



Ministerial Statement
Sen. the Hon. Michael M. Fahy, JP

Grocery Store Price Monitoring- Consumer Affairs

Wednesday February 19th 2014

Madam President, today I am pleased to provide my Colleagues in Senate and those listening by way of radio with some of the findings of a *Price Monitoring Report* which was conducted by Consumer Affairs.

The public will recall that as one of Government's Throne Speech pledges it announced that participating grocery stores would offer a *ten (10) percent discount on Wednesdays* as a positive step towards helping to ease the financial burdens facing Bermudians during these unusually tough economic times.

Since the introduction of the ten (10) percent discount incentive by *Lindo's, Marketplace* and the *SuperMart*, our findings show staple store item prices have remained at a *moderate, steady level* throughout the monitoring period.

Madam President, in response to consumers' concerns that prices would be increased in order to offer the ten percent discount, Consumer Affairs was tasked with monitoring the prices of those grocery stores that participated in the ten percent Wednesday discounts. Monitoring was done on a weekly basis from *November 2013* thru to the end of *January 2014*.

With over 21,000 products in most stores, making it virtually impossible to monitor all items, the *Department of Statistics* assisted by providing the *Staples Food Basket* list to use for our monitoring purposes. This food basket consisted of sixty (60) food items listed under the following ten categories:

1. Bakery Products
2. Cereals and Cereal Products
3. Dairy
4. Meats and Fish
5. Oils and Fats
6. Fruit
7. Vegetables
8. Sugar and Confectionary
9. Prepared Foods and Snacks
10. Non-Alcoholic Beverages

Only brands carried by all participating stores were monitored. This was to ensure that like products were compared for price variation and increases. Some of the brand names monitored were *Motts, Uncle Ben's, Heinz, Libby's, Campbell's, Hellmann's, Aunt Jemina, Skippy, Kool Aid, Kelloggs, Dunkleys, Catelli* and *Bird's Eye* to name a few.

Madam President, during this exercise, Consumer Affairs found that the cost of the average shopping basket varied from store to store depending on product availability. Notwithstanding, the price variance by store, Consumer Affairs found *no evidence* to indicate any significant increases on products listed within the staple food basket list.

In fact, what their study did reveal was that the *participating stores were all consistent* and close in price point on these items.

In cases where there were price variance, Consumer Affairs discovered such variances were attributed partly to local suppliers *offering different deals and discounts* to the supermarkets at various times. *External factors* influencing local food prices, included *agriculture and energy cost, commodity prices and market speculation, extreme weather events, rising global demands to falling surplus stocks*.

Madam President, in an effort to forewarn local consumers, it should be important to note that the United States Department of Agriculture Economic Research Services anticipate that the *Consumer Price Index* will increase 2.5% to 3.5% over the 2013 levels in the first quarter of 2014.

Some of the anticipated price increases will be *beef* and *veal* which are expected to rise from 3% to 4%, dairy is expected to rise by 0.9 % with eggs seeing a rise of 3.3% in December 2013- with a further anticipated rise in 2014.

The US Government's most recent forecast of US farm prospects suggests food makers will struggle with relatively high crop prices at least into 2015. According to the January 2014 *World Food Price Index*, commodity supplies are expected to remain tight in part because of the global recession and tight credit which are prompting growers to plant fewer high-cost crops such as corn, wheat and cotton in favour of crops such as soybeans.

Madam President, here are additional findings highlighted in the Consumer Affairs Report.

Bakery Products

The cost of bread in January 2013 was \$5.75. It increased by twenty four cents to \$5.99 in February 2013 and it has remained consistent at that price for almost a year.

Cereals and Cereal Products

The cost of these products remained consistent throughout the monitoring period until January 22, 2014 when the cost of a 12 oz. box of Kellogg's Corn Flakes increased by thirty one cents at Supermarket C. Not all of Supermarket C's stores reflected the price change of the Corn Flakes. This was because the old stock had not been completely sold out in some of the stores.

Dairy Products

While the cost of dairy products remained consistent during the monitoring period, the most significant price increase was eggs supplied by a local company. These eggs usually sold for between \$3.39 and \$3.99 a dozen. However the price increase occurred in the New Year. The reason cited for the increased cost was the decreased availability of brown eggs.

Fruits and Vegetables

All the stores sold broccoli, pumpkin, lettuce, tomatoes, bananas, apples and oranges for the same price. However, there was a slight variation in price from store to store *depending on the size* of the produce.

If local produce was available then an embargo on imported produce became in effect. For instance, at the start of the monitoring, imported bagged carrots were available. However two weeks before Christmas, local carrots became available for purchase and the imported carrots were removed from the shelves.

Meats and Fish

There were no apparent price increases for these products. Packages of codfish differed by a dollar between the supermarkets. The most popular sliced meat at all the stores was turkey, followed by boiled ham.

Oils and Fats

These prices remained consistent during the monitoring period.

Sugar and Confectionary

Prices were consistent during the monitoring period.

Prepared Foods and Snacks

Prices remained consistent during the monitoring period. Some of these products were offered on the grocery specials.

Non-alcoholic Beverages

Prices remained consistent during the monitoring period. Certain brands of coffee, tea and bottled water were offered on the grocery specials.

Madam President, during the two month monitoring period, it was discovered that some products in one of the supermarket chains were priced differently in their different stores. The reasons for this were:

1. If a store had several cases of a product still in stock, that product would be reduced to sell. Therefore that particular store would have a product on special that the other stores would not have.
2. Some stores received new stock before others and if there was a price increase, that new price would be reflected on the products.
3. Human error during pricing- in such cases, if a product was marked differently from store to store, it would be brought to the store manager's attention and the error would be corrected immediately.

Against the aforementioned findings, I would like to reiterate that there were *no significant increases* observed on products listed on the staple food basket list. Going forward I have asked Consumer Affairs to *continue monitoring food prices* and report such findings to me should there be any anomalies.

To ensure that consumer's better understand the supermarket industry and how it operates I have recommended the following initiatives be explored and implemented.

1. A joint education campaign between Consumer Affairs and the Grocers Association. This campaign would provide consumers with basic information about the Supermarket industry.
2. Consumer Affairs are to make available tips that would educate and empower consumers about their responsibility to voice their concerns to the store managers.
3. Consumer Affairs are to provide customer service education to store managers to ensure they are best equipped to handle customer complaints.

In spite of Consumer Affairs findings that there hasn't been any price gouging during this 10% discount exercise, we do anticipate that there will be those consumers who remain convinced that the supermarkets are raising their prices unjustly. Therefore, as mentioned previously, I have tasked Consumer Affairs to continue monitoring food prices.

Madam President, I would like to say that the Government has been pleased to see that since the introduction of our *Throne Speech pledge* that grocers were not being unscrupulous in raising prices - with consumers genuinely benefiting from the extra discount. So, we view this as a demonstration of *shared sacrifice* on the part of our local grocer partners whom I would like to thank at this! In conclusion I would like to advise the findings of the *Report on the Grocery Shopping 10% Discount Pricing* were presented to the Economic Tripartite Committee at its last meeting held on February 7th and has now been posted on the Consumer Affairs website at www.ca.gov.bm- under Publications. It is hoped that in the near future we will be able to announce additional incentives that will benefit Bermudians.

Thank you Madam President.