## DATA FOR **PROGRESS**

# Cracking Down on Kroger

Company's Customers Demand Increased Transparency and Follow-Through on Cage-Free Egg Commitments

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#### Introduction

The treatment of farm animals has become an <u>increasing concern</u> for Americans. As the country's meat, egg, and dairy production has evolved from small-scale family farming to the industrial <u>concentrated</u> <u>animal feeding operation</u> (CAFO) model that is prominently used in animal agriculture, we've ushered in a new era of food production that has ramifications for animal welfare, food safety, public health, and the environment. The majority of the over <u>300 million hens</u> raised for egg production nationwide are confined in what the industry terms "battery cages." These cages are about the size of a home microwave and confine 6-8 hens throughout their lives.

Food safety, consumer protection, and public health organizations have opposed the caging of egg-laying chickens, <u>citing concerns</u> related to increased risk of salmonella and other diseases. These concerns are particularly notable as rising cases of avian influenza (also known as bird flu) coupled with worsening inflation are being blamed for skyrocketing egg costs, including a <u>120 percent</u> jump in the average cost of a dozen large eggs from 2021 to 2022 — reigniting the discussion about how chickens are raised in the U.S.

Animal behaviorists and welfare organizations have argued that "<u>battery cages</u>" are inhumane because they prevent hens from engaging in critical natural behaviors such as dust bathing, perching, scratching, walking, laying eggs in a nest, and spreading their wings. The issue has expanded beyond academia, as numerous <u>undercover exposés</u> of the country's largest egg production facilities have garnered extensive media coverage, creating awareness among the general public and leading to both <u>legislative</u> and corporate action to address these practices across the country.

To date, <u>nine states</u> (Rhode Island, Oregon, Washington, Michigan, Colorado, Nevada, Utah, California, and Massachusetts) have banned the caging of egg-laying chickens with bipartisan support. Two states passed anti-hen caging laws with ballot measures: <u>California's 2018 Proposition 12</u> (passed with 63 percent of the vote) and <u>Massachusetts's 2016 Question 3</u> (passed with 78 percent of the vote). Oregon, Washington, Michigan, Colorado, Nevada, California, and Massachusetts also ban the sale of eggs from caged chickens.

Additionally, several hundred food companies have made <u>public commitments</u> to exclusively use cage-free eggs. Some of these companies have future dates by which to reach 100 percent cage-free eggs, including McDonald's, Burger King, IHOP, Denny's, Cracker Barrel, Kraft Heinz, and Target. Other companies are already exclusively — or nearly exclusively — using cage-free eggs, like Costco, Nestle USA, Taco Bell, CVS, Walgreens, Whole Foods, Arby's, Aramark, Compass Group, Sodexo, and others.

The egg industry's shift to cage-free production has accelerated rapidly over the last decade in the United States. According to the <u>USDA</u>, in 2012 the percentage of egg-laying hens that were raised in cage-free housing systems was approximately 5 percent. The current rate is roughly 36 percent, due largely to state laws and corporate purchasing policies. If corporate cage-free commitments are followed through, the percentage will reach <u>75 percent</u> in 2025. In order to make this a reality, however, companies must follow through with their cage-free promises.

In 2006, Kroger committed in its <u>proxy statement</u> to shareholders that "our policies are designed to help to achieve humane treatment of animals," and in the company's <u>2011 sustainability report</u>, Kroger called its commitment to animal welfare "unwavering." Then, in a major announcement in 2016, the company committed that it would switch to <u>only selling cage-free eggs</u> by 2025. Following that, in Kroger's <u>2020</u> <u>Environmental, Social, and Governance (ESG) report</u> (published in 2021) — which summarizes the company's social responsibility and governance performance — it affirmed that it was "on track" to meet its pledge. However, despite the company reporting that it was on track to meet its goal, just one year later in 2022, Kroger backtracked on its pledge.

In its 2022 ESG report, the company <u>reversed</u> its policy to end use of eggs from caged chickens, claiming slow industry progress and consumers' demand for affordable eggs as the main drivers for doing so. Kroger now anticipates transitioning only approximately 70 percent of its eggs to cage-free or "higher standards" by 2030, raising concerns about follow-through surrounding corporate animal welfare commitments, not to mention Kroger's transparency with its customers as to which eggs come from caged chickens.

Given Kroger's statements essentially placing the responsibility for its policy backtrack on its consumers, it is worth exploring how the company's customers truly feel about this topic. Data for Progress <u>conducted</u> a survey from January 6-11 of 646 Kroger customers,1 finding that a majority positively view grocers who abide by cage-free promises and that a significant proportion of customers would be willing to shop elsewhere should they find out that their grocer reneged on these commitments. Perhaps most strikingly, Kroger consumers seem confused and often misled by the marketing of eggs from caged hens using labels like "Farm Fresh," and purchase those eggs believing the hens were not confined in cages.

#### **Kroger Customers Demand Transparency on Egg Production in Exchange for Their Trust**

When asked whether grocers should provide signage to indicate which eggs come from caged chickens and which come from cage-free chickens, a majority of Kroger customers (53 percent) say they would like their grocer to post this signage. Around one-third of customers (35 percent) said it wouldn't matter either way, while just 12 percent say they would oppose their grocer posting such signage.

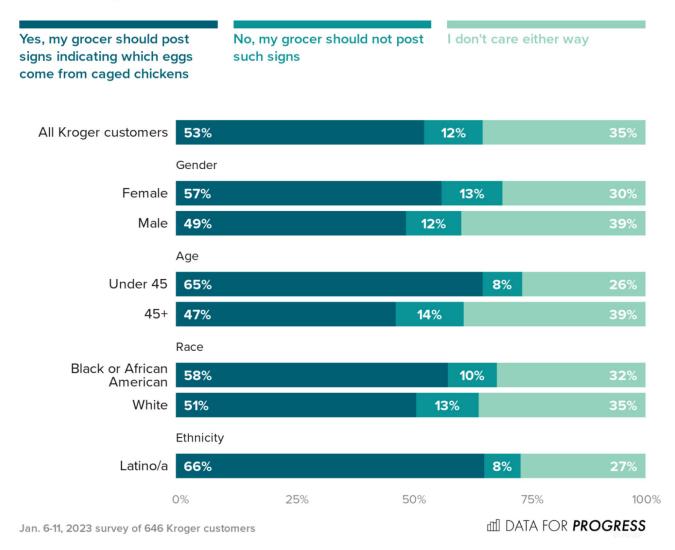
Notably, women, people under the age of 45, and Black and Latina/o respondents demonstrate stronger support for posting this kind of signage.

## A Majority of Kroger Customers Want to See Signage Indicating Which Eggs Are Produced by Caged Chickens

Some eggs in grocery stores come from chickens confined in cages. These chickens spend their entire lives within small cages which prevent them from moving around or extending their wings.

Other eggs in grocery stores come from chickens in cage-free facilities where they are not confined in cages, have access to walk and stretch their wings, and at some facilities, have access to the outdoors.

Do you think that your grocery store should post signs in the egg aisle to help you understand which eggs come from chickens confined in cages and which ones come from chickens not confined in cages?

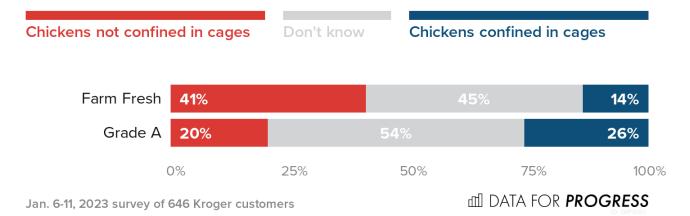


Kroger's justification for reneging on its cage-free commitment is that consumers make the choice to purchase eggs from caged hens, so the company doesn't want to take away that option. But Kroger customers reveal that the company's marketing of caged chicken eggs is both confusing and misleading, at best. Respondents were provided with the labels "Grade A" and "Farm Fresh" and asked whether they think these labels refer to eggs that come from chickens confined in cages or chickens not confined in cages, or if they don't know either way.

While these labels don't have a relationship with the method by which the chickens that laid them were raised, responses reflect both uncertainty and misperceptions surrounding label meanings. High rates of "don't know" responses demonstrate this general uncertainty about both "Grade A" (54 percent) and "Farm Fresh" (45 percent) labels. However, 41 percent of Kroger customers think that the "Farm Fresh" label indicates eggs that come from chickens not confined in cages, when that is not necessarily the case. Combining these customers with nearly as many who say they "don't know," the extent of this confusion is clear. Positive "Farm Fresh" language misleads many customers: Over 40 percent of Kroger customers are buying eggs from caged hens, believing they are cage-free.

## **Kroger Customers Are Generally Unsure About the Relationship Between Egg Labels and Caged Chickens**

For each of the following egg carton labels, please tell us whether you think these labels indicate eggs that come from chickens confined in cages or eggs that come from chickens not confined cages?

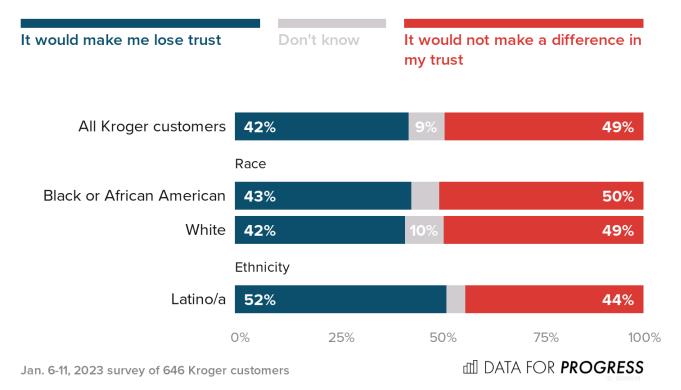


As many national grocers <u>commit</u> to cage-free policies and some fail on their promises, it is important to understand how customers perceive these actions. When asked whether they would lose trust in their grocery store for going back on a cage-free promise, or if this action would not make a difference in their trust, 42 percent of Kroger customers report they would lose trust in their grocery store for reneging on this commitment. Among Latina/o respondents in particular, more than half (52 percent) would lose trust in their grocery store for going back on a cage-free promise.

## More Than Half of Latino Kroger Customers Would Lose Trust in Their Grocer for Reneging Cage-Free Egg Commitments

Some grocery stores have advertised that they would stop selling eggs from caged chickens.

If **your grocery store** advertised it would stop this practice and has now gone back on that promise, would that make you lose trust in the store, or would it not make a difference in your trust?



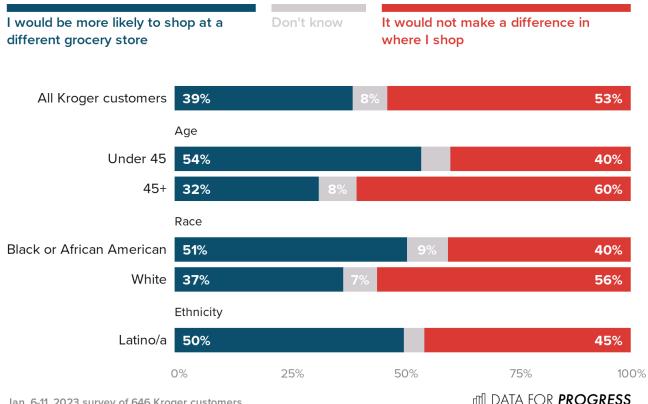
Changes in trust are also linked to changes in behavior among Kroger customers. Among those surveyed, 39 percent report they would be more likely to shop elsewhere as a result of their grocer going back on cage-free commitments. Losing nearly 40 percent of customers would be a major loss for any company. While a slim majority of respondents (53 percent) say this would not change where they shop, the issue clearly resonates for a significant portion of Kroger's consumers. Notably, among Kroger shoppers under the age of 45, more than half (54 percent) say they would consider shopping elsewhere if their grocer broke its cage-free egg promise. Half of Latina/o respondents and 51 percent of Black respondents also report they would consider turning elsewhere for their shopping.

With Kroger going back on its cage-free commitment, the corporation may see backlash from consumers as awareness of this broken promise spreads. Many Kroger customers surveyed report they also shop at the brand's major competitors, reflecting increased competition for consumers in the grocery sector. Kroger is making a choice that could cause more than a third of its current customers to turn to another place to do their shopping — a potential consequence that should give pause to any executive or shareholder.

## Reneging on Cage-Free Egg Commitments Would Make More Than Half of Younger Respondents **Consider Shopping Elsewhere**

Some grocery stores have advertised that they would stop selling eggs from caged chickens.

If you heard that your grocery store broke its promise to stop selling eggs from caged chickens, would you be more likely to shop at a different grocery store, or would it not make a difference in where you shop?



Jan. 6-11, 2023 survey of 646 Kroger customers

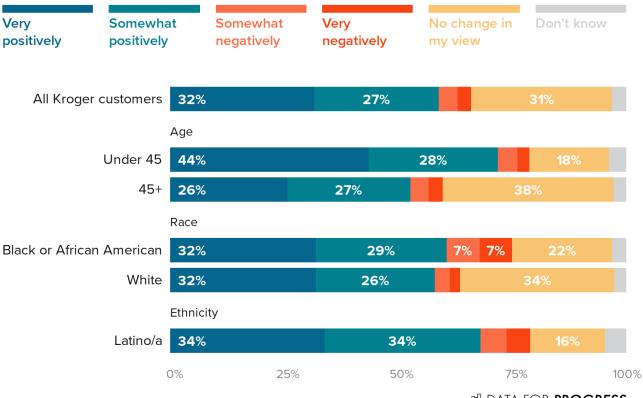
While around 4 in 10 survey respondents report they would lose trust in their grocer for failing to uphold cage-free promises, and another 4 in 10 report they would be more likely to shop elsewhere for the same reason, Kroger customers also look favorably upon grocers who uphold their cage-free commitments. Fifty-nine percent of respondents would positively view their grocery store for following through on its policy to only sell eggs from cage-free chickens, compared with 31 percent whose views would not change, and only 7 percent who would view their store negatively for this policy.

Differences in response by ethnicity and race reflect that Latina/o respondents hold especially strong views on cage-free egg policies. Sixty-eight percent of Latina/o Kroger customers would view their grocery store positively for following through on a cage-free promise, followed by 61 percent of Black Kroger customers and 58 percent of white customers.

## More Than Half of Kroger Customers Would Positively View Their Grocer for Committing to Cage-Free Eggs

Some grocery stores have advertised that they would stop selling eggs from caged chickens.

How positively or negatively would you view **your grocery store** if it followed through with its policy to **only sell eggs from cage-free chickens**?



Jan. 6-11, 2023 survey of 646 Kroger customers

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Grocery stores sell a variety of brands, including private-label items, which are sold under a retailer's own brand. Asked about their likelihood of buying private-label eggs produced by cage-free chickens, just over half of Kroger customers (52 percent) report they would be more likely to purchase cage-free, privatelabel eggs, while 38 percent report they would not change their purchasing habits.

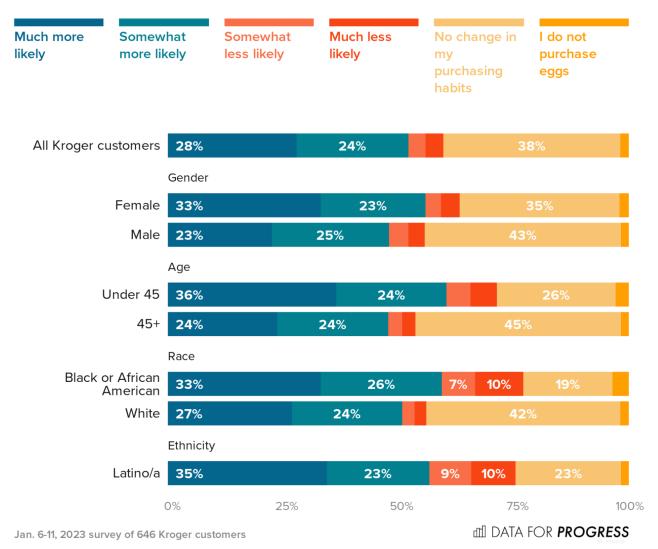
Women and young people are more likely to consider purchasing private-label eggs with cage-free commitments than men and older respondents. Among respondents under age 45, 60 percent report being more likely to purchase private-label, cage-free eggs, compared to just under half (48 percent) of those over 45. Fifty-six percent of women also say they are more likely to buy cage-free eggs from private-label brands,

while just under half of men (48 percent) agree. Among Black Kroger customers, 59 percent would be more likely to buy cage-free private-label brands, compared to 58 percent of Latina/o Kroger customers.

## Cage-Free Egg Commitments Would Make Half of Kroger Customers More Likely to Buy Private-Label Eggs

Many grocery stores sell items under their own brand names. These are called "private-label" products. These products tend to be slightly lower priced than major name brand products. For example, "Simple Truth" and "Kroger" are Kroger private-label brands, while "Great Value" is a Walmart private-label brand.

Would you be more or less likely to purchase private-label eggs from **your grocery store** if they came **only from cage-free chickens**?



It's clear that Kroger customers are eager to see the company follow through on its cage-free commitment and do better by the chickens from which it sources eggs, the environment, and its customers.

### Conclusion

With an abundance of grocery store competitors, the public's increased concern about how food is sourced, and skyrocketing national food costs, broken promises from grocers do not go unnoticed by American families. To earn the trust of its customers, Kroger must take heed of consumers' ethical concerns about the welfare of egg-laying chickens and improve transparency around the production and sale of the eggs within their stores.

Data for Progress polling shows that Kroger's choice to reverse its cage-free egg policy puts the company at risk of losing customers' trust and business, particularly those who are under the age of 45, women, Black, and Latina/o, as well as those who share strong concern about confusing and misleading egg labels and the prospect of grocers turning their backs on cage-free promises.

Farm animal housing systems raise numerous public health, environmental, and animal welfare concerns. While companies like Kroger have made public commitments to address the conditions in which egglaying hens are raised within their supply chains, it is crucial that they go beyond virtue signaling and ensure robust and transparent mechanisms for delivering on these promises.

Data for Progress polling further bolsters these arguments and demonstrates the opportunity for Kroger to secure the trust of its customers by providing transparency and higher standards of animal welfare through recommitment to its cage-free promise.

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