

Grocery Sector Code of Conduct



New Zealand Council Of
Christian Social Services

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| Contact Name: | Nikki Hurst Hamish Jarvie |
| Organisation Name: | New Zealand Council of Christian Social Services (NZCCSS) |
| Organisation Description: | The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on the Grocery Sector Code of Conduct. NZCCSS has six foundation members: the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches. Through this membership, NZCCSS represents over 250 organisations providing a range of social support services across Aotearoa. We believe in working to achieve a just and compassionate society for all, through our commitment to our faith and Te Tiriti o Waitangi. Further details on NZCCSS can be found on our website https://nzccss.org.nz/ |

Tirohanga Whānui | Overview

NZCCSS welcomes the implementation of a Code of Conduct for the grocery retailer sector.

The Code of Conduct will be an important step into the meaningful regulation of the sector. During the COVID-19 pandemic, grocery retail has produced, and continues to produce, significant profits for shareholders and owners while little benefit has been afforded to either consumers or suppliers. According to an official review of the Australian alternative the implementation resulted in a fairer grocery supply chain: “[... Grocery Code has made a positive contribution to improving the relationship between retailers and suppliers...](#)”¹ A fairer grocery sector with a well implemented code of conduct (alongside other regulatory mechanisms) will ensure both suppliers and consumers get a better deal from retailers, and less food is waste through the supply chain.

Taunakitanga | Recommendations

- 1. Designation of major grocery retailers should incorporate a reasonable revenue threshold, alongside powers to investigate for the industry watchdog**

¹ Samuel, G. (2018). Independent review of the Food and Grocery Code of Conduct. Pp.1. Available at: <https://treasury.gov.au/sites/default/files/2019-03/Independent-review-of-the-Food-and-Grocery-Code-of-Conduct-Final-Report.pdf>

2. Head office responsibility for regulation provides the most efficient and comprehensive coverage for the code of conduct
3. A Code of Conduct which provides scope for tikanga, and Māori economic development is essential
4. Suppliers should be free to use logistics which work for them, except where more economic and streamlined options are available
5. Payments for shrinkage and wastage must be pre-agreed and determined to be fair
6. Parameters around the costs of promotions and promotional buying should be clearly outlined in Grocery Supply Agreements
7. Steps must be made to ensure costs to the consumer are minimal

Comment One: Designation of major grocery retailers should incorporate a reasonable revenue threshold, alongside powers to investigate for the industry watchdog.

Designation B provides a reasonable revenue threshold over two years, allowing time for new retailers to prepare their compliance if they are projected to exceed the threshold. Option B also includes important powers of investigation for the industry watchdog, significantly increasing accountability.

Recommendation One: NZCCSS recommends the implementation of Revenue Threshold Designation Option B.

Comment Two: Head office responsibility for regulation provides the most efficient and comprehensive coverage for the code of conduct.

Placing obligations on head offices both increases the efficiency of these regulations and consolidates the expenditure where resources are most readily available. Head offices set standard operating procedure (SOP) for chains and franchises, including logistics and acquisition procedure. The standardisation of these practice throughout chains and franchises has the potential to ensure compliance with the Code of Conduct and better protect suppliers.

Recommendation Two: NZCCSS recommends that head offices hold the responsibility for compliance with the code of conduct.

Comment Three: A Code of Conduct which provides scope for tikanga, and Māori economic development is essential.

The alternative code, assessed by MBIE to have the most positive and least negative outcomes should be adopted. A code crafted in this manner has the ability to be both agile and responsive to the needs of tangata whenua through tikanga and protection of Māori suppliers. Māori business constitutes a significant segment of most areas within the primary sector², and as such provision for the wellbeing of these suppliers is of utmost importance.

Recommendation Three: NZCCSS recommends the implementation of Option 3 – the Alternative Code in relation to Overarching Obligations.

Comment Four: Suppliers should be free to use logistics which work for them, except where more economic and streamlined options are available.

Supply chains and their independence ensure the ability of food to arrive to consumers without excessive costs through the value chain. If primary suppliers are able to choose which supply chain options work best for them, excess costs are unlikely to be imposed on the final consumer and the supplier maintains independence.

² Ministry of Foreign Affairs and Trade. (2018). pp.1-2. Available at: https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/The-Maori-Economy_2.pdf

Recommendation Four: NZCCSS recommends the implementation of Option 3 – the Alternative Code with suppliers able to choose their logistics options where these options are economical and appropriate.

Comment Five: Payments for shrinkage and wastage must be pre-agreed and determined to be fair.

In regard to payments made by the supplier to the retailer due to shrinkage or wastage of grocery products, suppliers must be accountable for failure to supply fresh and high-quality products. Despite this, a prospective code must protect suppliers from frivolous claims especially those resulting from products which have failed to sell, or which have been damaged on the retailers' premises. Option 3: the Alternative Code, which includes these issues along with a sunset clause prohibiting claims for wastage after 6 months is the most impactful option in this scenario.

Recommendation Five: In relation to section 7.5, New Zealand should adopt Option 3.

Comment Six: Parameters around the costs of promotions and promotional buying should be clearly outlined in Grocery Supply Agreements.

It is important that clear guidelines for promotions and promotional buying are set within a Grocery Supply Agreement between suppliers and retailers. These agreements must ensure that suppliers are not required to discount excessively or pay the total costs for promotional purposes, especially when promotions/sales serve to both generate direct weekly income and increased total revenue for retailers.

Recommendation Six: In relation to 7.6, NZCCSS recommends a prescriptive code requiring clarity around joint payment of promotional costs to be included in Grocery Supply Agreements.

Comment Seven: Steps must be made to ensure costs to the consumer are minimal.

Initial compliance costs are expected to be incurred by the retailers following the implementation of a code of conduct, especially where more complex supply agreements have been reached. While long term benefits will inevitably come from more competition in the retail space, it is likely that some of these initial costs may be passed on to the consumer. Especially due to the current economic pressures on low-to-middle income families, NZCCSS asks that special care be taken to ensure as little cost is passed on to the consumer as possible. This care may come in the form of both the purpose of the Code, and the enforcement of strict regulations within it.

Recommendation Seven: The passing on of costs to the consumer must be considered and limited.