

Colin Raftery
Sainsbury's/Asda Merger Inquiry
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

28 February 2019

Re: Sainsbury's and Asda provisional findings

The Food and Drink Federation (FDF) is the voice of the UK's largest manufacturing sector, representing the most loved brands and innovative smaller firms. Small and medium-sized businesses make up 97 per cent of the UK's 7,000 food and drink manufacturers. They play a vital role in feeding the UK and ensuring our food security.

We submitted a response on 14 December 2018 to the Competition and Markets Authority (CMA) setting out detailed views of our industry and the results of our survey into implications of the proposed merger. We raised significant concerns that the proposed merger would have negative impacts for consumers on the variety and prices of products.

We welcome the CMA's thorough investigation which resulted in the provisional findings of 20 February. We are pleased that these findings reflect the very serious concerns raised by FDF to conclude that the proposed merger would cause a substantial lessening of competition at both a national and local level. The CMA correctly identifies a wide range of serious issues with the proposed merger and an ever more consolidated grocery market.

We are pleased that the CMA was able to rely on the FDF's industry survey in reaching its provisional findings and that our concerns about innovation and new product development were represented in the CMA's evidence gathering. Additionally, it is helpful that the CMA has recognised that buyer power continues to be a defining characteristic of the relationship between grocery retailers and their suppliers, and is the foundation of the Groceries Supply Code of Practice, which continues to play an important role in ensuring the fair treatment of suppliers to the UK's major grocery retailers.

More generally, a highly competitive grocery retail sector is in the best interests of food and drink manufacturers and we would encourage the CMA to continue to its scrutiny of the sector. Any further consolidation poses risks in areas like coordination between grocery retailers, both online and in physical shops, neither of which would not be in the interests of either consumers or suppliers.

We remain available to provide any further input to support your investigation and look forward to seeing the final report at the end of April.