

A response by Sustain's Food Poverty Project to the Competition Commission's (CC) Grocery Market Investigation.

Sustain's Food Poverty Project

The Food Poverty Project (FPP) warmly welcomes the Office of Fair Trading's (OFT) decision to refer the Grocery Market for a Competition Commission (CC) Investigation.

The FPP is part of Sustain: the alliance for better food and farming. Sustain advocates food and agriculture policies and practices that enhance the health and welfare of people and animals, improve the working and living environment, enrich society and culture and promote equity. We represent around 100 national public interest organisations working at international, national, regional and local levels. However, due to the short consultation period, Sustain has been unable to consult its membership, and therefore this submission is from the FPP.

The FPP coordinates and supports England's only network of community food projects tackling the underlying causes of food poverty. The Food Poverty Network (FPN), a key part of the FPP, currently consists of over 300 food projects working with disadvantaged communities across the UK. Along with providing information and advice to this network, the FPP works to empower those at the sharp end of food poverty to communicate better with decision-makers to achieve justice for themselves.

Food poverty and the OFT and CC's consultation

The 1996 World Food Summit affirmed the 'right of everyone to have access to safe and nutritious food'¹ Food poverty is now well documented,² and can be defined as "the inability to acquire or consume an adequate or sufficient quantity of food in socially acceptable ways, or the uncertainty that one will be able to do so".³ Furthermore, food poverty affects more than four million people in the UK.⁴ Diet related ill health costs the NHS some £6 billion a year.⁵ It is people on low incomes and other disadvantaged communities who are far more likely to suffer and die from diet-related diseases such as cancer, diabetes, obesity and coronary heart disease.

Grocery retail plays a major role in determining the availability and affordability of healthy food and therefore consumers' – and in particular disadvantaged consumers' - health and wellbeing. Indeed the Office of the Deputy Prime Minister's Sustainable Communities programme, and the Department of Health's Policy Action Team 13 report: *Improving shopping access for people living in deprived neighbourhoods*, have already demonstrated the need for planning intervention on food provision. Consumers are not a homogenous group and it is therefore vital that the CC consider the grocery market's impact on *all* consumers.

Whilst changes in competition law have removed previous mechanisms for addressing social issues caused by anti-competitive markets, such as the public interest test, we believe that

¹ Food and Agriculture Organization of the United Nations, Rome Declaration on World Food Security and World Food Summit Plan of Action, 13-17 November 1996

² See Dowler, E. (2001) *Poverty Bites*. London: Child Poverty Action Group; Leather, S. (1996) *Making of modern malnutrition: An overview of food poverty in the UK*. London: The Caroline Walker Trust; Watson, A. (2002) *Hunger from the Inside: the experience of food poverty in the UK*. Sustain, London; Hitchman, C. et al. (2002) *Inconvenience food: The struggle to eat well on a low income*. London: Demos.

³ Riches, G. (1996) *Hunger, food security and welfare policies: Issues and debates in first world societies*, paper presented to Nutrition Society Summer Meeting June 1996.

⁴ Gordon, D. et al. (2000) *Poverty and social exclusion in Britain*, Joseph Rowntree Foundation.

⁵ Rayner, M, Scarborough P. 2005, *The Burden of Food-Related Ill Health in the UK*. British Heart Foundation Health Promotion Research Group, University of Oxford

Food Poverty Project

these issues remain relevant to this CC Investigation. We also believe that whilst the poorest consumers may have needs that differ from the average consumer, the market should still serve those needs. Our work indicates that communities continue to experience market failure in the provision of nutritious food.

This submission is based on the views of the FPN, as developed over the Project's ten year life span. However, it is with much regret that consultation of the FPN's more than 300 community food projects was precluded by the very short consultation period afforded by the OFT and CC. This exclusion of the perspectives, insights and experiences of England's most disadvantaged communities is a serious limitation to this consultation and the FPP trusts that the CC will properly seek the perspectives of these groups to ensure its Investigation is fully consultative and representative of *all* consumers needs.

There are many ways of engaging disadvantaged communities and the FPP has pioneered the practice of 'community food mapping' – a qualitative method for mapping local food retail provision, and therefore grocery choice, based on the lived experiences and perspectives of local communities⁶. We would be happy to share this work with the CC and provide guidance on using this approach.

Recommendation

We urge the CC to include the views of disadvantaged communities within their Investigation and to use appropriate methods to engage them, such as community mapping.

Citizens' broader interests

Citizens' interests in grocery retailing, and its place in the food system, go far beyond price and choice, and extend to, for example, the impact on health⁷, the environment⁸ and the rights and livelihoods of workers the world over⁹. Moreover, these concerns are widespread, and not restricted to affluent consumers. Low income shoppers often simply lack the resources and/or opportunities to translate their concerns into purchasing choices. We consider that the results of the CC's Investigation should be taken by Government and set in this broader context, not least as part of the UK's sustainable development strategy and that the CC should recommend that Government should identify additional mechanisms to address those issues raised by the Grocery Market outside the CC's remit.

Recommendation

We urge that the CC Investigation ensures that citizens' broader interests in sustainable development are acted on by Government.

Choice for *all* consumers

We welcome the OFT's acknowledgement that the superstores' entry into the convenience sector could be reducing choice at the local level. The FPP also welcomes the OFT's acknowledgement that increased market concentration and superstore buyer power could undermine the viability of alternative retail models at the expense of consumer choice. However, acknowledgement of the problem is severely limited by the current segregation of the grocery market, such that the convenience sector is treated as a separate market.

⁶ For example, Reaching the parts ... community mapping: working together to tackle social exclusion and food poverty, The Food Poverty Project (Sustain: the alliance for better food and farming), 2000

⁷ Rating retailers for health: how supermarkets can affect your chances of a healthy diet, the National Consumer Council 2004

⁸ For example, *Perspectives on Environmental Externalities and Side-Effects in the Food Chain*, Pretty, J. in *Total food – exploiting co-products, minimising waste*, Institute of Food Research, 2004.

⁹ For example; Guardian Online, 11 February 2006: *An unfair fight*,

Off the peg: Tesco and the garment industry in Asia, Corporate Watch and Labour Behind the Label, 2005; and *Fury at Asda cash demands*, <http://www.nfus.org.uk>

Food Poverty Project

Disadvantaged consumers are just as entitled to choice in their grocery shopping as the rest of society and there are numerous ways in which the grocery market is restricting disadvantaged communities' choice within their grocery shopping. Whilst every local situation is unique, the majority of disadvantaged communities are often faced either with just one or two struggling local shops or just one superstore that has achieved a monopoly on the less profitable trade in the area (as discussed with respect to food deserts in the following section). Furthermore, this also means disadvantaged consumers often find themselves faced with a smaller choice of products.

A report¹⁰ carried out on behalf of the Food Standards Agency states that shopping options other than the supermarket are seen as increasingly limited as there are few small shops or independent shops left in many areas. The following are examples of consumers describing the loss of choice as a result of concentration in the food retailing sector:

Female: Well there isn't any choice. I live in Kenton, there is not another shop – there's just one Sainsbury's, that's all we've got, nothing else.

Male: There's no fishmonger in Stroud, so where do you go? You have to go to a supermarket cos all the small shops have gone.

Female: We actually gave up eating meat more or less, because all the reasonable butchers in our area closed down. All you could get was supermarket meat, which is more or less tasteless.

Female: You don't have much choice, you've gotta use the supermarkets. And that's where it becomes a bit unfair, because even if you do wanna shop locally and get fresh stuff you're forced to the supermarkets.

The report suggests that the alternative options that remain tend to have problems as they may be dispersed or inaccessible, which would mean spending more time on shopping. It highlights the fact that there is no longer a 'high street' of small shops located next to each other. Again the remaining local outlets may be expensive and as one participant from the Portsmouth study puts it:

*'If there is only one shop then it won't be so cheap will it?'*¹¹

Recommendation

We urge the CC to view consumers as a heterogeneous group and to investigate the effect of increasing superstore concentration on choice of retail outlet for all consumers – and disadvantaged consumers in particular.

Food poverty, “food deserts” and planning

The FPN welcomes the inclusion of planning in the OFT's analysis, but with a critical qualification: we are very concerned about the implication that current planning guidelines should be relaxed (cited as necessary due to the barriers to entry faced by large format stores). Disadvantaged communities' access to healthy, affordable food is already being seriously undermined by the inadequacy of the Government's planning guidelines in several ways, as outlined below. Further relaxation of these guidelines would, we believe, make a bad situation worse.

¹⁰ Andy Hedges (2003) *Local food: Report on Qualitative Research*, London: Food Standards Agency.

¹¹ Kirkup et al (2004) 'Inequalities in retail choice: exploring consumer experiences in suburban neighbourhoods', *International Journal of Retail and Distribution Management*, vol. 32, no. 11, pp511-522.

Food Poverty Project

Current planning guidelines are undermining disadvantaged communities' physical access to healthy food by:

- I. Encouraging edge of town superstores which contribute to the closure of town centre shops and markets;
- II. Encouraging convenience superstores which also contribute to the closure of town centre shops and markets and promote high value processed convenience foods;
- III. Failing to ensure adequate powers for communities and councils to resist undesirable retail development.

The term 'food deserts' has been adopted as a short-hand term for areas where it is almost impossible to buy healthy food at reasonable prices without private transport¹². The Acheson *Inquiry into Inequalities in Health* highlighted the role of planning and development strategies whose "increasing tendency to out of town superstores has led to the creation of "food deserts"¹³, in both rural and urban locations. Although this term has been contested in academic literature¹⁴ and in recent research challenging its impact on health¹⁵, the reality for many communities remains that planning guidelines and other developments have, over time, given rise to areas of deprivation where opportunities to buy healthy affordable food do not exist without a car.

Without adequate powers vested in local communities and Councils, current planning guidelines risk increasing the prevalence of 'food deserts'. PPS6 promotes both town centre development and large format stores on the edge of towns which is allowing the major retailers to increase their market share still further, which in turn puts further pressure on the remaining independent retailers. Furthermore, there exists a growing body of evidence that councils and communities are unable to ensure appropriate retail development for their area, due to the tactics being exercised by some of the major retailers to ensure the success of their planning applications.¹⁶

Recommendation

We urge the CC to investigate what additional powers communities and councils need to ensure locally appropriate retail development, and whether planning at the national, regional and local level is sufficiently robust to provide a level playing field for small retailers.

1) Local independent shops and markets

A flourishing mix of local independent shops and markets is at the heart of ensuring real retail choice for all consumers. Furthermore, these local shops and markets can provide an important contribution to the health and wellbeing of disadvantaged communities. A seminal study on 'food deserts' in Leeds¹⁷ showed that street markets and greengrocers promote higher levels of fruit and vegetable consumption among disadvantaged consumers and offer the most affordable prices¹⁸. Moreover, independent and local retailers can; offer diversity in grocery shopping; form the bedrock of both the local economy¹⁹ and community; and provide

¹² Wrigley, N. (2002) "Food deserts" in *British Cities: Policy Context and Research Priorities*. Urban Studies, 39, 11, 2029-2040.

¹³ Acheson, D. (1998) *Independent Inquiry into Inequalities in Health*. London: The Stationery Office, 65.

¹⁴ e.g. Cummins, S. and MacIntyre, S. (2002) "Food deserts" – evidence and assumption in health policy making. *BMJ*, 325, 436-8.

¹⁵ e.g. Cummins, S. et al (2005) *Large scale food retailing as an intervention for diet and health: quasi-experimental evaluation of a natural experiment*. *Journal of Epidemiology and Community Health*, 59, 1035-40.

¹⁶ *Calling the Shots: How Superstores get their way in planning decisions*. Friends of the Earth, 2006.

¹⁷ Assessing the impact of improved retail access on diet in a 'food desert': a preliminary report, Wrigley, N. et al. *Urban Studies*, vol. 39, No. 11, 2061-2082, 2002.

¹⁸ For example, Trading places: the local economic impact of street produce and farmers' markets. New Economics Foundation 2005. Commissioned by the London Development Agency.

¹⁹ Local food retailers return, on average, just over 50 per cent of business turnover to the local economy, usually in the form of spending on local products and inputs, staff wages and money spent at other local shops and businesses.¹⁹ In contrast, superstores siphon up to 95 per cent of their takings away from local areas to shareholders and distant corporations.¹⁹

Food Poverty Project

much needed opportunities for social interaction for disadvantaged communities who are so often excluded and isolated.

2) Health

The reduction of grocery choice at both store and product level has resulted in consumers, and particularly those already most disadvantaged, having a limited choice of healthy food options. Superstores' promotion of unhealthy food, both through processed food's domination of store space and through, for example, 'buy one get one free' offers which are predominantly on unhealthy products²⁰, makes it extremely difficult for low income consumers to make healthy choices. This is due to a need to make food budgets stretch as far as possible. This restriction on choice is then exacerbated by the fact that the high levels of sugar and salt in processed food are extremely addictive.

Furthermore, superstores' aggressive entry into the convenience sector is having an extremely detrimental effect on low income consumers' health because by catering for the demand for convenience by cash-rich, time-poor consumers, these convenience superstores do not offer a full range of products. Instead shelf space tends to be dominated by high-value, processed convenience foods. Not only are disadvantaged consumers who are often time and cash poor are often unable to afford to do the majority of their shopping at these more expensive convenience superstores²¹, but they are also unable to get to cheaper and/or healthier shops because these may have been pushed out of the market by competition from the convenience superstores.

In terms of healthy eating, Government attention to date has heavily focused on consumer choice. However the current reality is that it is incredibly difficult to choose healthy food options because healthy foods are far less available than unhealthy foods.

In light of the fact that the CC is the only Government body charged with investigating the Grocery Market it is essential that it ensures that the public health implications of the current Grocery Market are taken seriously and adequately addressed.

Recommendation

We urge the CC to investigate:

- *the role decreasing choice of retail outlet and products is having on low income consumers' health*
- *whether convenience superstores' focus on affluent customers, coupled with a decreasing choice of stores at the local level, is limiting low income consumers' ability to buy an adequate range of healthy food.*

3) Prices

Whilst the OFT asserts that '...evidence suggests that consumers have benefited from falling prices in the food retail sector over the last five years ...'²² these lower prices are not necessarily available to all consumers. Superstores' purchasing practices and the use of "price flexing" means that, perversely, prices are often higher for low income communities.

Superstores' purchasing practices

The major retailers' purchasing practices - bypassing local food producers and the wholesale sector - have indirectly led to higher prices being charged by independent shops, which are

Disadvantaged communities' disposable incomes for healthy food are often determined by the strength of the local economy which superstores are contributing to undermining.

²⁰ *Healthy Competition: how supermarkets can affect your chances of a healthy diet.* National Consumer Council 2005

²¹ Social Exclusion Unit (SEU) 'Bringing Britain Together', 1998

²² *Grocery Market: Proposed decision to make a market investigation reference.* Office of Fair Trading, 2006 p.22

Food Poverty Project

usually the shops relied on by disadvantaged communities living in areas with less choice of food shops.

Superstores have been shown to generate just 1-2 per cent of their turnover from local food providers.²³ By establishing large-scale procurement and distribution systems, superstores have managed to bypass or internalise large parts of the food system, thereby avoiding the wholesale sector and purchasing directly from larger farmers. As a result, wholesalers have been closing - at the rate of six per week in 2002/3²⁴ - and their prices rising. These price increases are being passed onto small shops and, in turn, to consumers.

Simultaneously, the small retailers on which the wholesale and local food sectors rely are rapidly disappearing in the face of the continued superstore growth. This creates a vicious circle for wholesalers, local food producers and independent retailers that are all facing increasing pressures simply to survive.

Price flexing

Anecdotal evidence suggests that convenience superstores, which are rapidly being established in town centres, may charge higher prices than their larger, out of town counterparts. This may disproportionately affect disadvantaged communities who, due to the demise of independent retailers and their lack of personal mobility, are increasingly dependent on these stores.

As an example Tesco, which operates around 531 stores²⁵ under the 'OneStop' brand, has been shown to price products significantly higher in these outlets than in its sister 'Tesco Express' branded stores.²⁶

Recommendation

We urge the CC to investigate the indirect effects of superstores' buying practices on grocery prices in local and independent retailers, and the price differentials between large out of town superstores and their smaller format convenience store counterparts.

Summary of recommendations

We urge the CC to ensure its Investigation:

- Includes the views of disadvantaged communities and to use appropriate methods to engage with them, such as community mapping;
- Ensures that citizens' broader interests in sustainable development are acted on by Government;
- Views consumers as a heterogeneous group and investigates the effect of increasing superstore concentration on choice of retail outlet for all consumers – and disadvantaged consumers in particular;
- Investigates what additional powers communities and councils need to ensure locally appropriate retail development, and whether planning at the national, regional and local level is sufficiently robust to provide a level playing field for small retailers;
- Investigates the role decreasing choice of retail outlet and products is having on low income consumers' health;
- Whether convenience superstores' focus on affluent customers, coupled with a decreasing choice of stores at the local level, is limiting low income consumers' ability to buy an adequate range of healthy food;

²³ *Good Neighbours? Community Impacts of Superstores*, Friends of the Earth

²⁴ *Ghost Town Britain II Death of the High Street*, New Economics Foundation, 2003

²⁵ Institute of Grocery Distribution, 2005

²⁶ For example, Sunday Times among others 12 February 2006

Food Poverty Project

- Investigates the indirect effects of superstores' buying practices on grocery prices in local and independent retailers, and the price differentials between large out of town superstores and their smaller format convenience store counterparts;
- Investigates the effect of increasing superstore concentration on choice of retail outlet, and also whether convenience superstores' focus on affluent customers, coupled with a decreasing choice of stores at the local level, is limiting low income consumers' ability to buy an adequate range of healthy food.

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