

From: David Stewart, Executive  
Director, Markets and Mergers

30 May 2023

## **Open letter to stakeholders in the groceries sector**

As cost-of-living pressures have grown, the Competition and Markets Authority (CMA) has been working to understand how well markets in essential goods and services are working. On 15 May, we announced a stepping up of our work in the groceries sector.<sup>1</sup>

This open letter provides further detail on our plans, and how we intend to engage with consumer groups, businesses and other stakeholders in the sector to inform our work.

The prices that consumers pay for their groceries are the result of competition at three main levels of the market:

- competition between retailers, where consumers shop for their products
- competition between suppliers who make the products and sell them to the retailers
- competition between raw material providers who provide the inputs to food suppliers

The CMA is currently undertaking work to assess how competition is working overall in the grocery retail market, drawing on publicly available data and other information. We have seen no evidence at this stage of specific competition problems but, given ongoing concerns about high prices, our aim is to ensure that competition is working well and people can exercise choice with confidence. We are looking at trends in retailer profitability (based on accounting data), with a particular focus on the major supermarkets and the discounters who, together, account for over 80% of overall

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<sup>1</sup> Press release: [CMA update on action to help contain cost of living pressures](#)

groceries spending. We will also examine product-level inflation indices and how these relate to trends in input costs (based on ONS data).

In parallel, we will identify which product categories, if any, might merit closer examination across the supply chain. As noted above, we will explore ONS data on retail prices and trends in input costs. We will also examine characteristics of candidate products, for example whether there are many or few suppliers or whether these products have raised competition concerns in other countries.

We plan to publish an update on our work in late July. We will publish a report on our Unit Pricing work, including recommendations to government, at the same time.

To inform our work, we have started our plan to speak to a wide range of stakeholders from across the UK between now and the end of June. We want to speak to suppliers and retailers, consumer associations, industry bodies, national and devolved government, industry experts and other stakeholder groups from across the UK. We want to understand different perspectives and engage with market participants to build an informed picture of the market quickly as well as drawing on existing market data and analysis.

We are particularly interested in hearing from stakeholders with information, evidence and views on:

- the drivers of groceries price inflation, and expectations of future price developments
- price setting and profitability at different points in the supply chain
- the relationship between changes in input prices and changes in consumer prices
- the effectiveness of competition in any part of the groceries supply chain, including any constraints or bottlenecks that might dampen competition between suppliers

We will gather information, evidence and views in a range of ways, including bilateral meetings and roundtables, as well as written evidence. You can contact us to share information or evidence by emailing [groceries@cma.gov.uk](mailto:groceries@cma.gov.uk).

Yours faithfully,

David Stewart  
*Executive Director, Markets and Mergers*