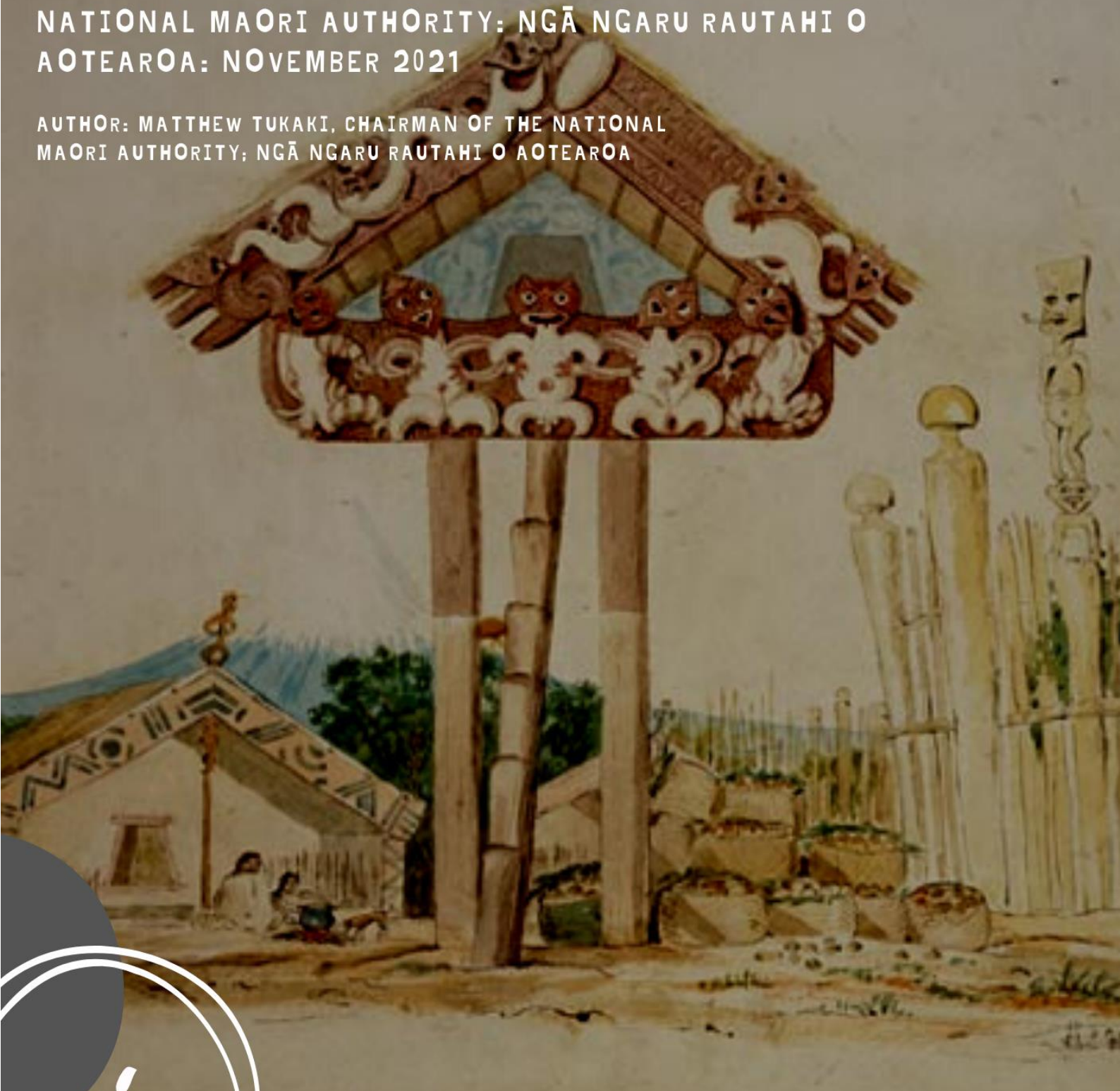


# HE MAARA TIPUA HE TANGATA ORA

GROWING FOOD FOR ALL; BUILDING  
MAORI CAPABILITY

PAPER 1: MARKET STUDY IN THE GROCERY SECTOR: THE  
NATIONAL MAORI AUTHORITY: NGĀ NGARU RAUTAHĪ O  
AOTEAROA: NOVEMBER 2021

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Front cover: Pātaka, 1842; This superbly carved pātaka, or food storehouse, was painted at Ōtumatua, Taranaki, in 1842. It is reached by climbing the notched wooden pole, which has steps too far apart for rats to climb. Flax bags of provisions are stacked at the base of the pātaka, possibly ready for storage there. In the background a man and a woman sit at their cooking fire.

## About the National Maori Authority

Nga Ngaru is a National Maori Authority established to advocate on behalf of Maori when it comes to economic, social, and environmental issues. Nga Ngaru is a member-based organisation comprised of individuals, Iwi and community-based organisations, Maori business and industry, academia and researchers. As one of the Registered Maori Organisations our work spans a wide range of fields from research and analysis to the development of economic development strategies in support of our members while also focusing in on innovative approaches to innovation around social services.

The Authority also runs workshops, forums, and events to ensure our members are both well informed and educated when it comes to hot button issues, governance and management training, best practice and the development strategies and programs that improve the way organisations operate. Nga Ngaru is also the owner of the quality assurance and development platform known as Koru Quality.

## Background of this Paper

In November 2020, the Government asked the Commerce Commission to carry out a year-long study into whether competition in the grocery sector is working well, and if not, what can be done to improve it. As part of that study the Commerce Commission have looked at a range of things including:

- how retailers deal with their suppliers such as manufacturers, producers, farmers and growers
- competition at the supplier level of the grocery market
- who consumers buy groceries from and who supplies those retailers
- competition between retailers when selling groceries to consumers

- what retailers charge consumers for groceries and how they decide on their prices, as well as the associated levels of service, product ranges and quality of groceries.

This paper is designed to be the first of several focussed on Maori aspirations in this area from economic and social through to environmental. In this paper we focus on the first two questions of how retailers deal with their suppliers and so on from a Te Ao Maori perspective and then what this means in terms of competition at the supplier level.

In paper two, which will be published on the 6<sup>th</sup> of December, we will deal with the remaining three questions around the consumer side of the market and the impacts on Maori in terms of the question of the cost of living, what retailers charge, products ranges and level of services. In paper two we will also conclude with a summary of recommendations on competition policy in Aotearoa from a Te Ao Maori Lens and what might be proposed in terms of reform in an area where a duopoly model should be cause of concern.

We flag that now to be clear along with our deep held concerns on how the current setup potentially adversely affects Maori business and industry as well as consumers and everyday shoppers. Finally, Maori are a diverse people, and it is important that the Commerce Commission take views from a broad section of Maori representative voices and views – Nga Ngaru is but once amongst many.

## **A brief history of food production and development of the sector**

Supermarkets, the food, and grocery industry in Aotearoa has developed over the more than 170 years since the signing of the Treaty of Waitangi. In the late 1800's and early 1900's there were no large supermarkets – in the main small businesses supplied New Zealanders with food that was largely grown close to home, small market gardeners, farmers on relatively small landholdings and a mixture of early onset food production and distribution businesses.

Mass production or importation of food was not the norm and New Zealand's own export business of mainly meat and other primary industry products was in its infancy. From a Te Ao Maori perspective the historical record tells us that many of our people were involved at all facets of the food and distribution supply chain – we either grew it for ourselves or our local communities, operating in what could be described as a mainly bartering system, or whereby we would sell what we produced for income. Prior to European settlement Maori were very much self sufficient but that way of life changed when new crops and foods were introduced such as wheat, maize and a range of vegetables never seen before. Other introduced species in terms of goats, sheep and cows also entered the food supply chain. As a result, Maori also became primary producers entering farming small and large holdings.

In February 1948, New Zealand's first self-service Four Square grocery store was opened in Onehunga, and this was followed ten years later by the first Woolworths owned Foodtown in 1958. The first Pak n Save would open in Kaitia in 1985. Over the years a range of advancements have seen the sector evolve such as:

1. Mechanisation of the food product sector: the introduction of canned goods and canaries – based on the age-old history of preserving food (which Maori prior to European settlement were accustomed to)
2. Mechanisation of the primary production sector: the introduction of mass volume abattoirs from small local butchers and mainly home kill set-ups
3. Mass horticultural production: from small market gardens at the local level to the introduction of mass scale orchards, large grain operations, wheat and maize production
4. Technological advancement: the development of faster methods of growth of both primary and horticultural production
5. Transportation and distribution: larger vehicles, better roads and more streamlined road, sea and air transportation networks creating more efficient distribution of goods

Consider for a moment the change that has happened in Te Ao Maori over the last more than 170 years from producers of their own for their own purposes to the impact of the food production and distribution sector. This paper considers those impacts and looks at the current interloping of the Maori economy, the growth and development of Maori enterprise while also looking at the potential negative and positive impacts of the current norms – in other words the form and structure of today's grocery industry.

## How retailers deal with their suppliers such as manufacturers, producers, farmers, and growers: Te Ao Maori

The Maori economy is estimated to be worth between \$50-60 billion dollars. According to data published by the <sup>1</sup>Ministry of Foreign Affairs and Trade Māori own a significant proportion of assets in the primary sectors: 50% of the fishing quota, 40% of forestry, 30% in lamb production, 30% in sheep and beef production, 10% in dairy production and 10% in kiwifruit production. By default, one would reasonably deduce that Maori therefore have a significant stake in what happens when it comes to competition policy and the grocery industry and growers and producers of the goods, manufacturers of the product. From the farm gate, so to speak, right through to the distribution of the goods to market. For the domestic market this is true of products that end up supermarket shelves from beef and lamb through to dairy and fresh vegetables.

According to <sup>2</sup>Statistics New Zealand an average four person whanau in Aotearoa spends on average \$208.50 (or \$832 per month) on groceries which means on weight of averages around the amount of produce taken from the Maori economy (such as 30% lamb production, 10% dairy production etc.) our growers and primary producers provide for a reasonable percentage of that shopping basket; with one estimate from the National Maori Authority being upwards of 15% of all goods per week. Notionally this would mean that the value of the Maori economy derived from the grocery sector is large but our involvement in governance and management is low.

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<sup>1</sup> Te Ohanga Maori – data from the Ministry of Foreign Affairs and Trade [www.mfat.govt.nz](http://www.mfat.govt.nz)

<sup>2</sup> <https://www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019>

This means our say in how the major supermarkets operate and cater for Maori needs, both from a business and industry perspective, are relatively low. Unless I stand corrected, there is one Board member of Foodstuffs who has Maori heritage, Jason Witehera (and can we just mihi to him for his outstanding work) but the board is made up of those with direct interests in the business. There is just one independent Director, Sir Henry van der Heyden.

This begs the question of whether Maori could expect their interests as a major market player to be heard when it comes to price setting, market conditions, the business operating model and significantly, relationships with Maori growers and producers.

The senior leadership team also begs the question about Maori interests in the overall business that is Foodstuffs – if it is not obvious what the Maori engagement strategy is from ensuring fair pricing and equitable treatment around the procuring of goods and products can we be sure that Foodstuffs is living up to its obligations?

The same observation could be made of the General Management team of Countdown where it is not obvious what their Maori engagement strategy looks like or how those interests of Maori producers and growers are being managed. Countdown is a wholly owned subsidiary of Woolworths New Zealand limited which in turn is a wholly owned entity of the Australian company, Woolworths Group Limited.

The Australian company has dedicated targets and aspirations when dealing with Aboriginal and Torres Strait Islander communities and people such as aiming to have 2.8% of its workforce identify as Aboriginal or Torres Strait Islander right through to partnerships specifically with potential growers and producers to lift capacity and capability as well as focussing on job creation. The same is true of the Coles Group which operates the other major supermarket brand in Australia; yet in New Zealand, with a resident Indigenous population, a long-established Treaty, rich culture, and vibrancy their doesn't appear to be the same approach.

In short form, therefore, and answering one of the key questions of the Market Study being undertaken by the Commerce Commission of "how retailers deal with their suppliers such as manufacturers, producers, farmers and growers" the National Maori Authority would strongly argue that not enough is being done to either understand the current state of play in terms of the sector and the Maori economy, therefore this misses the opportunity for growth and expansion, opportunities lost in the promotion of Maori business and enterprise and also the challenge of individual Maori operators being disconnected in a collective and cohesive way to bargaining or negotiating for better prices for the products they produce. In the case of Countdown and Woolworths New Zealand it is disappointing to see the same approach being taken with Indigenous whanau in Australia is not being taken in Aotearoa given the potential strength of Maori.

## **Competition at the supplier level of the grocery market: Te Ao Maori**

This then gives rise to the presence of two large operators that run therefore the risk of invoking purchasing power on those who are not always able to negotiate with domineering players.

To be frank about it competition at the supplier level for space on supermarket shelves could also be what holds Maori back in wanting to join up and operate in collectives. For example, the research tells us there is only limited space on a shelf in a supermarket and that normally aisles are pre-disposed to lines of types of products or by thematic area. This limited amount of space could drive down the price being paid to suppliers and producers for no other reason than they are forced to compete against each other for that space.

Arguments have been mounted that this competition could have a positive impact by delivering lower costs to the consumer, the ultimate purchaser of the good or product, but it does not accommodate for the already low margins that are involved in the production cycle. Strip line that to the increasing costs of raw materials, the increasing costs of regulations and the increasing costs of labour and you have a form of forced competition for space that is largely unwritten. The undertone of what happens in a market with only a small number of dominant actors – a duopoly.

## Summary of key points for korero as part of this review

1. We do not believe that the current arrangements that have seen a duopoly essentially develop in Aotearoa is fair and equitable for Maori suppliers and producers of goods
2. Conversely, we would suggest that this duopoly also extends to all producers, not just Maori, when it comes to unfair leverage in favour of the two larger supermarket chains
3. We do not believe that either supermarket is necessarily adhering to the Principles of Te Tiriti as it is not clear what their Maori engagement strategies are. For example, we are talking specifically about Maori growers and producers as opposed to the usual narrative built around consumers alone
4. Therefore, the existence of two should be counter balanced by the potential new entry into the market
5. Deepening our concern is the land banking of property or the holding onto titles to expand their existing network of stores and supermarkets but also as leverage that would stop potentially new entrants from market entry – thereby signalling to us that should a Maori entity emerge (or any other) both chains could use their respective balance sheets and property assets as a “grey counterweight” that would prohibit market entry
6. Further to this is the concern that we have around fair and equitable purchasing arrangements for Maori producers and suppliers – we note that margins are not always fully disclosed in these negotiations. We also remain concerned that subtle coercion exists in the race for primary points of presence on supermarket shelves
7. Notwithstanding we are also concerned that both chains are importing cheaper goods from overseas thereby using that as an additional counterweight to further drive prices down on behalf of producers and growers
8. With that in mind we are also deeply concerned that the purchasing power of Countdown through its Australian owners also plays in the supply chains of Aotearoa through their home branded goods. The same is true, potentially on a smaller scale, with Foodstuffs and the “Pams” brands of goods

9. Finally, is the much needed korero on what this could mean for better competition policy and tighter monitoring of this sector from a supplier perspective. Currently the dominance of the larger players is not conducive to the ongoing sustainability of small to mid-size producers.

## Aspirations

Further points for a korero couched as aspirations

1. Is the Commerce Commission achieving its obligations on behalf of the Crown to Maori when it comes to the Treaty of Waitangi to ensure fair and equitable market access for Maori suppliers, producers and growers and of not why not? Are the policies of the existing large players conducive with those commitments and obligations?
2. We believe that Maori would like to shift from being suppliers, producers and growers to owners and shared governors of a third entity – if not a third entity a greater say in how the current two larger players operate their respective business models. Of course we conclude this paper by stating clearly one Maori aspiration should be a third entity developed and led by Maori business and industry.