



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

## **Monitoring of Food Prices in Grocery Stores Second Quarter Findings**

Wednesday June 18<sup>th</sup> 2014

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**Madam President**, you may recall on February 19<sup>th</sup> of this year, I provided my Senate Colleagues with some of the findings of a *Price Monitoring Report* that was conducted in the Grocery Stores by Consumer Affairs within my Ministry.

This Report was presented to the Economic Tripartite Committee, which includes a number of key stakeholders including the Trade Union Congress. And with my permission, I asked Consumer Affairs to share the contents of the Report with their respective memberships as well as post the Report on the Consumers Affairs website.

**Madam President**, today I am happy to report the *second quarter findings* of the Consumer Affairs weekly monitoring of food prices by supermarkets who have been participating in the Wednesday 10% discount initiative. Senate Colleagues will be aware of the 10% discount initiative by the larger grocery stores which commenced on December 4<sup>th</sup> 2013 for a period of one year. As a reminder, three supermarket chains taking part are Lindo's, Supermart and Marketplace. I would like to take this opportunity to thank them at this time.

**Madam President,** not surprisingly, once the public were informed of this initiative, speculation began as to how the supermarkets would recover the increased discount - with many consumers assuming that the grocers would increase their prices in order to accommodate the 10% discount.

In response to this speculation, the then Attorney-General and Minister for Legal Affairs, who had responsibility for Consumer Affairs, instructed Consumer Affairs to monitor the supermarkets for price increases over a prescribed period and report their findings at the end of this exercise.

**Madam President,** it was during a six month monitoring period that Consumer Affairs reported they **did not** find any evidence to support this speculation. Notwithstanding, it should be noted that during this last quarter Consumer Affairs did observe increases that were predicted earlier in the year by the *World Food Price Index*. The increases were due to the global weather extremes around the world that devastated crops, livestock and increased the cost of bio fuel. These increases were seen mostly in meat prices, dairy, fruits and vegetables and cereal products.

The largest increases were seen in cereal products or those products that contain cereal byproducts with fruit and vegetables providing the second highest increase due to our demand for these products all year around instead of waiting until they are in season. But these increases should come as no surprise as they were predicted by Consumer Affairs which I mentioned in my Ministerial Statement in February.

New facts released on June 4<sup>th</sup> 2014 as reported by MSN Money on-line articles entitled, "*10 tips for grocery shopping on a budget*", "*The USDA CPI summary for 2014 food prices*" and "*5 states running out of water*" also support Consumer Affairs above predictions.

**Madam President**, as a reminder, the primary objective of the 10% initiative was to provide those in need a greater food price deduction to assist them through their time of financial need. The success of the initiative far exceeded the projected usage anticipated by the participating grocers who have taken a significant revenue loss over that which was projected.

Previously Saturdays was the grocer's busiest day with a steady flow of customers throughout the week; however since the introduction of 10% Wednesdays the weekly flow of customers has diminished considerably which has contributed to their bottom line losses. The grocers have indicated that this initiative as it presently stands cannot be sustained after November 30<sup>th</sup>, 2014.

**Madam President**, the success of this initiative speaks to the need and to the willingness of local business to assist - however to leverage and sustain this success Government and the stakeholders need to take into consideration four core issues:

1. How to narrow the scope so that only those in real need continue to benefit from this initiative which in turn will address the bottom line concerns of the grocers. And to this end, there are major concerns not to be overlooked when doing this.

- The public reaction to the completion of the initiative,
- The public reaction to how you would narrow the scope thus excluding their rights to the initiative,
- How to narrow the scope without putting added administrative workload to Government Helping Agencies such as Financial Assistance; and,
- Expanding the initiative into other grocers when they know their bottom line will result in lost revenue.

2. Evaluate the products within the Staple Food Basket that the Department of Statistics uses as their guideline for the **CPI**. This should be done in partnership with the local markets as the basket does not accurately reflect the Bermuda family shopper.

3. Education is a key component as local food shoppers are greatly disadvantaged due to their lack of knowledge in the following areas:

- The effect that the Global Market has on our prices. If the consumer can understand the effect of extreme weather on worldwide crops, the cost of fuel etc. they would be able to predict increased food prices months in advance. This would go a long way in dispelling the mistrust consumers have with grocers.
- To understand their demands for items cause fluctuation in prices - especially when they are not in season and have to be shipped in from places like Israel, Morocco etc.
- To encourage shop smart consumers need to understand the tricks of the industry i.e. net weight and packaging. Two examples:

i. A Skippy peanut butter jar looks the same but if you look at the net weight you are actually getting less product for the same price, by turning the jar over you will notice an indent at the bottom creating a decrease in product volume.

ii. Canned vegetables; a common mistake consumers make is to assume that the listed can weight is the weight of the food product but in fact it includes the water. The food content is anywhere from 52% to 66% of the overall weight of the product on sale.

4. And lastly, dialog with Environmental Protection to explore avenues that will benefit both the local farmer and the consumer.

**Madam President**, as I conclude I would like to say that the Ministry's findings during this initiative have confirmed the need for it to be continued in another more controlled format that creates an equitable exchange between stakeholders.

As indicated earlier in my Statement, there are some details going forward that need to be worked out - however, the Ministry is certain that it can develop the objective of this initiative into a more sustainable venture going forward.

To this end, I have committed to meeting with grocers and importers to discuss how and what we can do to assist the people of Bermuda and grocers to make this a win/win moving forward.

**Thank you, Madam President.**