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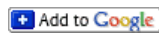
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June 07, 2007

More on Whole Foods and the FTC

I'm still struggling to find the logic behind the [FTC's decision to block the merger](#) between Whole Foods Market (WFM) and Wild Oats. Everything I've read says WFM faces a major battle to convince the FTC that this merger promotes healthy competition within the grocery marketplace. [One analyst gives](#) this merger only a 10% chance of being approved.

If this deal doesn't go through, then who will step forward to purchase Wild Oats? WFM has exposed Wild Oats as an under-performing retailer with sales per square foot about half of what WFM generates. Without a buyer, Wild Oats will probably not be able to go it alone and survive with the likes of Trader Joe's, Whole Foods, Wegmans, Publix, Vons, Kroger, and Wal-Mart as competition. (Hmm... I wonder what the FTC would say if Kroger were to step forward and acquire Wild Oats?)

[In the Truth on the Market blog](#), Geoffrey Manne sheds some unique perspective on how the FTC is defining the grocery retailer market...

"But notice something important. The FTC doesn't claim that the relevant market is the market for natural and organic food. The market is for natural and organic supermarkets. The agencies have been down this road before, mistaking channels of distribution for relevant markets."

"Whole Foods and Wild Oats may view themselves as operating in a different world than Wal-Mart. But their self-characterization is largely irrelevant. What matters is whether customers who shop at Whole Foods would shop elsewhere for substitute products if Whole Foods prices rose too much. The implicit notion that the availability of organic foods at Wal-Mart (to say nothing of pretty much every other grocery store in the US today!) exerts little or no competitive pressure on prices at Whole Foods seems facially silly." >> [READ MORE](#)

Lily Rockwell, business reporter with the Austin American-Statesman, shares more insights into the Whole Foods/FTC hullabaloo. Worthwhile snippets [from her article](#) include:

- Depending on how it is calculated, a merger of Whole Foods and Wild Oats would account for 11 percent or more of the total organics market. That still leaves the vast majority of the market to the supermarkets, other natural and organic food grocers, farmers markets and online retailers. Wal-Mart Stores said it planned to have 400 organic products to sell by the end of 2006.

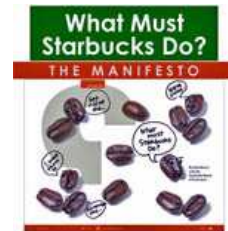
- About half of organic food sales in 2005 included traditional supermarkets, according to the Organic Trade Association. Since 2002, the entire natural and organic business has grown about 65 percent, from \$15.9 billion to about \$26 billion in sales in 2006, according to the Nutrition Business Journal.

- Whole Foods, which had \$5.6 billion in sales in 2006, is now

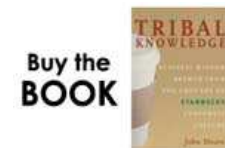
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seen as a grocery industry heavyweight, competing with the big players such as \$351 billion retail giant Wal-Mart.

- "As virtually all supermarkets now sell organic and natural products, we are surprised that the FTC appears to be narrowly defining the relevant antitrust market as only including natural and organic food stores," [Morgan Stanley analyst Mark] Wiltamuth wrote. >> [READ MORE](#)

Posted by johnmoore (from Brand Autopsy) at 01:18 PM in [Whole Foods Market-related](#) | [Permalink](#)

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Why are you searching for the logic in a governmental decision? The two are mutually exclusive!

Posted by: Mike | [June 08, 2007 at 06:16 AM](#)

good point Mike.

Posted by: johnmoore (from Brand Autopsy) | [June 08, 2007 at 08:37 AM](#)

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