

## Competition Commission releases provisional findings

Traidcraft welcomes the Competition Commission's provisional findings, but calls for strong remedies.

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As part of its ongoing investigation into supermarket power and the UK grocery sector, the Competition Commission has just released its provisional findings. Based on evidence from farmers and companies, including Traidcraft, it found that current supermarket practices may have negative effects both on suppliers and on customer choice.

### A promising start

Peter Freeman, Chairman of the Commission, highlighted the impact of supermarkets' purchasing practices, saying, "We are concerned that the transfer of unexpected costs and excessive risk onto suppliers is likely to affect their ability to invest and innovate, which could then adversely affect product quality and innovation for customers."

He also noted that the voluntary Supermarket Code of Practice, drawn up seven years ago in response to a previous enquiry by the Commission, did have some effect but not enough to prevent abuses.

The findings put forward various possible remedies, including strengthening the Code and creating a watchdog that could monitor relationships between supermarkets and their suppliers.

At this stage, it is merely considering these steps, and the findings will be fleshed out over the coming months. Traidcraft supports both these ideas but cautions that the watchdog must be given sufficient powers to do the job.

### Strong remedies are needed

The Commission found evidence of widespread unfair practices, saying that "one-third to one-half of suppliers are experiencing practices such as payment delays, excessive payments for customer complaints, and retrospective price adjustments."

Traidcraft believes that the Commission should recommend creating an independent watchdog, similar to those found in other sectors such as telecommunications and water.

Our research on small scale suppliers suggests that although a stronger Code would be useful, a watchdog with enough authority to act as a deterrent to bad practices and to protect suppliers that complain is essential.

The Commission also largely failed to take account of the effects of purchasing practices on producers and exporters in developing countries, who are often vulnerable to harmful practices and who have little choice but to sell their food in the UK through supermarkets. A proactive watchdog could make sure supply-chain problems are not hidden away overseas.

### What we are doing

Traidcraft will be engaging with the Commission further to try to make sure that the recommendations make it into the final report, due in March 2008. We will be urging them to consider closely how a watchdog would work and what powers it would need to be effective.

But we also need the government to take tough action. The Companies Act of 2006 was a good first step towards making international supply chains fairer and better for those who are most vulnerable. But further government action is necessary if international trade is to help poor people climb out of poverty.

Listening to the Commission and creating a strong, independent watchdog with legal powers to stop exploitation of suppliers would be another move in the right direction.

### How you can help

- [Write to your MP and ask them to speak out for a better deal for supermarket suppliers.](#)

- [Order a campaign postcard.](#)