

Sainsbury's/Asda merger team
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

Your ref:
Our ref: 30102018CMA
Email:
Direct line:
Date: 30th October 2018

Dear Sir or Madam

Response to the Issues Statement

The NFU would like to take the opportunity to provide comment on the recent CMA Issues Statement. We will continue to analyse the impact of the proposed merger to the agri-food sector and will be looking to submit this detail at a later stage.

In general, we welcome the widening of the scope of the investigation by the CMA to consider the impact this proposed merger will have on the retail market as well as the upstream supply chain. Not only will direct suppliers to retailers face a challenging and fierce competitive market in which to supply; those indirectly supplying agri-food into the onward value chain will ultimately feel any knock on effects. As a result, we look forward to submitting a more detailed analysis of their concerns in the coming months.

We are pleased to see the CMA will be investigating the potential increase in buyer power of the proposed combined entity and how this could distort competition in the groceries supply chain. Retail buyers can, and do, exert their power over the supply base through an array of techniques and it's important the CMA carefully considers the impact this has on suppliers with particular focus on smaller businesses.

By widening the scope of the investigation to look at how the proposed merger will impact on suppliers, we feel this will capture activity which has the potential to reduce consumer interests. The CMA should consider this in the context of the strategic direction proposed by the new entity, including the likelihood of consolidating the grocery supply chain, delisting suppliers and rationalising ranges in a bid to compete with retail competitors.

Within the NFU's own study of this proposed merger we will be considering the impact of these areas to our member businesses including whether the Grocery Code Adjudicator is well enough equipped to ensure fair and lawful compliance with the Grocery Suppliers Code of Practice.

Retail Landscape

We also welcome that the investigation will take into consideration the changing landscape of the UK retail market, with the growth of discount brands causing significant market disruption.

What will be important to consider is how this competitive market environment may impact the supply chain's ability to supply at an ever lower price point. Continuously squeezing marginal gains from the supply base takes away the value chains ability to continuously improve quality, range and ultimately challenges the sustainability of British supply chains. This in our opinion

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may lead to negative outcomes for consumers. Whilst we believe healthy competition is good, severe market disruption is a concern of our members' ability to survive.

As previously stated the NFU fully intends to support the CMA in their investigation of this proposed merger and look forward with providing further evidence in due course.

Yours faithfully

Andrew Clark
Director of Policy