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Submission to the Minister for Enterprise, Trade and Employment on the Groceries Order

Submission: S/05/006

July 2005



The Competition Authority
An tAidís náisiúnta

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INTRODUCTION

1. The Groceries Order is a relic from an era of protectionism, weak economic performance and national insecurity, when protection from competition was clung to like a safety blanket. This anti-competitive restriction is very costly for consumers and the Irish economy.
2. The successful prosecution of two supermarkets in January 2004 for providing discounts on baby food is a perfect example of why the Groceries Order needs to be abolished. If this logic was applied in other sectors (for example clothes) it would make post-Christmas sales a criminal activity.
3. The Groceries Order makes it illegal for retailers to pass on substantial discounts to their customers and gives legitimacy to practices that would otherwise be illegal under competition law.
4. This anti-consumer regulation adds to the problem of high food prices in Ireland. Removing it would have saved Irish consumers up to €577 million over the 12 months between June 2004 and June 2005 each year (€481 for the average household).
5. This protectionism also undermines the competitiveness of the Irish food industry and hinders employment. Providing a vibrant and competitive marketplace at home is the best way to ensure that Irish companies are in a position to compete internationally.
6. The Competition Authority, as part of its statutory functions under section 30 of the Competition Act, 2002, advises the Minister for Enterprise, Trade and Employment to revoke the Order.
7. The Competition Authority supports calls for the removal of the Groceries Order under three separate headings;
 - The primary objective of the Groceries Order is to restrict competition;
 - The effect of the Groceries Order is to restrict competition and increase prices; and
 - The Groceries Order does not meet or is unnecessary to achieve the claimed benefits.

THE OBJECTIVE OF THE GROCERIES ORDER IS TO RESTRICT COMPETITION

8. It is clear that one of the fundamental objectives of the Groceries Order is to restrict competition. A number of sources illustrate the point;
- The 1987 Dail debates on the Groceries Order demonstrate that the intention was to interfere in competition;
 - The Restrictive Practices Commission, which originally recommended the introduction of the Groceries Order, highlighted the direct benefits for manufacturers and shop owners;
 - The Groceries Order promotes commercial behaviour that is generally illegal under Irish & EU competition law;
 - The loudest voices in support of retaining the Groceries Order have a direct vested interest in being protected from competition; and
 - Those calling for a pro-consumer approach to the Groceries Order include a long list of independent groups (national & international).
9. As part of his Dail speech relating to the introduction of the Groceries Order the then Minister for Industry and Commerce discussed the intention to restrict competition;

*"Although I would not normally favour intervention in the market place, I believe that the new provisions in this groceries order will go a long way to redressing that balance... between manufacturers and multiples and ... between multiples and independent grocers."*¹

- Albert Reynolds T.D., Minister for Industry and Commerce, October 1987

10. The recommendation to introduce the Groceries Order came from The Restrictive Practices Commission, which was also clear in the intention of limiting competition;

"Although we have examined the effects of a prohibition in considerable detail, they are difficult to predict with certainty... We cannot overlook, however, the views of manufacturers and independent retailers that it would make a significant difference to them".²

- Restrictive Practices Commission, 1987

11. The Groceries Order not only restricts competition, it provides legal protection to commercial behaviour that is generally illegal under competition law. The Groceries Order bans sales below net invoice prices. It therefore prohibits retailers from passing on to customers substantial off-invoice discounts they receive from suppliers (up to 18% according to the Consumer Strategy Group)³. This restriction not only prevents customers from benefiting from lower prices, it also allows suppliers to control the price at which retailers sell their products. In this way the Order induces and legalises 'resale price maintenance'⁴ - a practice which is illegal under competition law. The best known retail price maintenance case in Europe is

¹ Dail Eireann Restrictive Practices (Confirmation Order) Bill, 1987: Second Stage. Volume 374 - 29 October, 1987.

² Restrictive Practices Commission, (1987) 'Report on the Review of the Restrictive Practices (Groceries) Order, 1981'.

³ Consumer Strategy Group Report "Making Consumers Count" 2005.

⁴ Appendix A for an illustration of how the Groceries Order legalises resale price maintenance.

the *Net Book Agreement*, under which an agreement between publishers not to sell books at less than the net published price was found to be infringing EU competition law.⁵

12. The winners and losers from the Groceries Order are clear from the line-up of supporters and critics. Supporters of the Groceries Order consist of those who benefit from less competition between grocery retailers, distributors and manufacturers; while those calling for its abolition are independent organisations whose remit is to promote competition, protect consumers or encourage economic growth.
13. Industry lobby groups such as IBEC⁶, RGDATA⁷, IADT⁸, and Food Ireland⁹ have continuously advocated the retention of the Order. The list of independent bodies and pro-consumer groups (national & international) calling for the repeal of the Groceries Order include the Competition and Mergers Review Group,¹⁰ the OECD,¹¹ the National Competitiveness Council,¹² the Consumers Association of Ireland¹³, the Consumer Strategy Group¹⁴ and The Competition Authority.

⁵ Case C-360/92 Publishers' Association V Commission [1995] ECR I-23, [1995] 5 CMLR 33. See also The Competition Authority Decision No 336, 10 June 1994.

⁶ Organisation representing large Irish (food) businesses.

⁷ Retail, Grocery, Dairy and Allied Trades Association – represents small grocery retailers and large grocery wholesalers.

⁸ Organisation representing wholesalers.

⁹ Organisation representing Irish food suppliers and retailers.

¹⁰ <http://www.entemp.ie/publications/commerce/2002/cmrg1.pdf>

¹¹ OECD (2001) Economic Surveys: Ireland.

¹² Forfas (2004) National Competitiveness Council - Annual Competitiveness Report.

¹³ www.consumerassociation.ie

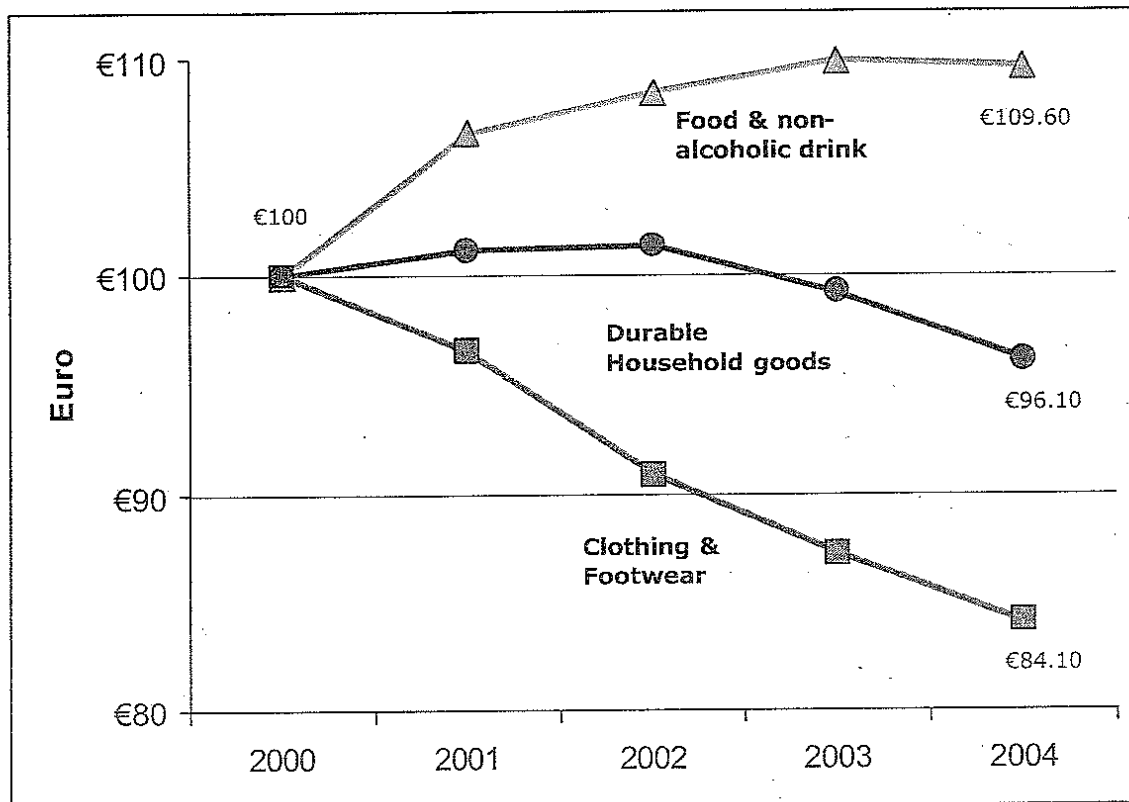
¹⁴ Consumer Strategy Group Report "Making Consumers Count" 2005.

THE EFFECT OF THE GROCERIES ORDER IS TO RESTRICT COMPETITION AND INCREASE PRICES

14. The Groceries Order has been successful in its objective of restricting competition. The Groceries Order has limited competition by criminalising retailers who offer low prices on a range of items including baby food.¹⁵ The effect of this law has been significant;

- Ireland is one of the most expensive places to buy food in the Euro-zone.
- The cost of food in Ireland has risen when prices in other retail sectors have fallen (despite similar cost bases).
- Since the arrival of Aldi and Lidl the price of food has stabilised but only because of increased competition on items not covered by the Groceries Order. Items covered by the Groceries Order continue to increase in price while prices are falling where competition is allowed.
- As demonstrated by the Consumer Strategy Group it is illegal for shops to pass on significant (off-invoice) discounts to consumers.
- The Groceries Order is directly costing the average household up to €481 a year (between June 2004 & June 2005). This corresponds to a total amount of €577 million for all consumers.

Figure 1: Food prices rise while clothing, footwear and household goods prices fall. (Retail price levels 2000-2004 from CSO data)¹⁶



¹⁵ In 2004, Tesco and Dunnes were fined for reducing the price of baby food in contravention of the Groceries Order.

¹⁶ Table 2, Appendix D of this submission.

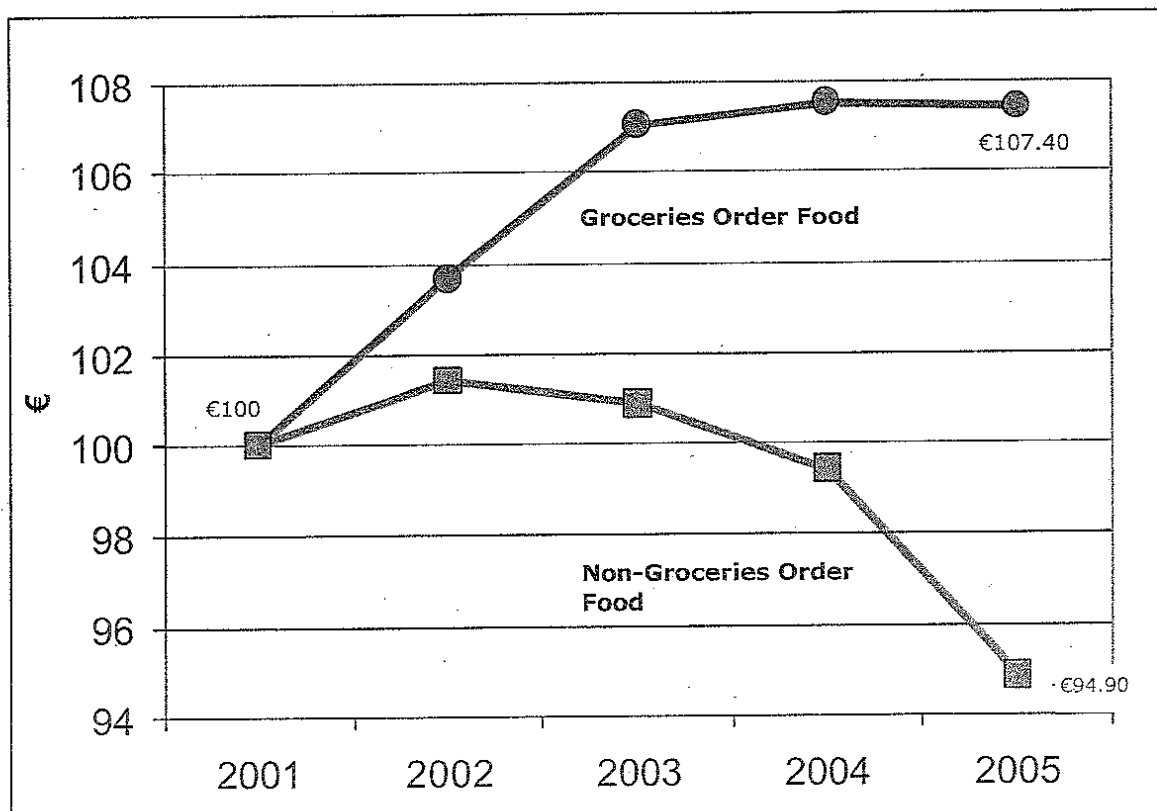
15. Ireland has become one of the most expensive countries in the Euro-zone for food shopping. Figure 1 (above) demonstrates that high prices for food in Ireland are in stark contrast to other retail sectors where prices have fallen. Between 2000 and 2004 the rise of food prices compared to the reduction in clothing and household goods prices was¹⁷:

- Food and non-alcoholic drink + 9.6%
- Clothing and footwear - 15.9%
- Household durables (furnishings and white goods) - 3.9%

16. Therefore rising business costs common across all retail sectors - such as rents, insurance, waste charges, electricity, and wages - do not explain why Ireland is so expensive for food. Neither are farm gate prices to blame, as they have remained stable over the same period.

17. Figure 1 also demonstrates that in recent years the price of food has stabilised (although at a high level compared to other EU countries). This stabilisation coincides with increased competition following the arrival of Aldi and Lidl in Ireland.

Figure 2: Food covered by Groceries Order rises in price while food not covered falls (Retail food prices June 2001-June 2005 - from CSO data)¹⁸



¹⁷ Source: CSO, Consumer Price Index, see Appendix E.

¹⁸ Table 4, Appendix D of this submission.

18. Closer examination reveals that inflation on items protected by the Groceries Order is significantly higher than inflation on food items not covered by the Order. Figure 2 above shows that since June 2001, food items covered by the Groceries Order have increased 7.4% in price whereas food items not covered by the Order have decreased by 5.1% over the last 4 years.¹⁹ This shows that recent competition on price has been limited to items not covered by the Groceries Order.
19. Clearly where competition is allowed prices are falling but where competition is prevented prices continue to rise. This has a direct impact on consumers and on the economy. If the level of inflation on food items not covered by the Groceries Order had prevailed over those items whose prices are kept high by the Order, the average household²⁰ would have saved €481 in the 12 months between June 2004 and June 2005. This corresponds to savings of €577 million across the economy.
20. The Groceries Order also imposes significant regulatory costs on the taxpayer and the consumer. For example;
 - The Office of the Director of Consumer Affairs must divert resources from legitimate consumer protection action to enforce the Groceries Order;
 - Valuable High Court time must be spent on determining if items such as nappies are covered by the Groceries Order; and,
 - Businesses must spend time and resources complying with the Groceries Order rather than competing to win customers.

¹⁹ Source: CSO, 2005. See Appendices B and C for further details on the methodology used in this analysis.

²⁰ The average household in the State in the CSO Household Budget Survey 1999-2000.

THE GROCERIES ORDER FAILS TO ACHIEVE ANY WIDER PUBLIC INTEREST BENEFITS

21. In addition to being extremely costly for consumers, the Groceries Order neither accomplishes nor is necessary to achieve the benefits claimed by its supporters.
- The Order inhibits rather than fosters employment in Ireland.
 - The 1987 Order is no longer necessary to protect consumers from anti-competitive behaviour. Consumers are adequately protected from predatory pricing and other anti-competitive behaviour by the Competition Act, 2002.
 - Consumers are also protected by a substantial body of legislation governing misleading or false advertising and transparency of prices.
 - The Order does not protect the current retail landscape.

Employment

22. The Groceries Order was put in place almost 20 years ago as a protectionist measure following the demise of the H Williams supermarket chain. A clear intention of the law was that by keeping prices high, specific jobs would be protected. Such protection of specific jobs comes at the expense of job creation elsewhere in this sector. In more economically enlightened times and with employment at historically high levels, the Irish economy has clearly moved on from the circumstances of the mid-1980s.
23. Restricting competition in any sector of the economy makes it less consumer focused, less innovative and less efficient than it would otherwise be. The longer term effect is to damage the sector's international competitiveness and ability to provide jobs.²¹
24. It is not a surprise to see the Enterprise Strategy Group highlight problems in the performance of Ireland's food sector:

"Two major sectors of the indigenous enterprise base – 'Food, drink and tobacco' and 'All other manufacturing' – which together account for 68% of sales by indigenous companies, recorded little or no sales growth in real terms over the past decade. Given that economic conditions were particularly favourable, this lack of sales growth highlights a serious weakness."²²

- Enterprise Strategy Group, 2004

25. The Groceries Order inhibits rather than fosters employment in Ireland and is not appropriate for the 21st century when Irish industry competes in a globalised economy. Without strong competition in the domestic grocery sector we cannot hope to compete in the international marketplace for food production.

²¹ Porter has pointed out that competition, not protection, in the domestic market is an essential ingredient to successful expansion abroad. Porter M. (1990) *The Competitive Advantage of Nations*.

²² Enterprise Strategy Group Report (2004) *"Ahead of the Curve"*, p.60.

Protecting Consumers

26. Ironically the only thing the Groceries Order protects consumers from is lower prices.
- Research from the Consumer Strategy Group indicates that discounts as high as 18% can be received by retailers who are prohibited from passing these savings on to consumers.
 - Calculations based on data from the Central Statistics Office indicates that the Groceries Order cost the average household up to €481 between June 2004 & June 2005 and cost all consumers up to €577 million.
27. Despite claims from its supporters the Groceries Order is no longer necessary to protect consumers from anti-competitive behaviour. Since 1991, competition legislation has been in place for all sectors of the Irish economy. The Competition Act, 2002 has strengthened the powers of The Competition Authority to tackle anti-competitive business practices.
28. The Competition Act, 2002 specifically prohibits anti-competitive pricing strategies such as predatory pricing - a practice whereby an aggressive retailer reduces prices to a level that is sufficiently low to drive competitors out of the market and subsequently raises prices permanently.²³ Therefore a central concern of those who support the 1987 Groceries Order has been addressed in subsequent legislation. Competition law also prohibits abuses of buyer power such as 'hello money'.
29. Any evidence to support claims of anti-competitive business practices should be brought to the attention of The Competition Authority. The Authority would welcome complaints leading to enforcement action in this area. If individuals or businesses feel they have been the victim of anti-competitive practices, competition law also gives them the right to bring a case for damages to the Irish courts.
30. Irish consumers are also protected by a range of legislation and regulations regarding advertising standards, quality of goods, transparency of prices, etc. It is appropriate that consumer protection should be focused on policies that bring real benefits to consumers rather than policies that in fact benefit certain industry groups at the expense of consumers.

The Retail Landscape

31. It has been claimed that the Groceries Order protects small convenience shops from larger retail outlets and that this in turn facilitates a retail landscape in which all urban and rural areas in Ireland have food shops. Conversely industry lobby groups have claimed that abolishing the Groceries Order would lead to a radical change in Ireland's retail landscape. According to some claims, removing the Groceries Order will result in "food deserts" whereby local residents in rural and urban areas will be unable to access basic groceries without a car.

"Picture a small town in the west of Ireland in five years. What was once a bustling town centre with a number of local village shops now has buildings with boarded-up windows. The younger people with

²³ Section 5 of the Competition Act, 2002.

*families have moved out to be nearer the large town with the superstore, and the older generation are left with no option but to get a taxi to travel the 10 miles to the nearest supermarket to buy their loaf of bread and pint of milk."*²⁴

- Rosemary Garth, director of IBEC's Food and Drink Industry Ireland

32. These claims do not bear up to analysis and are not supported by the reality of the market. Smaller convenience shops and larger multiple outlets are not in the same relevant market. This is easily seen in the fact that convenience outlets offer a different service and charge a premium for convenience. The vast majority of consumers use convenience shops for daily top-up and supermarkets for a weekly shop. Because they are in different markets, small shops will only be put out of business if either;
 - (a) other convenience outlets in the same area consistently offer their customers a better deal, or
 - (b) consumer preferences shift over time from smaller convenience outlets to larger outlets.
33. First, if small shops are replaced by other small shops, this has no effect on the retail landscape. It is simply that consumers go to different convenience stores. Clearly, if another convenience outlet can offer customers a better deal, it should be allowed to do so. This is simply allowing consumer choice to determine who supplies consumers needs. The growth of symbol group shops in Ireland over the past two decades at the expense of traditional independent local shops illustrates this.
34. Second, all the evidence is that consumer preferences are shifting towards convenience retail, not away from it. Recent growth in the market has been stronger in the convenience sector, and market projections are that this is expected to continue.²⁵ That this is the reality of the market place can be best seen in the fact that convenience stores (i.e. local independent shops linked to symbol groups) are thriving in virtually every town & village in Ireland. Convenience reflects the needs of a modern society and, to the extent that we are increasingly money rich and time poor, the premium for convenience will tend to rise rather than fall.
35. Third, comparisons between the retail landscape in Ireland and the UK made by industry lobby groups are misleading.²⁶ Population density, population patterns and town and country planning are radically different in the two countries. A better comparison is Northern Ireland which has similar population density, population patterns and retail landscape. A significant difference is that Northern Ireland does not have a law similar to the Groceries Order and consumers flock across the border to take advantage of lower prices. The absence of a Groceries Order has not damaged the Northern Ireland retail landscape.
36. Fourth, a policy that reduces competition to raise prices in the entire economy in order to ensure that less commercially attractive areas are supplied is clearly a folly. There is no guarantee that it would succeed, as the less commercially attractive areas would still remain less commercially attractive in relative terms. Even if it did succeed, it would be hugely costly in terms of higher national prices, which would disproportionately affect

²⁴ Rosemary Garth, director of IBEC's Food and Drink Industry Ireland, Irish Times 1st April 2005

²⁵ Consumer Strategy Group Report "Making Consumers Count" 2005.

²⁶ See, for example, www.rgdata.ie

those on lower incomes.. Far superior policy instruments such as integrated planning, public transport provision and targeted intervention in specific areas would be more effective and less costly.

37. In sum, the claims that the removal of the Groceries Order would drive small shops to the wall and create urban and rural food deserts do not accord with the market reality. Claims from those protected from competition that "*bustling town centres*" will have "*boarded-up windows*" is simply scare mongering by a self-interested group.

CONCLUSION

38. The Groceries Order was put in place almost 20 years ago as a protectionist measure following the demise of the H Williams supermarket chain. The basic intention of the law was clear; by keeping prices high, specific jobs would be protected. The Irish economy has clearly moved on from the circumstances of the mid-1980s.
- The Groceries Order has kept food prices artificially high in Ireland, and is against the consumer's interest.
 - The Groceries Order harms competition - and the competitive process - in the retail grocery trade and the supply trade.
 - At a deeper level, the Groceries Order also adversely affects national competitiveness and, ultimately, the best interests of the Irish economy.
39. The Minister now has the opportunity to remove one of the most anti-competitive and protectionist devices from the Irish statute book, and The Competition Authority urges that that opportunity not be missed.

APPENDIX A: THE GROCERIES ORDER AND ITS OPERATION

Provisions of the Order

- i. The Groceries Order contains three categories of provisions:
 - provisions prohibiting various horizontal and vertical anti-competitive agreements such as price fixing and resale price maintenance (Section 3 to 10);
 - provisions relating to the ban on below net invoice cost selling for "grocery goods" (Section 11, 12, 13, 14, 17 and 19); and
 - provisions relating to trading conditions between retailers or wholesalers and any section of the grocery trade, including the ban on "hello money" (Section 15, 16 and 18).

Scope of the Order

- ii. The Groceries Order does not apply to all grocery items. The ban on below net invoice cost selling applies to "grocery goods" defined as:

"grocery goods for human consumption (excluding fresh fruit, fresh vegetables, fresh and frozen meat, fresh and frozen fish with or without the addition of preservatives) and intoxicating liquor not for consumption on premises and such household necessities (other than foodstuffs) as are ordinarily sold in grocery shops, and includes grocery goods designated as 'own label', 'generic' or other similar description".
- iii. It follows from this definition that any grocery items subject to processing other than freezing is covered by the order with the exception of seasonal goods.²⁷ The definition of household necessities was defined by the High Court on the 14th of July 2005 in a case where the judge decided whether nappies were covered by the order. The judge ruled that:

"household necessities are goods ordinarily sold in grocers shops which are necessary for the running and maintaining of a house and commonly used for that purpose by all members of the household living therein as disposable nappies are only used by very young children for their personal care, they do not come within such a class of goods"²⁸.
- iv. This definition suggests that household items such as detergents and washing-up liquid are covered by the Order while personal items such as nappies and razor blades are not.

The Ban on Below Net Invoice Price Selling

- v. The ban on below net invoice price selling contained in the Groceries Order allows manufacturers, wholesalers and distributors to impose resale price maintenance on grocery retailers and prohibits the retailers from passing on to their customers, discounts that they receive from suppliers in the form of an end-of-year off-invoice discount. The Order specifies that:

²⁷ In addition, "seasonal goods" are defined as Christmas cakes, Easter eggs and Halloween bracks.

²⁸ High Court [2003 No 535 SO] Judgement of Finlay Geoghegan J. of the 14th of July, 2005 in *Dunnes Stores v Director of Consumer Affairs*.

"no account shall be taken of discounts, rebates or other deductions which are not entered on the invoice in cash terms as deductions from the sum due to the supplier or the wholesaler"²⁹.

- vi. To show how the ban operates in practice, it is useful to develop an example: a jar of baby food invoiced at €2.00 by a wholesaler to a retailer with an off-invoice discount of 10%. Off-invoice discounts are expected to reward retailers' loyalty or bulk-buying, and so they depend on the volume of goods purchased by the retailer from the supplier or wholesaler. The value of the off-invoice discount to the retailer is thus €0.20 per jar of baby food.

Table 1: Example of Resale Price Maintenance on Baby Food as a result of the Groceries Order

Invoice price of baby food (per jar)	€ 2.00
Retailer's annual percentage off-invoice discount	10%
Off-invoice discount on baby food (per jar)	€ 0.20
True cost to retailer of baby food (per jar)	€ 1.80

- vii. The retailer has to charge a minimum resale price equal to the invoice cost of €2.00 – even though the real cost to the retailer is the invoice price less the off-invoice discount, i.e. €1.80. The retailer is prevented from passing on to its customers any of the off-invoice discount, in the form of lower prices.

Retail Price Maintenance

- viii. Resale Price Maintenance is an illegal practice because it harms consumers with higher prices, lower quality or less innovation as competition is inhibited at both levels of the distribution chain:
- at retail level, resale price maintenance prohibits retailers from offering price discounts below the minimum price imposed by the wholesaler or supplier, resulting in less price rivalry between retailers.
 - at supplier/wholesaler level, resale price maintenance facilitates price convergence between suppliers and/or wholesalers as they can easily observe each other's prices.³⁰

²⁹ The Restrictive Practices (Groceries) Order, 1987.

³⁰ Technically, this price convergence is known as non-collusive oligopoly pricing.

APPENDIX B: ANALYSIS OF INFLATION ON FOOD ITEMS

- ix. The Competition Authority asked the Central Statistics Office (CSO)³¹ to carry out a detailed analysis of the food components of the Consumer Price Index (CPI) since the introduction of the Groceries Order, dividing the CPI into two categories – items covered by the Order and items not covered by the Order - using a list of items (provided in Appendices C and D) based on the definition of “grocery goods” provided in the Order.

- x. The Consumer Price Index (CPI) measures price changes of a given basket of goods and services (weights are revised every 5 years). It is specifically designed not to take into account changes made by households to their pattern of expenditure (e.g. switches from expensive meat cuts to cheaper cuts or vice versa) in response to changes in prices, income levels, family composition, tastes, consumer preferences or market conditions other than when the basket is updated every five years. The CPI is, therefore, a Pure Price Index and not a Cost of Living Index. In its analysis the CSO used what is known as a Laspeyres Index. In order to compile a Laspeyres index a reference period is selected (currently December 2001) and the quantity of each item in the basket of goods is determined and kept constant over the period examined.

³¹ The Competition Authority wishes to thank the Consumer Price Index Unit of the CSO for providing the data which allowed this analysis.

APPENDIX C: FOOD COMPONENTS OF THE CPI

Items Not Covered by the Groceries Order

Meat - not cooked, cured	Beef	Round Steak
		Sirloin steak
		Striploin steak
		Roast beef- topside/rib
		Sliced/diced beef pieces
	Lamb	Minced beef
		Lamb - whole leg
		Lamb - loin chops
		Gigot lamb chops
		Lamb pieces
Pork	Lamb's liver	
	Fillet/half leg of pork	
	Roast loin of pork	
	Pork loin chops	
Poultry	Pork steak	
	Chicken - uncooked, whole	
Fish	Chicken - breast fillet	
	Other Meat Products	Pork sausages
Fresh fruit and Vegetable	Fresh Fish	Fresh fillet of whiting
		Fresh cod fillets
	Frozen Fish	Fresh salmon steak
		Fresh fillet of plaice
Fresh fruit and Vegetable	Fresh fruit	Frozen fish fillets
		Apples, cooking
		Apples, eating
		Oranges
		Grapes
		Bananas
	Potatoes	Kiwi
		Melons
		Potatoes, 2.5kg
		Potatoes, 10kg
Fresh fruit and Vegetable	Other fresh vegetables	Tomatoes
		Onions
		Cabbage
		Broccoli
		Cauliflower
		Carrots
		Mushrooms
		Peppers
		Lettuce
		Garlic

Items Covered by the Groceries Order

Meat - cooked, cured or frozen and convenience food	Bacon	Best back rashers Streaky rashers Ham fillet Collar of bacon					
	Cooked meat	Chicken - cooked, whole Chicken - prepared fillets Cooked ham Other cooked meats					
	Other meat products	Black/white pudding Meat extract & gravy mixes Frozen meals - oriental Frozen meals - european Chilled convenience foods Hot deli foods - meat based Frozen beef burgers* Frozen chicken products*					
	Fish finned, smoked or frozen	tinned fish	Tinned salmon Tinned tuna				
		smoked fish	Smoked fillets Smoked salmon				
		frozen fish	Frozen fish fingers				
	Tinned, dried, frozen, prepared fruit and vegetable	Other fruit	Tinned peaches Tinned pineapple Sultanas Nuts				
		Tinned vegetables	Tinned peas Tinned baked beans Tinned spaghetti in tomato sauce Tinned sweetcorn				
		Frozen vegetables	Frozen peas Frozen sweetcorn Frozen chips/french fries Frozen mixed vegetables Other frozen potato products				
		Other vegetable products	Potato crisps Vegetarian meals Premium quality snacks Prepared salads Coleslaw & other mixed salads Prepared vegetables				
		Bread	Bread	White sliced pan large (800g) Brown sliced pan large (800g) Brown wholemeal French baguette Specialised breads			
				Flour	Flour	Flour - plain white Flour - white self-raising Flour - brown wholemeal	
						Biscuit and cakes	Biscuits
Cakes							

Breakfast cereals and other breads	Breakfast cereals	Other small cakes & buns Cornflakes Wheat based breakfast cereal Muesli Children's sugar or chocolate cereals
	Other cereals	Oatmeal Noodles Rice Spaghetti
	Other bread & cereals	Pasta Baby food biscuit Pizza Garlic bread
Dairy products and Eggs	Milk	Milk 1 litre Milk 1 litre (low fat)
	Other milk products	Fresh cream Baby milk compound Yoghurt Yoghurt products
	Cheese	Cheese - processed Irish cheddar cheese Cheese - foreign Cheese products
	Eggs	Eggs - large Eggs - medium
Butter, marg and other oils	Butter	Butter
	Margarine & low fat spreads	Butter - spreadable Margarine
	Other oils & fats	Low fat spreads Cooking fat Cooking oil Olive oil & other flavoured oils
Sugar, sweeteners and preserves	Sugar & sweeteners	Sugar - white granulated Artificial sweetener
	Preserves	Jam Honey Marmalade
Sweets and chocolate, desserts and Ice cream	Sweets & chocolate	Box of chocolates Multi pack/fun size sweets Chocolate bar
	Desserts & ice cream	Packet of sweets Prepared desserts Ice cream Ice cream cakes Other ice cream products
Condiments & sauces and soups and miscellaneous	Condiments & sauces	Mayonnaise Pasta meal sauces Ready mix sauces Ketchup Relishes, dressings & other sauces
	Soup	Oriental stir fry sauces & mixtures Soup - tin/fresh Soup - dried Quick soup
	Miscellaneous - food items	Custard Baby food Salt Black/white pepper Mustard Vinegar Mixed herbs & spices Mixed herbs and spices

Tea and coffee and cocoa drinks	Tea	Tea - loose Tea - bags
	Coffee	Coffee - instant Coffee - ground/filter
	Cocoa	Cocoa/drinking chocolate
Soft drinks and water	Soft drinks & mineral water	Soft drink can/bottle Soft drink large bottle Mineral water bottled Concentrated squash
	Fruit Juices	Energy drinks Baby juices & drinks Orange juice Other fruit juices
Alcoholic drinks consumed at home	Spirits	Whiskey - take home (bottle) Brandy - take home (bottle) Vodka - take home (bottle) Cream liqueur - take home (bottle) Sherry - take home (bottle)
	Wine and cider	Fine quality wines- take home (bottle) Table wine - take home (bottle) Cider - take home (can)
	Beer	Stout - take home (6 pack) Lager - take home (can) Lager - take home (tray)

APPENDIX D: BACKGROUND DATA

Table 2: Retail Price Level 2000-2004 (See Figure 1)

Retail Prices Level						
Base : €100 worth spent in 2000						
	2000	2001	2002	2003	2004	Inflation over 5 years
Overall food and non alcoholic beverages	100.0	106.6	108.4	109.9	109.6	9.6%
Clothing and footwear	100.0	96.5	90.9	87.2	84.1	-15.9%
Durables Household Goods	100.0	101.2	101.4	99.3	96.1	-3.9%

Source: CSO Annual figures (rebased by The Competition Authority)

Table 3: Price Index of Food and Drinks Consumed at Home (June 1987- June 2005) - Items Covered and Items not Covered by the Order

Price Index on Food and Drinks Consumed at Home (June 1987- June 2005) For €100 spent in June 1987			
	Overall	Items Covered by the Order	Items Not covered by the Order
1987	100.0	100.0	100.0
1988	101.9	102.0	101.8
1989	106.2	104.9	109.2
1990	109.5	108.2	112.7
1991	109.2	108.6	110.5
1992	111.8	111.3	112.9
1993	109.8	110.3	108.4
1994	115.0	114.2	116.7
1995	117.8	117.0	119.9
1996	119.9	120.3	118.6
1997	121.3	122.1	120.5
1998	127.3	125.9	133.1
1999	130.6	129.5	135.7
2000	133.8	135.0	131.8
2001	142.6	141.0	149.9
2002	147.1	146.1	152.0
2003	150.6	150.9	151.3
2004	150.8	151.6	149.0
2005	149.1	151.4	142.2
% Growth Over period	49.1%	51.4%	42.2%

Source: Derived from CSO data (rebased by The Competition Authority)

Table 4: Price Index of Food and Drinks Consumed at Home (June 2001- June 2005) - Items Covered and Items not Covered by the Order

Price Index on Food and Drinks Consumed at Home (June 01- June 05) For € 100 spent in June 2001			
	Overall	Items Covered by the Order	Items Not covered by the Order
2001	100.0	100.0	100.0
2002	103.1	103.7	101.4
2003	102.4	107.0	100.9
2004	100.1	107.5	99.4
2005	98.9	107.4	94.9
% Growth Over period	4.5%	7.4%	-5.1%
Source: Derived from CSO data (rebased by The Competition Authority)			

Table 5: Potential impact on Household budgets of removing the Groceries Order

		Income groups from lowest 10% of households to top 10% of households											Average Household
		0 -10%	10% - 20%	20%-30%	30%-40%	40%-50%	50%-60%	60%-70%	70%-80%	80%-90%	90%-100%		
A	Weekly food costs in June 2005	€43.23	€64.47	€80.29	€88.21	€99.39	€109.44	€114.91	€125.92	€132.89	€148.38	€100.74	
B	Food costs without Groceries Order (June 2005)	€39.25	€58.54	€72.91	€80.11	€90.26	€99.39	€104.35	€114.35	€120.68	€134.75	€91.49	
C	Weekly savings in June 2005	€3.97	€5.92	€7.38	€8.10	€9.13	€10.05	€10.56	€11.57	€12.21	€13.63	€9.25	
D	Annualised Savings 2005	€206.49	€307.96	€383.54	€421.39	€474.80	€522.81	€548.91	€601.50	€634.82	€708.82	€481.25	
E	Weekly budget June 2005	€130.77	€214.71	€307.04	€408.45	€520.73	€635.11	€760.46	€915.19	€1,139.32	€1,758.74	€679.02	
F	Saving as % of weekly budget	3.04%	2.76%	2.40%	1.98%	1.75%	1.58%	1.39%	1.26%	1.07%	0.78%	1.36%	
G	Saving to the economy (2005)											€577.49 million	

Source: Analysis of The Competition Authority based on CSO data

A = Amount spent on food & drinks consumed at home in June 2005 (Derived from CSO Household Budget Survey 1999-2000 increased by inflation on food and drinks consumed at home between January 2000 and June 2005)

B = Adjusted amount spent on food & drinks consumed at home in June 2005 (Derived from price in June 2001 increased by inflation which applied to non-Groceries Order items)

C = A - B

D = C * 52 (number of weeks in a year)

E = Weekly household budget in the CSO Household budget survey 1999-2000 increased by Consumer Price Index (CPI) on all items

F = C / E * 100

G = F * 1.2 million (number of households in the economy)

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