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Mr Graham Samuel
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Dear Mr Samuel

Thank you for the opportunity to make a late submission to the Australian Competition and Consumer Commission's *inquiry into the competitiveness of retail prices for standard groceries*.

Please find attached the National Heart Foundation of Australia's submission.

Yours sincerely

Susan Anderson
Food Supply Strategy Director

**Public Submission to ACCC Grocery Inquiry by the National Heart Foundation of
Australia on Monday 7 April 2008.**

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The National Heart Foundation of Australia

The Heart Foundation is Australia's leading not-for-profit heart health organisation, working since 1959 to build community awareness about heart disease. On average, every year more than 46,000 Australians die from heart disease, stroke or blood vessel disease; that's a life lost almost every 10 minutes.

Among other activities, the Heart Foundation implements a world-renowned Food Information Program (the 'Tick' Food Information Program, referred to as the 'Tick Program') to help improve the nutritional health of Australians. The Tick Program aims to improve the food supply by encouraging the food industry to produce, promote and 'signpost' foods that are healthier choices among foods of their type.

The Heart Foundation is committed to the continued development of food products that can improve nutrition and communicating consistent and easy to understand information about foods, to consumers to assist them in making informed and better choices in the foods they eat and prepare for their families.

The ACCC Inquiry

The ACCC have highlighted in their issues paper that "aggregated OECD data suggests that over the past few years, food price inflation has been higher in Australia than in many other industrialised countries. The largest price increases in Australia have been for milk, cheese, bread, fruit and vegetables."ⁱ

Heart Foundation Submission

Nutrition is an important determinant of health and wellbeing that can either increase or decrease the risk of various chronic diseases and mortality. Dietary guidelines for Australian adults and children from the NHMRC recommend consuming a wide variety of nutritious foods, including a high intake of plant foods such as cereals, fruit, vegetables, legumes and nutsⁱⁱ.

Due to the significant role of food and nutrition in both the prevention and treatment of chronic diseases such as cardiovascular disease (CVD), the Heart Foundation strongly supports the ACCC's inquiry into the factors influencing food prices in Australia. **The Heart Foundation calls for the health impacts of the rising cost of grocery items to be considered as part of the inquiry.**

1. The cost of healthy eating in Australia

That food prices affect food purchases and food consumption has been repeatedly shown by studies in economics, marketing, consumer behaviour and nutritional epidemiologyⁱⁱⁱ. Cost has been reported as the second most important factor in food decisions, behind taste^{iv}. American researchers have shown that government regulations that affect price are consistent influences on the purchase of fruits, vegetables, beef and pork^v.

The Heart Foundation is concerned about the rising cost of food and the increasing costs associated with eating a diet consistent with the *Australian Guide to Healthy Eating*^{vi}. Of particular concern is the emerging evidence that it is the cost of the basic/ core food groups, so called 'healthy foods' which have increased most significantly in recent years – as highlighted in the ACCC Issues Paperⁱ.

Evidence from healthy food basket surveys around Australia provides further evidence of the rising cost of a nutritious basket of food^{vii,viii,ix,x,xi}. The increases in the cost of fresh foods over and above CPI, demonstrated by the data, have occurred since the imposition of the goods and services tax (GST)⁷. Introduced in 2000, the GST is levied on some foods: staple foods such as bread, fruit, vegetables and breakfast cereals are exempt, while the tax applies to biscuits, confectionery, savoury snacks and ice cream, and bakery products such as pastries, muffins and cakes.

The healthy food basket surveys also highlight the significant price variations which occur between rural, remote and metropolitan settings.

The impact of poor eating habits is a significant economic issue for Australia. More than a decade ago, it was calculated that the direct cost of health care services consumed in treating diet-related diseases was \$1.52 bn per year. Adding the in-direct costs of lost earnings and premature death brought the figure to over \$2.25 bn^{xii}. This indicates the scale of the impact of diet-related disease on the Australian economy and our society in general.

2. Impact of high food costs on vulnerable groups

The health implications of high food costs is a major concern for all Australians, but most significantly for socioeconomically disadvantaged and Aboriginal and Torres Strait Islander groups. These groups, especially those living in remote areas, are required to spend more of their income to access healthy food than residents of urban areas. For example, it is clear that for Aboriginal and Torres Strait Islander people living in remote areas healthy foods, including fresh fruits and vegetables are regarded as a luxury rather than a basic everyday food for good health. In fact up to 36% of family income has been reported to be needed to purchase foods in some remote communities^{viii}. This is double the 17% of income that the average Australian will spend on food^{xi}. Problems of food access are not confined to remote areas. Urban Aboriginal and Torres Strait Islander people also experience problems of food access which are frequently related to socioeconomic issues. In a study conducted in Victoria, it was reported that 51% of Aboriginal families experienced food insecurity. Of the 63 parents and carers interviewed 32 (51%) had run out of food and could not afford to buy more over the past 12 months^{xiii}.

Others have highlighted the importance of this in previous submissions to the ACCC Grocery Inquiry^{xiv}.

3. Regular monitoring and reporting on food costs

Price Determination in the Australian Food Industry – A Report outlines the complexity of issues across the food industry sectors in Australia and the intensity of competition within the food retail market^{xv}. The report provides a detailed examination of retail to farm-gate price comparisons, identifies factors determining prices and analyses the performance of Australian food companies. This report will be a useful starting point for the ACCC Grocery Inquiry.

The Heart Foundation welcomes further discussion regarding the regular, periodic national monitoring of food costs in Australia, including in rural and remote communities. It appears

sensible to include such monitoring in the Government's national food and nutrition monitoring and surveillance system. In particular the Heart Foundation would seek data on the cost of a basket of food which meets the *Australian Guide to Healthy Eating*^{vi}.

Existing tools for measuring the cost of a standard basket of food should be utilised at the national level on a regular and ongoing basis, such as the tools used in the healthy food basket surveys referred to above^{vii,viii,ix,x,xi}.

Recommendations

- 1. That the ACCC include the health impacts of the increasing cost of standard grocery items as a key issue in the grocery inquiry.**
- 2. That the ACCC consult with stakeholders from the health sector and engage their expertise regarding the association between the cost of standard grocery items and health.**
- 3. That the Australian Government further investigates the role of food supply chains in the implementation of the Government's health and social policies.**
- 4. That the Australian Government makes a commitment to ongoing national monitoring and surveillance of the availability and cost of standard grocery items using existing tools and methodology (such as market basket survey methodology).**
- 5. That the Australian Government makes a commitment to the introduction of mandatory unit pricing in the next two years.**

The Heart Foundation welcome the opportunity to be further involved in the ACCC Grocery Inquiry including any discussions/forums on the issues raised in the inquiry, particularly in relation to the impact of increasing food prices on the long-term health of all Australians.

References

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