

11 March 2008

Mr Graham Samuel
Chairman
Australian Competition and Consumer Commission
GPO Box 520
Melbourne Vic 3001
Email:grocerypricesinquiry@accc.gov.au

Dear Mr Samuel,

Re: Submission

VicHealth (Victorian Health Promotion Foundation) welcomes the ACCC inquiry into the competitiveness of retail prices for standard groceries.

VicHealth is a statutory authority established in 1987 by the Victorian Parliament. The focus of our work is improving the health and wellbeing of Victorians while reducing the differences in health status between different populations. To this end, we work in partnership with the government and non-government sector to undertake and fund a range of activities including research, advocacy, development of policies and implementation of community based programs. Over the past 20 years we have made a significant investment in promoting healthy eating to reduce nutrition related chronic diseases.

The increasing price of groceries, the range of products, stock and the ability to access these groceries influence how well consumers eat. This submission responds to questions 22 -28 and 36 raised in the Issues Paper by highlighting:

- (1) *The link between food costs and food security.*
- (2) *The link between food costs, place of residence and health.*
- (3) *Influences of food choice*
- (4) *Food marketing and packaging.*

1. The link between food costs and food security

Food security is defined as the ability to eat adequate, culturally appropriate and nutritious food from non-emergency sources on a regular basis. Food security is a basic human right and the basis of good physical and mental health, enabling us to function optimally and participate in the workforce. There is evidence that being food insecure is also linked to being overweight and obese due to “famine and feast” variation in food consumption as well as consumption of cheaper energy-dense foods with high fat and sugar content.¹

In 1995 the following question was asked in the National Nutrition Survey:
‘In the last 12 months, were there any times that you ran out of food, and couldn’t afford to buy any more?’ Five percent of respondents answered yes to this question. In 2007, this same

¹ Burns, C. 2004, *A review of literature describing the link between poverty, food insecurity and obesity with specific reference to Australia.* VicHealth. <http://www.vichealth.vic.gov.au>

question was repeated by the Community Indicators Victoria survey. The findings showed that 53 of the 79 Local Government Authorities have had more than 5 % of their community members experiencing food insecurity². It is expected that this figure will escalate due to climate change, peak oil and rises in interest rates. Professor John Beddington, the U.K Chief Scientist has stated that food security is a world wide concern.³

In 2005, the *Victorian Population Health Survey* reported that more than nine in 10 persons (90.1%) in Victoria did not eat enough vegetables to meet the healthy eating guidelines for vegetables.⁴ Plant foods have been found to protect against a range of chronic conditions such as type 2 Diabetes, coronary heart disease and cancer^{5 6}.

Australians threw away an estimated \$5.3 billion worth of food including \$2.9 billion worth of fresh food.⁷ Currently, supermarkets only offer top quality, blemish free, fruit and vegetables. Due to water shortages and diminishing affordability, it will be essential that supermarkets review their standards in order to provide consumers with a choice of quality gradings and price ranges. This approach will also be good for growers and the environment by reducing food waste.

Research has shown that increasing fruit and vegetable consumption in Australia by just one serve a day would save between \$8.6 million and \$24.4 million in direct health-care costs relating to cancer and further 150 million relating to direct health –care costs associated with cardiovascular disease.⁸

2. The link between food costs, place of residence and health (relates to question 36).

There is increasing evidence that food prices are higher in rural areas compared to metropolitan areas across Australia^{9, 10, 11}. The costs of groceries also differ within metropolitan areas.

Food prices vary between the supermarket, local green grocers and the local market¹². Using a Healthy Food Access Basket Survey (HFAB)¹³, the City of Dandenong found there was a price

² This is a conservative estimate as it does not include members of the same family or people at risk of homelessness and others without a land-line telephone.

³ Randerson, J. 2008, 'Food crisis will take hold before climate change, warns chief scientist' In the Guardian March 7. <http://www.guardian.co.uk/science/2008/mar/07/scienceofclimatechange.food/print>

⁴ Department of Human Services, 2003, 'Victorian Population Health Survey', Melbourne

⁵ World Cancer Research Fund, 2007, *Recommendations for cancer prevention*. U.K.

⁶ WHO 2003, 'Diet, Nutrition and the Prevention of Chronic Disease'. Report of a WHO/FAO Expert Consultation. Geneva.

⁷ Hamilton, C. et al. 2005, 'Wasteful Consumption in Australia'. The Australia Institute, Discussion Paper number 77, <http://www.tai.org.au>

⁸ Australian Chronic Disease Prevention Alliance, 2004. 'Chronic Illness: Australia's Health challenge – the Economic Case for Physical Activity and Nutrition in the Prevention of Chronic Disease'.

⁹ Burns, C. et al. 2004, 'Food cost and availability in rural settings in Australia' *The International Electronic Journal of Rural and Remote Health Research, Education, Practice and Policy*. Deakin University. <http://www.rrh.deakin.edu.au>

¹⁰ Harrison, Michelle S. et al. 2007, 'The increasing cost of the basic foods required to promote health in Queensland', *Medical Journal of Australia*. Vol. 186 no1.

¹¹ Healthy Food Access Basket Survey, 2006 Queensland Health Treasury.

¹² City of Greater Dandenong, 2007, 'The cost of eating well in the City of Greater Dandenong', *Food for Everybody* annual pricing survey.

difference of \$106.51 for the same basket of food when shopping in different supermarkets located within the same local government area. In the case of fruit and vegetables, the same fruit and vegetable basket differed in price by an average of \$21.42 between supermarkets and the market. Within Sydney, a similar HFAB survey found a \$150 difference between the cheapest and the most expensive healthy food baskets.¹⁴

This significant variation in price disadvantages consumers who have no access to public transport and who are unable to walk the distances required to compare various prices. It also supports the growing number of reports indicating that the availability, accessibility and costs of nutritious food influences consumers who are socially or geographically disadvantaged and their ability to consume healthy food¹⁵.

3. The influences of food choice (relate to questions 22-26)

Price is the key factor influencing consumers in their shopping decisions.¹⁶ It is often assumed that all consumers have total freedom and ability to choose when making such decisions. The reality is that consumers can only choose from the shops they can access, what they can afford and from the range of products being offered.

The trend for mergers of supermarkets towards fewer, larger outlets located away from the city centre is forcing the closure of smaller, more accessible neighbourhood stores. It is interesting to note that Mr Peter Freeman, the chairman of the U.K Competition Commission proposed a series of activities to prevent domination of a supermarket including the refusal of planning applications.¹⁷ In Australia, the challenge also includes the need to attract supermarkets and shops to areas with low income populations. A possible solution to this problem might be to require supermarkets, as a condition of a merger, to provide stores of varying scales including shops-on-wheels to reach consumers in isolated regional and urban areas without access to public transport. Tesco in the UK has succeeded in providing such a model. They offer 5 different store formats that vary according to the size of the store and the range of products sold. These include Tesco Extra (mainly out-of town hypermarkets), Tesco Express (neighbourhood convenience shops) and Tesco One Stop, the very smallest of their stores.

Food marketing & packaging (relates to questions 27 and 28)

Most consumers gain information from advertising, in particular through mediums such as television and free printed material via mail. However, these methods only highlight 'special offers' in major supermarkets. Consumers would be better informed if the cost of staple foodstuffs were included in all promotional material or on a website. This list for example would include bread, milk, eggs, meat, seasonal fruits and vegetables. This is the practice in Malaysia,

¹³ Healthy Food Access Basket Survey is a survey of a basket of food which feeds a family of six for two weeks.

¹⁴ The Cancer Council NSW, 2008, 'NSW Healthy Food Basket cost, availability and quality survey'. Sydney.<http://www.cancerouncil.com.au/foodbasket>.

¹⁵ Strategic Inter-Governmental Nutrition Alliance. 2000, 'Eat Well Australia: An agenda for action for public health nutrition. Melbourne': National Public Health Partnership (p 2-3).

¹⁶ Kavanagh, A. 2007, 'Place does matter for your health', Victorian Lifestyle and Neighbourhood Environment Study, Key Centre for Women's Health in Society, The University of Melbourne.

¹⁷ Knapton, Sarah, 15 February 2008. 'Shops get protection against supermarket giants'.guardian.co.uk

where the price of staples such as cooking oil, sugar, rice and condensed milk are on the Ministry of Domestic Trade and Consumer Affairs website.

The cost of the disposal of food packaging is not reflected in the pricing, even though the size of packaging is increasing disproportionately in many processed foods. In fact, consumers are subsidizing marketing through unnecessary costly packaging, for example, through landfill paid for by local rates and the additional impact on the sustainability of the environment. A formula to guide appropriate packaging that is proportional to the content should be explored as a means to reduce costs to the consumer and the environment.

This submission has aimed to provide examples of a range of factors that can impact on health. Most of these factors are beyond the 'choice' of individual consumers. The same applies through other ACCC inquiries, such as the cost of water and petrol which all have an impact on the cost of production, distribution, storage, marketing and the final retail price of food and therefore on the health of the nation. Thank you for the opportunity to respond to this inquiry and we look forward to the outcomes.

Yours sincerely



TODD HARPER
Chief Executive Officer