



Memorandum in Support of Senate Bill 2642, “Protecting Rhode Islanders From Coercive Economic Tactics at Grocery Stores”

March 24, 2026

Contact: Ron Knox, Institute for Local Self-Reliance
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Dear Members of the Rhode Island Senate Commerce Committee,,

The Institute for Local Self-Reliance (ILSR) writes in support of **S 2642, “Protecting Rhode Islanders From Coercive Economic Tactics at Grocery Stores.”** ILSR is a public-interest research and advocacy organization. For over five decades, we’ve worked to advance policies that disperse economic power and strengthen local communities. In recent years, we have researched and advocated to address problems and downstream effects of price discrimination in the grocery sector. If enacted, this bill would help bring fairness and transparency to Rhode Island’s grocery industry. S 2642 is crucial to supporting the state’s independent grocery sector and, in doing so, would add and preserve the competition needed to ensure low prices for shoppers, open markets for producers, and fair wages for workers.

Independent grocers nationwide have been put at a significant and unfair disadvantage over the past several decades. Policies at the federal and often local level have intentionally favored the largest retail food chains. These policies created staggering concentration in the industry nationwide. Between 1990 and 2019, concentration in the national food retail industry increased by more than 450 percent.¹ Likewise, the Rhode Island grocery industry is highly concentrated. In Washington and Newport counties, Stop & Shop, the ubiquitous supermarket chain owned by grocery giant Ahold Delhaize, controls around a third of the entire grocery industry.² No other

¹ Eliana Zeballos, “Food Retailing Market Concentration Increased More at National Level Than County Level Over Past Three Decades,” *U.S. Department of Agriculture Economic Research Service*, January 25, 2023

² Kevin Schaul and Jaclyn Peiser, “Grocery Chains are Bigger Than Ever. See Who Runs The Stores Near You,” *The Washington Post*, September 24, 2024

grocer has more than a 16 percent share of the industry in any county in the state.³

As the retail food industry concentrated in the hands of a few mega-chains, those chains have gained the power as dominant buyers to demand discounts for themselves while leaving independent stores to pay more for the same goods.⁴ Along with traditional grocers, this includes predatory dollar stores — at least 100 of which operate in Rhode Island — which use their buying power to force suppliers into providing them with special package sizes at lower prices than the prices and sizes available to independent groceries.⁵ Because these products often include packaged, processed foods, they cut into the already-thin margins of nearby grocers, often forcing them out of business and increasing retail food concentration in the process.⁶ Today, we have significant evidence that the lack of competition faced by dominant grocery chains has directly contributed to higher food prices.⁷

For nearly half a century, price discrimination by large, powerful retailers and suppliers against independent grocers has been widespread and endemic to the industry. A federal law, the Robinson-Patman Act, bans this anticompetitive behavior, but that law has been drastically under-enforced for decades. While the U.S. Federal Trade Commission (FTC), under former FTC Chair Lina Khan, began once again to enforce the law, there are several significant loopholes that allow powerful suppliers and their dominant retail customers to favor themselves at the expense of independent grocers.

S 2642 would ban two of the most significant loopholes in the federal price discrimination law, including “channel of trade” discrimination, in which suppliers sell the same products at different prices to retailers in different “channels,” such as traditional grocery, dollar stores, box stores and so on.⁸ It also bans the kind of access discrimination that was so rampant at the start of the COVID pandemic, where dominant retailers would demand that suppliers give them preferential access to crucial goods like toilet paper and cleaning supplies.⁹

The reforms to Rhode Island’s antitrust law proposed in S 2642 are crucial to ensuring the state’s many independent grocers can compete on even ground with Stop & Shop, chain dollar stores, Walmart and other mega-retailers. Ensuring fairness for independent grocers will help lower prices, provide crucial employment, and maintain vibrant neighborhoods.

³ Ibid

⁴ Stacy Mitchell, “The Case for Reviving the Robinson-Patman Act,” ILSR, August 12, 2024

⁵ Paul Edward Parker, “Think You’re Seeing More Dollar Stores in Rhode Island? Here’s Why,” *The Providence Journal*, April 4, 2023; Stacy Mitchell, Kennedy Smith and Susan Holmberg, “The Dollar Store Invasion,” ILSR, March 2023.

⁶ Mitchell, Smith and Holmberg, “The Dollar Store Invasion”

⁷ Vardges Hovhannisyan, Clare Cho and Marin Bozic, “*The Relationship Between Price and Retail Concentration: Evidence From the US Food Industry*,” *European Review of Agricultural Economics*, 46,2, p 319-345, April 2019: <https://doi.org/10.1093/erae/jby026>

⁸ “*Power Buyers, Economic Discrimination, and the Grocery Supply Chain*,” Prepared Testimony of Michael Needler, CEO Fresh Encounter, Inc. On Behalf of the National Grocers Association, Hearing on “Reviving Competition, Part 5: Addressing the Effects of Economic Concentration on America’s Food Supply,” Before the House Subcommittee on Antitrust, Commercial, and Administrative Law, January 19, 2022.

⁹ Ron Knox, “Pandemic-Era Corporate Bullying,” *The American Prospect*, March 25, 2024.

Sincerely,

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