



Australian Government
Department of Health and Ageing

Mr Graeme Samuel
Grocery Prices Inquiry - Submissions
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Samuel

Public Submission to the ACCC Grocery Inquiry by Department of Health and Ageing

Please find attached a submission to the ACCC grocery inquiry on behalf of the Department of Health and Ageing.

This submission highlights the need to consider public health nutrition in the context of selecting key groceries, monitoring and reporting on grocery prices and the availability of nutritious foods.

Many factors influence consumer food choices and the Department of Health and Ageing advocates the need to use the inquiry to help determine at a national level the relationship between prices and consumer behaviour. The outcome of the inquiry may also help inform the Commonwealth Government's public health nutrition activities.

I am aware that the ACCC has also prepared advice for the Assistant Treasurer on how it might deliver a periodic survey of grocery prices at supermarkets. The Department is keen to liaise with ACCC staff on the development of any such survey.

The Department appreciates the opportunity to discuss issues affecting Australia's food supply.

Jennifer Bryant
First Assistant Secretary
Population Health Division
Australian Government Department of Health and Ageing
June 2008

Public Submission to ACCC Grocery Inquiry by the Australian Government Department of Health and Ageing May 2008

SUMMARY

The pricing of food can influence the choices made by many Australians when selecting food and grocery items. To best maintain the health of the population, healthy food choices need to be easy, accessible and affordable.

Issues identified by the Department for consideration in the Australian Competition and Consumer Commission (ACCC) grocery price inquiry include the:

- price monitoring methodology to include the variance in prices for baskets of both 'healthy' and 'less healthy' commonly consumed foods;
- data required to inform a comparison of the prices between varied metropolitan/rural/remote and high/low socio-economic status communities; and
- consideration of affordable nutrition for vulnerable population groups particularly Indigenous and socially disadvantaged communities and people with restrictive diets, such as medically diagnosed coeliac disease.

BACKGROUND

Eating the right types of food in the right amounts is important for meeting the body's nutrient needs and reducing the risk of developing chronic disease. Current Australian dietary guidelines¹ provide evidence-based advice on dietary behaviours that optimise health and prevention of chronic disease for key population groups and life stages.

The dietary guidelines recommend behaviours for good nutritional health and include special considerations around social status, nutrition and the cost of healthy eating, and the sustainability of food systems. The guidelines recognise that the food system must be economically viable and the quality and integrity of the environment must be maintained. In this context, among the important considerations are conservation of scarce resources such as topsoil, water and fossil fuel energy and problems such as salinity. In addition to these factors competitive markets, pricing strategy, policy development in the food sector and globalisation of the food supply all contribute to the cost of food and therefore the choices consumers make when purchasing food.

The cost, availability and quality of healthy foods may impact on levels of consumption of these foods and on the development of food preferences in children and food consumption patterns of other vulnerable population groups.

For this reason it is important that the ACCC grocery price inquiry includes the capability to monitor and report on the availability and cost of varied baskets of foods which can be classified as 'healthy' and 'less healthy' to adequately examine the accessibility and price associated with recommended dietary patterns.

¹ Dietary Guidelines for Older Australians, NHMRC 1999, Dietary Guidelines for Australian Adults, NHMRC 2003 and Dietary Guidelines for Children and Adolescents in Australia, NHMRC 2003.

ISSUES

1. Price monitoring methodology

The food listing used by the Australian Bureau of Statistics (ABS) to measure the Consumer Price Index (CPI) is based on commonly purchased foods rather than the food groups recommended for maintaining health.

Several States and Territories have conducted at least one survey into the price of healthy foods². The standard basket of foods used to undertake these surveys consists mainly of food required to support and maintain health consistent with national dietary recommendations.

The Department understands that foods selected for inclusion in ACCC price monitoring activities may include up to 500 items to be categorised into sub-baskets of foods. Decisions regarding the definition and composition of the sub-baskets will be crucial to the useability of the resulting data. In addition to food types (eg breads, cereals, dairy, meats, vegetables and fruit, beverages etc) data gathered on baskets which represent 'healthy' purchases consistent with Australian dietary guidelines and those which represent 'less healthy' purchases inconsistent with dietary recommendations will be useful from a public health nutrition perspective.

The ACCC *Issues Paper Part B: Consumer behaviour and choice of grocery retailer, Questions 28 and 29 query the strategies used to signal price offers to consumers and which products retailers use to compare prices with competitors?* These questions indicate the importance of ensuring that foods selected for ACCC monitoring include foods in the Core Food Groups for healthy eating. It would also be useful to include a sub-basket of low allergen foods or substitutes for common foods to gather information on the cost of restrictive diets.

The Department recommends that the ACCC grocery price inquiry research existing surveys and develop a complementary survey program that will provide a consistent national picture of grocery pricing and allow for comparisons between earlier surveys of healthy foods conducted in States/Territories.

2. Data required for appropriate comparability

The ACCC *Issues Paper Part C: Competition in grocery retailing, Question 36 queries to what degree grocery prices differ between metropolitan, regional and country areas and whether this may differ depending on the product?*

A national examination of the cost and availability of quality fresh food, particularly vegetables and fruit, available at national and independent supermarkets, green grocers and produce markets in metropolitan/rural/remote communities and high/low socio-economic status communities is needed.

² NSW Healthy Food Basket (2007) <http://www.cancercouncil.com.au/editorial.asp?pageid=2389>
QLD Healthy Food Basket Survey (2006). www.health.qld.gov.au/ph/documents/hpu/33125.pdf
NT Market Basket Survey (2006) www.nt.gov.au/health/comm_health/food_nutrition/Market_basket_2006.pdf
SA Food Supply Report (2000) www.chdf.org.au/cgi-bin/displayfile?page=/1/128/FoodSupplyReportBW.PDF
WA (2007) www.wacoss.org.au/images/assets/publications_papers/rising_cost_of_living_WA_%20FINAL.pdf
Illawarra Healthy Food Basket (2003) www.ro.uow.edu.au/hbspapers/13/

The healthy food surveys conducted in States/Territories have found consistent differences in the cost of a healthy food basket within and between geographic and demographic areas monitored. It is apparent that rural and regional populations have less access to affordable healthy foods and appears evident from most surveys that access to affordable healthy foods in low socio-economic areas is not equitable.

The Cancer Council of NSW recently released the results of a survey⁷ it conducted in 2007 into the cost, availability and quality of healthy foods across 150 locations in New South Wales. The survey found there was extensive variability in the cost and availability of a standard basket of healthy food across different geographic and demographic areas of NSW, with the cheapest costing \$337 and the most expensive \$520. People in lower socio-economic groups and those living in more remote areas were found to have less access to a variety of fruit and vegetables. The survey also found that a high variability in the cost of a standard basket of healthy food within a small region.

Food affordability surveys conducted recently in Queensland, Western Australia, Northern Territory and the New South Wales study above highlight the importance of the ability to compare results of grocery prices between geographic regions (using Accessibility/Remoteness Index of Australia - ARIA categories) and social disadvantage (using Socio-Economic Index for Areas - SEIFA scores). It is important to ensure that comparisons across these categories are possible using the results of the ACCC grocery price monitoring activities to provide a national picture.

3. Vulnerable population groups and nutrition

The ACCC *Issues Paper Part B: Consumer behaviour and choice of grocery retailer*, Question 25 queries how important price may be for consumers when they decide *where* to buy groceries and whether this may differ depending on the product? A useful question to address in addition is how important price may be for consumers when they decide *what* foods to buy?

To date there are contradictory studies published regarding lower socio-economic status population groups' access to healthy food and the influence of disposable income on food purchases. The Australian dietary guidelines and a literature review for Eat Well SA³ both outline studies which show that the eating patterns recommended in federal government nutrition education publications may not be financially realistic for low-income families and conversely others indicate that healthful eating is not necessarily more expensive.

A University of Melbourne study⁴ suggests that the relationships between socio-economic position, food choices and food and nutrient intakes are complex. Socio-economic differences in dietary knowledge and concerns about the cost of healthy food play an important role in these relationships and should be considered in health promotion efforts to reduce health inequalities and encourage the general population to improve their diets.

Reports focussing on the Australian food supply also highlight the barriers to healthy eating experienced by vulnerable population groups including Aboriginal and Torres Strait Islander people. High prices and limited availability of healthy food combined with low income are cited

³ *Food, Nutrition, Low Income and Health in Australia. What does the literature say?* Eat Well SA, October 1999. www.chdf.org.au/i-cms_file?page=128/LiteratureReview.PDF

⁴ *Socio-economic pathways to diet: modelling the association between socio-economic position and food purchasing behaviour* Gavin Turrell and Anne M Kavanagh– University of Melbourne 2006. <http://eprints.infodiv.unimelb.edu.au/archive/00002564/>

as significant problems especially for Indigenous communities in remote locations⁵. A report to the National Obesity Taskforce in 2003⁶ recommended engaging agencies such as the ACCC to provide advice on food supply and pricing issues.

Concern has also been raised regarding the prohibitive costs of foods needed for consumers with restrictive diets, such as medically diagnosed coeliac disease and common food allergies, to meet dietary recommendations. These consumers have an ongoing limitation to the range of foods they can consume.

The ACCC Issues Paper Part G: Factors influencing the pricing of inputs along the supply chain for standard grocery items, Questions 66 and 69 query the influences on produce prices received and competitive pressures to reduce prices charged? Information gathered by the inquiry will inform whether any lack of competition in the chain of supply of healthy food (particularly fruit and vegetables) impacts on the availability and or price of these foods hence the choices made by consumers.

The ACCC grocery price inquiry and the associated monitoring of the cost of a wide range of grocery items over time will provide a significant opportunity to inform policy makers of the cost and comparability of healthy and less healthy foods across differing socio-economic regions at a national level. The Department encourages the ACCC to consider the methodology for collection and reporting of data with the potential to utilise this information to inform future public health nutrition activities.

Conclusion

The Department will greatly value the information made available following the ACCC grocery price inquiry to help inform policy debate regarding:

- cost of foods for vulnerable population groups, such as rural, remote, socially disadvantaged and Indigenous communities;
- cost of foods for people with restrictive diets, such as medically diagnosed coeliac disease and common allergies; and
- activities to improve food consumption patterns consistent with Australian dietary guidelines particularly for Aboriginal and Torres Strait Islander people and low socio-economic communities.

⁵ *FoodNorth: Food for health in North Australia* Department of Health WA 2003.

⁶ National Obesity Taskforce – Aboriginal and Torres Strait Islander Workshop September 2003.

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