

Market Study into the Retail Grocery Sector - submission to the Commerce Commission

20 August 2021

Purpose

The purpose of this short submission is to advocate for the voice of our West Auckland community as the government considers the future of the retail grocery market. The study has revealed that the duopoly of the two main supermarkets has created an anti-competitive environment that is having a negative impact on individual, whanau and community wellbeing. We would like to see everyone in Aotearoa being able to access good food at all times and a food system that is regenerative, inclusive and resilient.

Why the Commerce Commission Market Study into the Retail Sector is important

Impacts on our West Auckland community

There a number of factors that make people in West Auckland susceptible to the negative impacts that a non-competitive retail grocery sector is having. These include our socio-economic position, our already established high rate of food insecurity and a slowly diminishing fruit and vegetable growing industry.

West Auckland is made up of diverse, young and rapidly growing communities spanning the full range of income, ethnicity and geography. Māori represent 13.9% of the population, Pasifika 18.3%, Asian 23.2% and European 51.4%. In West Auckland we face challenges including poverty, housing shortages, food insecurity and dis-engagement of significant numbers of people. Despite our rich history with kai, insights and data demonstrates food insecurity and inequitable access to healthy food is prevalent in West Auckland.

The following statistics all directly impact access to healthy affordable food for many of our communities.

- Our relatively high Māori (13.9%) and Pasifika population (18.3%) will grow by nearly 50% by 2040
- 57% of Māori an 62% of Pacific adults live on a personal income of \$30,000 or less¹
- 61% of whole population live in areas of deprivation index 7 or above
- 61% of schools are lower decile (1-4)²

¹ <https://www.stats.govt.nz/tools/2018-census-place-summaries/auckland-region>

² <https://www.ehinz.ac.nz/indicators/population-vulnerability/socioeconomic-deprivation-profile/>

About Healthy Families Waitākere

A healthier Aotearoa starts in the places where we spend our time. In healthier environments children learn better, workplaces are more productive, people are healthier and happier, and communities thrive.

Led by Sport Waitākere, Healthy Families Waitākere works alongside community to think differently about the underlying causes of poor health and identify the changes we can make together - in our schools, workplaces, sports clubs, marae, and other environments that will support making the healthy choice, the easy choice. The initiative has an explicit focus on improving Māori health and reducing inequity for groups at increased risk of preventable chronic diseases.

www.healthyfamilieswaitakere.org.nz

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West Auckland also has a rich history with kai. Te Kaweru a Maki, the local iwi has the following whakatauki to describe West Auckland.

‘He toka hapuku ki te moana, he kaihua ki uta.’

‘A rock in the sea where hapuku abound, a tree where birds are speared on the land.’³

Because of this West Auckland has been the home to many gardens and orchards, providing the surrounding area with fresh produce. However, these businesses are struggling and orchards are continuing to disappear, replaced with houses and buildings, the most recent example is in Glen Eden with Nola’s orchards closure earlier this year.

Our community has said:

‘Poverty is a major barrier to wellbeing. Wellness and health. Hunger and poverty are the reality of the barrier to food sovereignty’

‘Opportunities need to be created around participating in growing food so that food production is valuable for the people who do the mahi. People working in food production cannot support them selves’

‘Kai is over looked because we are forced to choose between rental, mortgage, basic utilities and feeding our whanau.’

‘The thing that is wrong with the current food system is that it is purely economic. No social element, no environmental direction’

General recommendations

In article 1.11 the report outlines that the overarching aim of this study is centred around the ‘long-term benefit of consumers within New Zealand’.⁴ With this we wish to recommend that you consider and acknowledge the obligations to Tiriti o te Waitangi, in particular article three which relates to rights to the health and wellbeing of Tangata Whenua.

We also recommend that the ‘long-term benefit of consumers within New Zealand’ definition is extended to include health and wellbeing indicators, and not rely on purely economic definitions.

Comments on the studies proposed recommendations

1. *9.18 First, we consider competition in retail grocery markets would be more effective if the major grocery retailers faced additional competitive constraints. The options for securing the most significant and durable improvements in competition (and consequent benefits for consumers) are*

³ <http://www.tekawerau.iwi.nz/history>

⁴ 1.11 The overriding aim of our study is the same as the purpose of the Act itself: to promote competition in markets for the long-term benefit of consumers within New Zealand.

likely to be those that enable an increase in the number of firms competing effectively in retail grocery markets. This is particularly in relation to those competing for consumers' main shop.

9.21 We see two primary ways that intervention could occur:

9.21.1 measures to improve the conditions for entry by new grocery retailers, and expansion by existing firms; and

9.21.2 measures to facilitate or support entry or expansion by wholesalers or further major grocery retailers.

We agree with these recommendations and support the above approach.

However, while we understand the neo-classical economic approach to this study which approaches the 'solutions' with the same lens as the critique (through a competitive market model), we recommend that it would be worth looking at the alternative models that could give a more holistic set of recommendations in order to support access to good food for everyone.

One way that this could be done would be to strengthen the 'fringe' retail grocery sector. By doing this, a more equitable and sustainable industry could be created. This could help to embed local economies by creating shorter supply chains, championing environmentally sustainable agricultural practices and centring the local community.

- 2. 9.22 Second, we consider that the imbalance of power between the major grocery retailers and their suppliers could be addressed through a number of measures, including a code of conduct. This might improve long-term outcomes for consumers, including by promoting investment and innovation by grocery suppliers.*

We agree with the above recommendation and wish to emphasise the importance of an equitable exchange between grocery retailers and their suppliers. Insights show that the current system is disadvantaging farmers and growers and is leaving them vulnerable to economic shocks and the priorities of the supermarkets. This is encouraging primary industries to cut costs in order to survive, which results in less environmentally and ethically sound practices being the norm. It also limits innovation and development, which could provide more nutritional options for our community.

We welcome measures such as codes of conduct, collective bargaining powers and contract support to the suppliers of supermarkets.

- 3. 9.23 Finally, we consider there are some options available that may improve the ability of consumers to make more informed purchasing decisions, thereby enhancing competition at the retail level of the market.*

We recommend that the major supermarkets could adopt such measures as place of origin labelling, identifying local products, ethical and organic labelling, and supply chain transparency to allow for customers to make more informed choices regarding their purchases.

We also see opportunities to for supermarkets to play a role in the wellbeing of our communities by;

- Promoting locally grown/produced products to inform consumer choices, support the local economy and low carbon efforts to reduce the time food sits in transit
- Maintaining or reducing alcohol sales and discontinuing the sale of cigarettes
- As an employer of 4.4% of our population, implementing initiatives for staff to improve their wellbeing and gain micro credentials

Conclusion

Supermarkets play a pivotal role in the health and wellbeing of our society, as they act as main supplier of our day-to-day sustenance. Because of this, it is important that they are held accountable to the law regarding competition in the marketplace, and that measures are taken to create a fairer system. Supermarkets are a key component in our food system and in order to have food security in Aotearoa affordable and healthy food must be accessible to everyone.