close to accounting for the price spikes that grocery shoppers have experienced under Mr. Biden's tenure.

Grocery store margins are rising Operating profit margin by type of retailer



Other research suggests additional forces — like consumer demand and supply-chain disruptions — are a much bigger factor in the price increases. A bout of avian flu caused egg prices to spike last year, for example. And food producers, like soft-drink manufacturers, have continued to raise prices even as their costs have declined, leading to heady profit margins.

Researchers from the Federal Reserve Bank of Kansas City found last year that strong job growth in the U.S. economy, and the wage gains associated with a tight labor market, were key contributors to grocery-price increases. Processed foods, like candy bars, account for three-quarters of recent grocery price increases, the researchers found.

The tight labor market, they said, had resulted in higher costs for producing and distributing those foods, “which have been passed on to consumers.”

Mr. Biden’s administration has tried several efforts to soothe grocery price pressures, particularly on the supply side. The Agriculture Department has spent hundreds of millions of dollars to help companies expand in the meatpacking industry, which is dominated by a handful of large players.

The department also changed its calculations of federal food assistance benefits and adjusted them for inflation, effectively increasing the value of food stamps for many low-income Americans. Mr. Ramamurti and his co-authors, Elizabeth Pancotti and Clara Wilson, calculate those increases have more than outweighed the increased cost of groceries for 40 million families in recent years.

In an interview, Ms. Pancotti said the consumers feeling the most pain from high food prices were the ones who earned just enough money not to qualify for the food-stamp program, which is known as SNAP.

“You have this huge chunk of people in the middle who are low-income, but not impoverished enough to get SNAP benefits, and paying 25 percent more” for groceries, she said. “At the end of the day, it just doesn’t reach enough people.”

The commission is also considering enforcement actions under a nearly 90-year-old law, the Robinson-Patman Act, which requires suppliers of retail goods to offer the same terms to every retailer they sell to. Supporters of those enforcement actions say they would drive down prices at smaller grocers, by ensuring they can buy items for the same cost as large retailers.

Politically, though, big grocers make the most appealing target for Mr. Biden. Aides are discussing how he can ramp up pressure on large chains in the weeks and months to come. “Americans, we’re tired of being played for suckers,” the president said in South Carolina. “And that’s why we’re going to keep these guys — keep on them and get the prices down.”

Jim Tankersley writes about economic policy at the White House and how it affects the country and the world. He has covered the topic for more than a dozen years in Washington, with a focus on the middle class. More about Jim Tankersley

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