

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Tuesday, 23 January 2024 1:33 pm  
**To:** Registrar  
**Subject:** Feedback from [REDACTED] opposing the Foodstuffs merger

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Kia Ora,

Thank you for providing a platform to share concerns on the proposed Foodstuffs merger.

It is astounding to me how far this flies in the face of what the government deliberately is trying to remedy by loosening the grip of the duopoly, this proposal only strengthens their grasp ever tighter.

The narrative that this merger will reduce grocery costs to consumers by strengthening buying power with suppliers is a false one, the vast majority of suppliers supply their best pricing and the same pricing to Woolworths NZ and Foodstuffs respectively as this is already an industry set expectation bestowed upon us.

The difference in price reflected at the retail level is the retailer margin and trading terms therefore the RRP. Currently both retailers require a 35% GP across categories plus additional rebates. I have worked [REDACTED]

[REDACTED] The cost of the fruit and vegetables crisis alone was set by the power of duopoly, margin remained at 35% for both parties regardless of climate and weather challenges. Price only came down if one party dropped slightly for a short period and the other one followed; however suppliers continued to fund this at full margin expectation resulting in a crippling marketplace especially for growers.

The fastest way to address consumer pricing is to address the margin and trading terms taken from suppliers to the retailer - simple.

Whilst consumers are one side of the coin my larger concern is how this merger will impact suppliers.

As we know, New Zealand is a SME economy which advocates for start ups and prides itself on innovation; 80% of our economy relies on them for GDP, employment and the potential for export success should a supplier experience success in grocery in this market. Start ups have had monumental success in offshore markets with large upside for the economy, only made possible by currently having three banners (WWNZ, FSNI & FSSI) to test with. Reducing this to two reduces the opportunity for innovation to see the light of day on a supermarket shelf.

Currently food manufacturers in the south island have benefited from operating sustainable business demand from Foodstuffs South Island alone. These businesses have benefited from 'shop local' as south island shoppers embrace locally made food products which cater to their needs. Similarly many north island producers only produce for the north due to high freight costs to the south which erode margin and make it difficult to turn a dollar.

This merger will inevitably switch to 'centralised buying', probably from Auckland. Category Reviews and product ranging decisions will be made based on category performance of the critical mass in the north island effectively wiping out hundreds of SMEs across both islands but especially the south. For consumers this also dilutes the choice of products their local store has access to supplying them.

I ask that CommComm drills down with Foodstuffs on the smoke and mirrors narrative of the 'price benefit for shoppers'. *Could consumer price benefit not be addressed by simply reducing their hefty margin and trading terms?* It can but they need to answer this.

I would also ask that the question be put to Foodstuffs on the expected impact of hundreds of suppliers particularly those supplying the south island who are likely to not be selected for national ranging and be put out of business. *Has any consideration or math been applied to those suppliers and the impact it will have on their livelihoods and contribution to the economy both domestically and offshore?*

Lastly, I would like Foodstuffs to reply to *how this merger is likely to impact New Zealand's innovation contribution to consumer products and the access of kiwi consumers to a wider range of product choice?*

This merger has nothing to do with consumers and everything to do with power and greed, I ask that CommComm peel back the layers of the Foodstuffs narrative to answer whether this merger is truly in the best interests of shoppers and our SME economy.

Should you have further questions or require deeper insight please feel free to reach out.

I must point out that whilst my employer agrees and wholeheartedly supports my position outlined in this email, this is my personal opinion based on [REDACTED] in the industry and is not an official statement from [REDACTED].

