

Vermont Legislative Research Service

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Slotting Local Products

This report examines the feasibility of mandating Vermont grocery stores reserve shelf spots for Vermont products. Research indicates there is a demand in Vermont for locally sourced products, and many grocery stores, from town country stores to Market32, already sell a variety of Vermont products.¹ Important considerations regarding local products include slotting allowances and the costs for both retail

2009, purchases of local food in Vermont reached \$289 million in 2018, which accounted for 12.9% of total food and beverage sales in the state.⁵

Many of the grocery stores in Vermont, especially boutique grocery stores, natural foods stores,

Research on the Significance of Slotting Fees

A 2003 study conducted on slotting allowances by the Federal Trade Commission (FTC) reported that slotting allowances help offset the costs and risks to grocery stores of introducing a new product.¹¹ The report found slotting fees generally range from \$2,313 to \$21,768, depending on the product and area in which it is being sold.¹² There is little data available on slotting fees because these transactions are negotiated privately and are not reported to the firms involved.¹³ Suppliers surveyed in the report told the FTC that a nationwide introduction of a new product would generally require \$1.5 to \$2 million in slotting fees.¹⁴

There is some debate regarding the necessity of slotting fees. Retailers use slotting to cover costs of introducing a new product. Some of these costs include labor for having to rearrange shelves in the store and make room in the warehouse for a new product and for setting up the new product in the computer so it can be sold. Retailers can also lose money if they have to mark down the price of a product being replaced by a new one, so they can sell the remainder faster and make room for the new product.¹⁵ Costs are also incurred in evaluating new product proposals. This can be time consuming and therefore expensive because it consequently increases labor costs.¹⁶ The FTC also reported the failure rate for new retail products is approximately 70 percent, and net revenue from their sales does not always suffi(-)1 8.04282 (e)-Ts intTd(ir)Tj

slotting fees, especially for vendors who do not pay slotting fees elsewhere in the market, and for minority, ethnic, or smaller vendors.²²

Practices of Vermont Supermarkets

The three largest grocery stores in Vermont are Hannaford, Price Chopper/Market 32, and Shaw's, each with at least 15 locations in the state. These three large supermarket chains were chosen for further analysis, because most small retailers, co-ops, natural stores and country stores already carry a large number of local products and even feature them. This report

between \$300 and \$1,000, and we typically reimburse up to \$750 for each local grower, which usually covers the entire cost for smaller growers.²⁶

Price Chopper/Market 32

Price Chopper is a New York based company, which currently has 15 stores in Vermont. Market 32 is the rebranded and modernized version of Price Chopper, which is set to take over all existing Price Chopper stores in the next several years.²⁷ In an interview, Mona Golub, part of the founding family of Price Chopper and Vice President of Public Relations and Consumer Services, said:

As a homegrown business ourselves, we like to call special attention to our trade partners who are producing right here in New York. We are deeply committed to sourcing locally grown, produced and manufactured products as a way of stimulating the economies in our local communities, satisfying regional tastes, ensuring farm-to-table freshness, and continuing our long-standing practice of supporting small family businesses and farms.²⁸

Price Chopper also uses over 500 Northeast dairy farms to produce the milk they use in their store brand, PICS Milk.²⁹ Through Market 32, the 137-store chain plans to work more with innovative local farm sourcing networks, smart environmental footprints, ambitious food waste reduction, and food recovery partnerships to elevate communities.³⁰ Stores require that local produce has at a minimum G

healthy food items across ten required categories.”⁴⁸ Included among these requirements were standards mandating the presence of five gallons of milk, six pounds of cheese, six one-dozen egg containers, three varieties of canned beans, and four boxes of whole-grain cereal.⁴⁹

Numerous establishments found that such standards made it difficult for them to continue operating.

numerous local products and produce, but all three state that they are taking initiatives to increase their offerings by featuring local products, offering subsidies, not charging slotting fees, and sourcing certain store-brand products through local producers. Introducing new products, local or not, can come at some cost to retailers, which is normally compensated with slotting fees. However, Price Chopper, Hannaford, and Shaw's are not currently charging slotting fees to local producers, and even featuring local products without charging promotional fees.

There is little information from other states on mandating spots for local products within states, since there are no other states that have passed legislation for this. The "Shaw's Bill" in Maine that failed to pass would have kept retailers from charging slotting fees to local producers to get their products into larger grocery stores.