

Submission to the Commerce Commission on the Retail Grocery Market Study from Health Coalition Aotearoa

Health Coalition Aotearoa

Health Coalition Aotearoa (HCA) is an umbrella group of individual health experts and around 50 organisational members of health professional associations, public health providers, not-for-profit NGOs, and academics. HCA benefits the community by promoting health for all New Zealanders, especially through the prevention of harm from tobacco, alcohol, and unhealthy foods (as defined by the World Health Organisation). Our mission is to provide a collective voice and expert support for effective policies and actions to reduce harm, through a focus on the determinants of health. This submission draws together views held by members of the HCA Food Policy Expert Panel and is endorsed by the HCA Board. Health Coalition Aotearoa members may have additional or other views, which they may provide through separate submissions. Additionally, this submission does not necessarily reflect the views of HCA member organisations, nor is it individually approved by them.

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Introduction

The HCA welcomes the opportunity to make a submission and thanks the Commerce Commission for the comprehensive report of the NZ retail grocery market (hereafter referred to as 'the report') and for bringing these issues to our attention. This report brings together new in-depth knowledge about this sector for our group and others working to improve the health and wellbeing of all New Zealanders. New Zealand's current grocery food system is not delivering a fair, equitable and nutritious food supply for all New Zealanders. We recognise this report excludes issues related to the nutritional quality of the food supply, however, food cost is an important determinant of the healthiness of diets, especially for those on limited incomes [1], and consequently the health of New Zealanders. It is a basic human right to have access to adequate food [2] but high grocery prices under the current supermarket duopoly result in many families struggling to afford food. Currently the duopoly has no accountability or controls on their actions. NZ is a signatory to the United Nations Convention on the Rights of the Child [3] therefore the government needs to ensure the 'best interests' of children are considered, including tamariki Māori under Te Tiriti o Waitangi.

Supermarkets are the principal source of grocery food in New Zealand [4]. The report has highlighted that New Zealanders prefer a 'one-stop shop' style of food purchasing; therefore, New Zealanders rely on supermarkets for a large part of their weekly food supply. This means that the outcome of this report affects all New Zealanders, and the effects are far-reaching for the diet and health of the population. Poor diet is a major cause of ill health in New Zealand and Māori, Pacific and those living in socioeconomically deprived areas experience poorer health outcomes [5]. Dietary risk factors, which include overweight and obesity and unhealthy diets, are by far the biggest contributor to health loss (healthy life-years lost) in Aotearoa/New Zealand (17.5%), higher than the contribution from tobacco (9.7%) [5]. These dietary risk factors (e.g., diets low in whole grains, fruit, vegetables, nuts and seeds, and high in sodium, red meat, saturated and trans fats, and sugars) increase the likelihood of developing non-communicable diseases (NCDs) such as diabetes, heart disease, dental caries, obesity, certain types of cancer, and poor mental health [6]. The effect of poor diet on health is shown by obesity rates in NZ, which are at epidemic proportions; adults have the fourth highest rate for overweight and obesity in the OECD [7], and children (5-19 years) had the second highest rate of overweight in OECD and EU countries in 2016 [8]. Forty-eight percent of Māori and 63% of Pacific adults are obese and

44% of those living in areas of high deprivation are obese [9]. Another example of poor health outcomes related to unhealthy diets is from diabetes, which affects approximately 228,000 New Zealanders in 2021, however, rates are estimated to rise to 'epidemic proportions', that is by 70-90% over the next 20 years mainly due to excess body weight [10]. Māori, Pacific and Asian people will experience the highest rises [10].

The HCA supports the recommendations of the Consumer NZ submission which include;

- Intervention at the wholesale level to protect consumers and suppliers and reduce high grocery prices
- Intervention in the retail market to assist consumers
- Structural intervention is an option to separate the supermarket duopoly if profit margins remain high after a defined period
- Privacy issues related to loyalty programmes.

In addition, the Food Policy Expert Panel wish to highlight the following points.

Price of groceries

Our Food Policy Expert Panel members found the report on the Retail Grocery Market contained information that was not previously known and were shocked by the contents related to the negative effects on consumers and suppliers from the existing duopoly. It was very concerning to read that NZ has the 6th highest grocery prices in the OECD and the large profits (\$22 billion) for the current supermarket duopoly reported to be well above (almost three times) overseas counterparts. A reduction in food prices would most likely make an immediate impact on the wellbeing of families. Food budgets would go further and alleviate food insecurity, especially for beneficiaries on fixed incomes. Furthermore, most consumers (81%) think grocery prices are too high [11], and was similar to the findings in the consumer survey completed as part of the report.

High grocery prices are a major issue affecting New Zealand families, including children and young people, experiencing poverty. A limited income often means that the budget for food is restricted due to fixed costs such as rent [12, 13]. The link between low income and food insecurity is well established both overseas and in NZ. Forty per cent of children (0-15 years) living in the most deprived areas are from homes that report food either runs out often or sometimes, with 22% (one in five) of households reporting this in the population overall [12]. Māori and Pacific children are disproportionately affected by food insecurity [12]. Food insecurity affects children's nutrition with children in food insecure households more likely to eat less fruit and vegetables [14], more fast food and fizzy drinks [15] and consume other cheaper, less healthy foods [16]. It also increases the likelihood of child health and development problems, including obesity, poor academic performance, and developmental and behavioural problems [17]. Covid-19 has further increased the pressure on food insecurity in low-income households. At the end of 2020, 11 per cent of children (157,800 children) were living in households experiencing material hardship [12]. In contrast, price decreases (in the form of discounts or subsidies) have been shown to result in healthier food purchasing [18, 19] and may reduce disparities in health [20].

We acknowledge efforts by the supermarket industry on actions to address poverty (and reduce waste) including food rescue and redistribution of food, offering contestable funding for food rescue, providing the cheaper private labels product range, provision of food for food banks and free fruit available in the produce section. However, addressing the systemic issues in the retail sector including competition and control of the wholesale supply to achieve lower food prices, should be a high priority as it tackles this key driver of food insecurity and consequent poor health. These changes in the retail sector are supported by an international food policy brief to change food systems to promote healthier diets. It cites incentivising new food stores including supermarkets, especially in underserved

communities, and lower food prices to improve access, affordability, and availability of healthy food choices for these communities among 42 policies and actions [21].

We strongly support systemic change to the current retail market to increase competition to reduce high food prices and that regulatory rather than voluntary solutions are needed to achieve this.

Price promotions

There needs to be more equitable access and increased clarity around price promotions for consumers. Price promotions offer an opportunity for consumers to access a lower price for products which is welcomed. However, currently additional price reductions are available for participants of loyalty schemes. People on low incomes are less likely to belong to such schemes therefore have reduced access to lower prices (e.g., Club deals, Club prices). Furthermore, multiple product promotional options (for example, Everyday low, Special, Super saver, multi-buys, etc) make it confusing for shoppers and may or may not be visible at shelf level. Furthermore, variable availability of unit pricing for products on promotion limits the ability for consumers to compare the cost saving of specials. Consumers are also questioning whether specials are genuine specials since products continue to be on special for long periods e.g., 8 weeks out of 10 [2]. We strongly support the Report's recommendation to simplify promotional strategies for consumers but add that these need to be accessible to all shoppers, not just to those who choose to join loyalty schemes.

We strongly support Consumer NZ's submission recommendations to simplify and increase transparency of price promotions (specials need to be genuine specials) alongside mandatory unit pricing but add that all New Zealanders must have fair access to all price reductions.

Suppliers

Suppliers are an important part of the food supply, especially our producers of fresh fruit and vegetables. We were dismayed to read of the 'power imbalance' between suppliers and supermarkets. It appears that suppliers are increasingly placed in a difficult situation in terms of smaller returns and high reliance on supermarkets for contracts therefore weakening their financial viability. As a result, consumers may potentially experience higher costs, reduced quality, and a lack of new products.

We strongly support Consumer NZ's submission recommendations to increase supplier bargaining power.

Ongoing monitoring

We strongly support independent accountability mechanisms to monitor and publicly report on the retail sector progress to achieve the proposed changes (contained in this and the Consumer NZ submission) and within a defined time frame, especially related to reducing New Zealand's current high food prices.

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