

19 November 2021



The Chair
Commerce Commission New Zealand
PO Box 2351
Wellington 6140
New Zealand

By Email: marketstudies@comcom.govt.nz

Dear Commission Chair,

Market study into the retail grocery sector

United Fresh has appreciated the opportunity to participate in the Commission's Market Study consultation process, which is now drawing to its conclusion.

We believe we have articulated the quite distinct needs of the fresh produce category, within the retail grocery sector, on account of the category's diversity, perishability, and unique product management needs, which differ substantially from other product categories sold within the retail grocery environment.

We have communicated this through two formal written submissions, and our participation in the Commission's recent conference on this matter.

The conference proceedings highlighted that there remains a significant gap between how the Commission believes Return on Average Capital Employed (ROACE) needs to be calculated, and the views of the major grocery retailers. Similarly, there were divergent views emerging about the need for, and structure of, wholesale entities, and the definition of competition, for future generations of New Zealand consumers.

These are issues which will undoubtedly also impact the fresh produce supply chain, but will need to be worked through at a strategic and structural level, to which United Fresh is unable to make any significant contribution, given its mandate as a pan-industry fresh produce association. With this in mind, we will not make a further submission.

The Code of Conduct decision, that we believe will emerge in 2022, is, however, one in which we need to take a strong interest in.

United Fresh therefore confirms that:

- A "centre-aisles" based grocery Code of Conduct cannot be automatically applicable within the fresh produce category.
- As the only pan-industry fresh produce association, United Fresh would like to participate in the process of how Code of Conduct fresh produce components need to be designed, in order to achieve the Commission's objectives.
- United Fresh is available to answer any questions Commissioners or Commission staff may have when shaping recommendations on Code of Conduct matters.

Our last point is that we wish to restate our strong belief that the fresh produce domestic wholesale sector in New Zealand is functioning well, operates within a very competitive environment, and would be able to adapt to any retail structure changes that may emerge from the Commission's recommendations and subsequent Government intervention.

We thank you again for facilitating our participation in the process to date, and await the March 2022 report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans Maurer', written in a cursive style.

Dr Hans Maurer MRSNZ, CMInstD
Chair
Technical Advisory Group
United Fresh New Zealand Incorporated