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UFCW cites 'echoes of Haggren' in proposed C&S deal

Proposed purchase of 413 Kroger, Albertsons stores could result in store sales, closures, union says

Mark Hamstra | Sep 20, 2023

The United Food and Commercial Workers union on Wednesday expressed deep concerns about the proposed acquisition of 413 Kroger- and Albertsons-owned stores by C&S Wholesale Grocers.

"It looks like Haggren 2.0," said Kim Cordova, president of UFCW Local 7 in Colorado and Wyoming, referring to Haggren's 2015 implosion after acquiring 146 Safeway and Albertsons stores to satisfy antitrust concerns as part of the Safeway-Albertsons merger.

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She said she is doubtful that C&S will be able to compete effectively against a much stronger Kroger in her area, which could lead to the stores eventually being closed. She noted, however, that details about C&S's proposal, such as which specific stores and warehouses it will acquire, have not yet been disclosed.

As previously reported, C&S has agreed to acquire 413 stores, eight warehouses, and two offices from Kroger as part of that company's planned \$24.6 billion merger with Albertsons. The sale is designed to help satisfy potential antitrust concerns. Both deals are scheduled to be completed in 2024, pending regulatory approval.

John Marshall, a financial analyst working with the UFCW to oppose the proposed merger of Kroger and Albertsons, said the C&S agreement includes several similarities to the Haggen transaction. In particular, he said, the real estate value of the acquisition appears likely to exceed the purchase price, which would disincentivize C&S from continuing to operate the stores.

"The low sales price raises questions about the quality of the divested stores and about the incentives that C&S will have to operate the stores, or potentially monetize them at some time down the road," he said.

Marshall estimated that the assets C&S has proposed to acquire could be worth nearly double the proposed purchase price of \$1.9 billion. The eight warehouses could fetch at least \$400 million, and possibly upwards of \$800 million, he said, and the store assets themselves could be worth \$2 billion to \$3 billion.

Customer data seen as key

Marshall also raised concerns that the acquisition announcement made no mention of C&S buying the customer data from the stores it was buying.

"This is a critical missing piece that you would need to successfully operate these stores," he said, noting that after the Haggen acquisition, customers' loyalty cards no longer worked at the acquired stores.

Other concerns Marshall had included C&S's long history of eliminating union jobs, citing several union warehouse closings over the years that have eliminated thousands of Teamsters jobs.

He also said C&S's lack of retail operational experience — he estimated that the company currently owns and operates only 55 stores, with the remainder of the 160 stores the company cited in its acquisition announcement being franchised.

“The challenge of wholesalers trying to operate retail stores is very well understood in this industry,” Marshall said. “Lots of other wholesalers have tried it, and failed, and we are very concerned about C&S’s capacity to operate a significant chain of retail stores.”

He noted that C&S has a history of acquiring stores and then selling them off after establishing long-term supply agreements with the new owners.

In a statement, C&S told *Supermarket News* that it has “more than 104 years of food industry experience and a track record as a successful grocery retailer.”

“C&S has committed to honoring all collective bargaining agreements including industry-leading benefits and retaining frontline associates, and we are confident the associates joining the C&S family will have an amazing opportunity to continue building a thriving career,” the company said.

Members cite worries from past experience

UFCW members on the call described their concerns about C&S’s proposed acquisition, citing their experience in the Safeway-Albertsons merger.

Monique Hightower, a deli worker at Albertsons in Los Angeles and member leader at UFCW Local 770, said she was laid off from Haggen for almost a year after Haggen acquired her store location, and she still struggles to pay her bills.

“Now I am really worried about this merger,” she said.

Phillip Contee, a 40-year veteran at Safeway in Oxon Hill, Md., and member leader at UFCW Local 400, said he was concerned about ongoing cost-cutting reductions in service at acquired locations.

“After all the stress, fear, and anxiety of working through a global pandemic, now just as it was appearing things were returning to normal, we have yet another reason to worry about our future,” he said.

Marshall said he believes the Federal Trade Commission will be highly conscious of the Safeway-Albertsons merger and the failed Haggen acquisition as it considers the proposed sale of stores to C&S. He said that when Haggen filed for bankruptcy just months after its acquisition, the company cited the FTC’s approval in its own defense.

“I would expect they understand very well that they were used as an alibi for a transaction that hurt communities, hurt consumers and hurt workers, and I sincerely hope and expect that they won’t let that happen again,” Marshall said.

Meanwhile Andrea Zinder, president of UFCW Local 324 in California, said three bills seeking to guarantee severance pay for workers and provide other protections in the event of grocery industry mergers have passed both state houses, and are awaiting the signature of Gov. Gavin Newsom by Oct. 14.

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The United Food and Commercial Workers union on Wednesday expressed deep concerns about the proposed acquisition of 413 Kroger- and Albertsons-owned stores by C&S Wholesale Grocers. What do you think? Do you have concerns about the acquisition?

Let us know in the comments below, or email your thoughts to the SN staff at contactus@supermarketnews.com. Be sure to include your full name and work title.

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