

John Fingleton  
Chief Executive  
Office of Fair Trading  
Fleetbank House  
2-6 Salisbury Square  
London EC4Y 8JX

28 March 2006

Dear Mr Fingleton,

### **Grocery retailers market investigation and overseas suppliers**

The undersigned group of 12 development agencies are writing to express our support for the Office of Fair Trading's proposal to refer the market for the supply of groceries by UK retailers to the Competition Commission for a market investigation.

However, we are concerned that the OFT's report does not recommend that the Competition Commission investigates the impact of supermarket buyer power on suppliers, in particular those based overseas. We would like to hear why there has been this omission.

The Supermarket Code of Practice in principle covers the supermarkets' dealings with suppliers based outside the UK. Evidence given in submissions by ActionAid, Banana Link, Oxfam and Traidcraft to the OFT in March 2005 show UK grocery retailers continue to engage in irresponsible buying practices with overseas suppliers, which include violations of the Supermarket Code. The purchasing practices documented in these submissions include:

- Excessive post-delivery time for payment of orders
- Price cuts without reasonable notice
- Product orders changed without reasonable notice
- Last minute withdrawal of listings
- Absence of written contracts
- Raising requirements and forcing suppliers meet the costs
- Attempts to restrict suppliers from selling to their competitors
- Cartel-like behaviour

The detrimental impacts of such buying practices on farmers, farm workers and suppliers in developing countries, as well as on levels of poverty more generally, are well documented. They include lower pay, longer hours, poor health and safety conditions and increased use of temporary contracts for workers, as well as increased vulnerability and barriers to entry for small producers.

In light of this evidence, we urge you to ensure that any potential market investigation will examine in detail the impact of UK retailers' buyer power on suppliers, including farmers, farm workers and other producers in developing countries.

Yours sincerely,

Steve Tibbett, Director of Policy and Campaigns, ActionAid

Alistair Smith, Director, Banana Link

George Gelber, Head of Public Policy, CAFOD

Charles Abugre, Head of Policy, Christian Aid

Bill Vorley, Head, Sustainable Markets Group, International Institute for Environment and Development

Maggie Burns, Chair, Labour Behind the Label

Phil Bloomer, Director of Campaigns and Policy, Oxfam

James Lloyd, Head of Campaigns, People and Planet

Paul Chitnis, Chief Executive, SCIAF

Michael Gidney, Director of Policy, Traidcraft Exchange

John Hilary, Director of Campaigns and Policy, War on Want

Camille Warren, Acting Director, Women Working Worldwide

**CC:** Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer

Rt. Hon. Alan Johnson MP, Secretary of State for Trade and Industry

Rt. Hon. Hilary Benn MP, Secretary of State for International Development

Gerry Sutcliffe MP, Minister for Consumer Affairs and Competition

Malcolm Wicks MP, Minister for Corporate Social Responsibility

Martin Stanley, Chief Executive and Secretary, Competition Commission