

FDF submission to the CMA in response to the issues statement on the proposed merger of Sainsbury's and Asda

Introduction

1. This submission is made by the Food and Drink Federation (**FDF**), the trade association for food and drink manufacturing in the UK (please see below for more details).
2. Food and drink is the UK's largest manufacturing sector, accounting for 19 per cent of the total manufacturing sector, turning over £97.3 billion per annum, creating Gross Value Added (**GVA**) of £28.8 billion and employing over 400,000 people.
3. FDF represents food and drink manufacturing firms located across the United Kingdom, including leading brands and home-grown businesses, large and small. It should be noted that 97 per cent of the UK's 7,000 food and drink manufacturers are SMEs. Food and drink manufacturing is central to the economy and to food security, providing consumers with a fantastic array of safe, affordable and nutritious food and drink every day.
4. More than half of FDF's total membership is made up of SME manufacturers. These small businesses are the backbone of the UK food and drink industry; many are family owned and they make an essential contribution to the quality, choice and innovation enjoyed every day by UK consumers. The needs of SMEs can differ from large businesses, however in many circumstances they share the same priorities. In the case of the Proposed Merger of Sainsbury's and Asda, it is clear that small businesses share the same serious concerns as the UK's largest manufacturers.

Response to the issues statement

5. We welcome the CMA's issues statement which comprehensively captures the very serious issues presented by this proposed merger. FDF has previously submitted two formal responses outlining key concerns raised by suppliers of food and drink to the merging parties and we are pleased to see our concerns are reflected in the statement.
6. However, with such a broad range of issues to investigate, time constraints imposed on the CMA to conclude this investigation will present very significant challenges in gathering the required evidence, especially from suppliers. Even in the event of an extension it would seem the timetable will be extremely challenging.
7. Suppliers effectively operate in a climate of fear as Sainsbury's and Asda act as gatekeepers to the market. As a result, suppliers are reluctant to share information that could risk identifying themselves as they cannot afford to be delisted, regardless of legal protections offered. For example, multinationals and small businesses alike have told us that they would not respond directly to the CMA in the same way they would not provide direct feedback to the Groceries Code Adjudicator (GCA) where buyers contravene the rules set out in the Groceries Supply Code of Practice (GSCOP).
8. FDF will continue to support the CMA during this investigation, providing anonymised evidence where required to protect the interests of suppliers. We will submit a detailed response in early December which will focus on the greatest concerns raised by our industry, including negative impacts of the merger on the ability of manufacturers to

innovate, both to create new products for UK consumers and in responding to wider challenges around public health and plastic single-use packaging.

- 9.** To support our submission, we are preparing a questionnaire for all FDF members. As the largest representative body in UK food and drink, we have an extensive reach and work in close partnership with sectoral trade bodies. We will therefore extend an invitation to around 70 partner trade associations to share this questionnaire with their members to help us deliver the most comprehensive insight from food and drink suppliers to the merging parties.
- 10.** If the CMA team would be interested in feeding into the questionnaire before it is shared widely across the industry please do let us know.

For further information, please contact dominic.goudie@fdf.org.uk.

The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (**FDF**) is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country. Our industry has a turnover of £97.3 billion, which is 19 per cent of total UK manufacturing, with Gross Value Added (**GVA**) of £28.8 billion. Food and drink manufacturers directly employ over 400,000 people in every corner of the country. Exports of food and drink make an increasingly important contribution to the economy, exceeding £22 billion in 2017, an increase of 9.7 per cent on the previous year. The UK's 7,000 food and drink manufacturers sit at the heart of a food and drink supply chain which is worth £112 billion to the economy and employs four million people.

The following Associations actively work with the FDF:

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
EMMA	European Malt Product Manufacturers' Association
FCPPA	Frozen and Chilled Potato Processors Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SA	Salt Association
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers' Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

FDF also delivers specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group (**BCCC**)
Frozen Food Group
Ice Cream Committee
Meat Group
Organic Group
Seafood Industry Alliance