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Public Submission to ACCC Grocery Inquiry by Dr Catherine Burns, Gary Sacks and Professor Boyd Swinburn

**School of Exercise and Nutrition Sciences, Deakin University, Melbourne
11 March 2008**

Mr Graham Samuel
Chairman
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Samuel

The rising cost of healthy food in Australia and the severe implications for low-income consumers

We welcome the current inquiry into grocery prices and we are pleased that the ACCC recognises the importance of this issue for the wellbeing of all Australians. We submit that, as part of this inquiry, the ACCC should consider not only food prices in general but should also look specifically at the prices of healthy foods and the implications of the relatively high-cost of healthy foods for low-income consumers.

We are based at the World Health Organisation (WHO) Collaborating Centre for Obesity Prevention in Melbourne where we are engaged in a programme of research on the social, economic and environmental determinants of obesity. While obesity levels are increasing in the whole Australian population, the prevalence of obesity is disproportionately high in socio-economically disadvantaged populations. The high cost of food and the poor availability of healthy foods are some of the factors that explain this higher prevalence of obesity in low-income populations. Moreover, the relatively low cost of high-energy, nutrient-poor foods (in comparison to the cost of healthier foods) has been proposed as a key driver of these higher obesity rates in people on low-income.

Food prices are known to play a major role in food selection, with the influence of price of particular importance for low-income groups. Our research, and that of Australian colleagues, indicates that the cost of healthy food in Australia is rising well-above the rate of inflation. Furthermore, our analyses of Consumer Price Index (CPI) changes over the period 1980-2006 indicate that healthy foods have increased in price at a higher rate compared with



less-healthy foods. This is particularly striking when particular categories of food are compared: for example, the price of milk has risen at a far greater rate than the price of soft drinks, and the price of bread has increased at a much higher rate than that of cakes and biscuits. These pricing trends are likely to have played a role in exacerbating diet-related diseases among low-income Australians over the last three decades.

Our examination of household food expenditure relative to quintiles of income indicates that low-income households allocate proportionately more of their total household expenditure to food, with those in the lowest income brackets spending up to 40% of their total income on food. Our previous research (and that of others) indicates that many unhealthy foods are cheaper per calorie relative to healthier foods. This is particularly concerning in light of our results from qualitative studies indicating that, in low-income families, satisfying hunger for the least cost is a major consideration when purchasing food – even though the consumers understand that these choices may not be optimal from a nutrition point of view.

Our research also notes the tremendous impact of supermarket price promotions and discounts on food sales volumes. In supermarket environments, where weekly sales of products on promotion can be twenty-fold greater than weeks when they are not on promotion, there is a tremendous opportunity for retailers to promote a higher percentage of healthy foods and thereby play a role in improving the diet of the population. It is recommended that this inquiry investigate the number and nature of promotions of healthy foods compared with less-healthy foods.

In summary, we hope that this inquiry will investigate the reasons that the cost of a healthy diet has risen (and continues to rise) at a rate well-above the CPI. We also hope that this inquiry will inform an on-going process of monitoring the cost of a healthy diet in Australia. Finally, we hope that this inquiry will recommend that the cost of a healthy diet be factored into the determination of welfare payments for low-income households.

Should you wish to discuss any of the issues raised in this submission, please contact either one of us directly by email (addresses below).

Yours sincerely



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