



COVERSHEET

Minister	Hon Nicola Willis	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Improving competition in the retail grocery market: Request for information	Date to be published	15 April 2026

List of documents that have been proactively released

Date	Title	Author
March 2025	Improving grocery competition in the retail grocery market: Request for information	Office of the Acting Minister of Commerce and Consumer Affairs (Grocery sector)
24 March 2025	Improving grocery competition in the retail grocery market: Request for information CAB-25-MIN-0075 Minute	Cabinet Office

Information redacted

YES / NO (please select)

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Some information has been withheld for the reason of confidential advice to government.

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Office of the Minister for Economic Growth and Acting Minister of Commerce and Consumer Affairs

Cabinet

Improving Competition in the Retail Grocery Market: Request for Information

Proposal

- 1 I am seeking Cabinet agreement to release a Request for Information (RFI) to improve our understanding of interest in, and any barriers to, firms entering the New Zealand retail grocery market on a national scale, or expanding their existing investments. I am seeking to understand what the regulatory and commercial barriers are to this occurring, and what the Government can do to facilitate entry or expansion.

Relation to government priorities

- 2 This proposal supports the Competitive Business Settings pillar of the Government's Going for Growth agenda. In particular, it is relevant to work to improve competition settings to boost productivity and living standards.
- 3 It also relates to a coalition agreement commitment between the New Zealand National Party and New Zealand First relating to exploring options for improving competition in the grocery sector.

Executive Summary

- 4 Well-functioning markets offer choices to consumers. The New Zealand retail grocery market is not well-functioning. Instead it is dominated by a small number of players and the Commerce Commission has reported that competition is muted. Improved competition through an additional large retailer would help to deliver better prices, range and quality for consumers.
- 5 Despite legislation passed by the previous government, I am concerned that there may continue to be avoidable barriers for competitors to enter or expand. Without further entry or expansion by competitors, competition is likely to improve only incrementally over time.
- 6 I am proposing to seek proposals from firms and investors looking to enter or grow in the retail grocery market on a national scale. Through this process, I hope to identify serious proposals for significant entry or expansion and identify what regulatory changes or support they may need from the Government.
- 7 The RFI will not limit the type of support the Government may be willing to offer but will ask respondents to focus on any targeted regulatory support or changes which may assist in entering and growing in the market. I will report back to Cabinet in mid-2025.

- 8 The Government is already making changes that may support entry into the retail grocery market, such as resource management reform. The Commerce Commission is also undertaking work to improve competition in the grocery sector. However, there may be other barriers that are preventing competition that I want to understand.

Background

A lack of competition in the grocery sector is contributing to higher prices and less value and choice for consumers

- 9 New Zealand's grocery sector is dominated by three large supermarket chains, which together have approximately 82 per cent market share, as measured by revenue in 2023:
- 9.1 Foodstuffs North Island and Foodstuffs South Island (which includes the PAK'nSAVE, New World and Four Square banners)
- 9.2 Woolworths New Zealand (which includes the former Countdown stores, Fresh Choice and SuperValue franchises).
- 10 In March 2022, the Commerce Commission (the Commission) completed a market study that found competition between these grocery retailers is muted, profits are high, and retail prices are higher than many countries we compare ourselves to. Improved competition (for instance, through a greater number of large supermarket companies) would likely result in lower prices, higher quality products, and more choice for consumers.

The previous government passed legislation to address this lack of competition

- 11 The Commission's competition study made 14 recommendations to improve competition. Most of these recommendations have been implemented with the Grocery Industry Competition Act 2023 (the Grocery Act) and related initiatives. These recommendations were intended to facilitate entry in the grocery sector by removing barriers to entry, including access to wholesale groceries and access to supply chains. Some of the main legislative changes are described in Annex One.

The Commerce Commission is undertaking work to improve competition.

- 12 The Grocery Act provides the Commission (and the Grocery Commissioner) several regulatory tools to investigate and address competition issues in the sector. The Commission has statutory independence when exercising these powers, and therefore it is not for the Government to decide its approach. An overview of the Commission's work programme is in Annex Two.
- 13 The Commission is currently undertaking an inquiry of the wholesale regime and a review of the Grocery Supply Code. Relationships between major suppliers and the supermarkets are an important part of the competitive dynamic in the retail grocery market. The Commission also has powers under the Fair Trading Act and the Commerce Act.

Despite these measures, major changes to the structure of the market are unlikely in the short term

- 14 The Commerce Commission's first annual report into the grocery sector was published in September 2024. The report noted pockets of improved competition due, for example, to Costco entering the Auckland market, and the Warehouse expanding its range of grocery offerings. However, the Commission's key observation was that competition in the sector had not materially improved since the completion of the market study in 2022. Although there may be modest improvements to competition over the next few years, meaningful changes to competition will be some time away.

Improving competition more quickly

- 15 I want to see significant improvement in competition in the sector, more quickly than what is likely under current settings. In particular, I would like to see entry by a new retailer, or the growth of an existing one, that can generate significant competitive tension. This would lead to material improvements to competition in the sector and a more efficient, innovative market for the benefit of consumers.
- 16 I have heard that there continue to be barriers for firms who wish to enter or grow in the retail grocery market. These barriers differ depending on the business model of the company. For example, a large overseas firm may not have the difficulties with sourcing grocery supplies in New Zealand but may instead face biosecurity or food safety regulatory barriers to importing its own supply into the country. Small-format retailers may find it easier to find sites than retailers who require large carparks and warehouse-style supermarkets.
- 17 Due to these differences, there is unlikely to be a one-size-fits-all approach to attracting and enabling entry and growth in the New Zealand grocery sector. If the Government is to support a new entrant or the growth of an existing one, our support is likely to need to be targeted and tailored to the business strategy of any prospective firm. The RFI process will help ensure that any support from the Government is the minimum necessary to generate the step-change in competition I am seeking.
- 18 I have made open mention of firms coming to me separately to pass on their interest as potential investors in the grocery sector. The RFI will allow us to test interest widely in the market and hear what interested businesses can offer in the way of different choices and value for consumers.

A request for information process

- 19 I am proposing to release a request for information (RFI) to better understand the type of targeted support that may be required. An RFI is not a procurement process. It does not seek detailed business proposals from industry or provide specifics on what it may offer. Instead, it is a chance to test the market and understand whether there are any credible options that may

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warrant further investigation, and what potential barriers (regulatory or commercial) they face to entering the market.

- 20 It is also not a policy consultation. Work has been completed over the last couple of years on the general issues affecting competition in the New Zealand grocery sector. I am interested in the specifics of which firms and investors may have an interest in entering New Zealand and what it would take to get their specific proposals underway.
- 21 Reflecting this, the RFI will seek to identify the following:
- 21.1 Parties that have an interest in, and the capacity and capability, to enter or grow to provide significant competitive challenge to the duopoly at a national scale.
 - 21.2 Interested parties' current market offerings, or proposals for entering the market, including business strategies (for example, how they will finance the venture, where they will source supply, the number and size of stores they are targeting, and how quickly they can come to market).
 - 21.3 Details of the key market and regulatory conditions parties need to enter or expand, barriers which may be preventing these firms from entering the market, and what assistance, if any, parties need from government to overcome these barriers.
- 22 At this stage, I am not predetermining the type of support that government will offer. However, the RFI will have a focus on identifying regulatory barriers, noting government could help by supporting firms to meet or understand regulatory requirements, support them through government approval processes, or (where appropriate) provide targeted exemptions from regulations.
- 23 It is likely that some firms will seek financial support from government, including loans, temporary tax breaks or government funding. While I am not ruling out providing financial assistance, I am concerned that any financially supported entrant may not be able to effectively compete in the long run and may require ongoing financial support from government. Private sector financing is also a useful guide to the credibility of a party's business plan
- 24 Although the RFI will be open to the public, it will be targeted towards firms that have the capability and capacity to enter or expand on a national scale. Reflecting this, I will ask that officials make efforts to seek responses from firms which already have a presence in the New Zealand market (such as Costco and the Warehouse), as well as established overseas grocery firms, such as Coles, Aldi and Lidl. Investors for targeting will include general investment funds, specialist infrastructure investors, and iwi groups. I expect that an entrant would need to have or build a substantial physical store network.
- 25 The RFI will be open for new and existing operators to respond to.

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Risks and other considerations

There is a risk the RFI may create an expectation of support

- 26 There is a risk an RFI process may set an expectation that government support will be provided, regardless of the viability of the responses received. To address this, I will make clear that government support is not guaranteed, and that this is only an initial investigation to understand whether there are any viable candidates and the barriers that have prevented them from entering the market.

Commercial sensitivities could be a barrier for some parties

- 27 Interested parties may be hesitant to share information in the RFI, if they feel their information may not be appropriately protected. MBIE will be communicating that strict standards for protecting information will be followed to ease these concerns.

Challenges in the New Zealand grocery market may be difficult to overcome, even with government support

- 28 There is a chance this process does not reveal any feasible proposals for government support. The RFI may identify barriers that make it difficult for firms to effectively compete in the sector, which could make New Zealand a relatively unattractive place to invest at scale.
- 29 Any firm would need to compete with what are large, well-established retailers, with strong brand recognition, substantial market power and significant efficiencies of scale. A new entrant may be concerned that these advantages may be difficult to overcome. They may also be concerned that the large retailers use their size to block or restrict new entry, for example, by temporarily pricing below sustainable levels in specific locations, or placing pressure on suppliers to offer less advantageous terms to new entrants, for example, through volume-based discounting.
- 30 There have been recent examples of firms struggling to compete in the market. Organic grocer Huckleberry, which owned three stores in Auckland, went into liquidation in 2024. Online grocer Supie was put into voluntary administration in October 2023. However, I do also note Costco has had success in entering the New Zealand market.

Next steps

- 31 The RFI will be open for six weeks. This will provide enough time to build interest in the RFI, meet with prospective respondents and allow time for them to submit high-quality responses. I intend to report back to Cabinet in mid-2025.
- 32 If the RFI process reveals issues that cannot be overcome through regulatory changes or support of a new entrant, more significant government intervention may need to be considered. If this is the case, my report-back to Cabinet after the RFI process will present other possible options available to government to

improve competition in the sector. Confidential advice to Government

- 33 I note this report back will coincide with the Commission's planned dates for completing its wholesale inquiry, the release of its next annual report, and its analysis into land-banking issues. My report back will include any relevant information on the Commission's work to assist Cabinet in making decisions on next steps.

Cost-of-living Implications

A more competitive grocery sector will reduce the cost of living, by supporting consumer access to more reasonably priced groceries. After housing, food is the second-most expensive item in household budgets in the year to June 2023.

Financial Implications

- 34 The proposals in this paper do not have financial implications. The costs of conducting the RFI will be met within baselines. Should a decision be made to take a proposal (or proposals) forward, fiscal implications will be considered as part of this.

Legislative Implications

- 35 There are no direct legislative implications from the decisions sought in this paper. I will seek Cabinet approval before committing to any regulatory or legislative change that may be required as result of this work.

Impact Analysis

Regulatory Impact Statement

- 36 The proposals in this paper does not require a Regulatory Impact Statement.

Climate Implications of Policy Assessment

- 37 The proposals in this paper do not have climate implications.

Population Implications

- 38 There are no population implications arising from this paper.

Human Rights

- 39 There are no human rights implications arising from this paper.

Use of external Resources

- 40 No external resources such as contractors or consultants have been engaged and remunerated in relation to the proposals contained in this paper.

Consultation

- 41 The Commerce Commission and The Treasury have been consulted. DPMC was informed.

Communications

- 42 My office will coordinate with the Prime Minister's office on plans to announce the RFI.
- 43 The Ministry of Business Innovation and Employment will contact a targeted group of domestic and international stakeholders who may have an interest in responding to the RFI.
- 44 I intend to meet with key stakeholders who may be best placed to enter or grow in the New Zealand grocery market.

Proactive Release

- 45 I intend to proactively release this Cabinet paper within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister for Economic Growth recommends that the Committee:

- 1 **note** that, despite government intervention, there have been limited improvements to competition in the grocery retail market since the Commerce Commission's market study in 2022.
- 2 **agree** that I undertake a request for information process, to investigate options for providing targeted government support for proposals which may lead to one or more new grocery retailers entering the market on a national scale, or existing retailers growing to sufficient size, to generate a material increase in the level of competition.
- 3 **note** that the request for information will focus on options for regulatory relief, but that I will also be keeping an open mind to requests for financial support, should the right proposal present itself.
- 4 **note** that I will report back to Cabinet on the information provided by respondents in mid-2025, after the request for information process has closed.
- 5 Confidential advice to Government
[Redacted]

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Authorised for lodgement.

Hon Nicola Willis

Minister for Economic Growth and Acting Minister of Commerce and Consumer
Affairs

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Annex One – summary of government initiatives to improve competition

Date	Initiative	Description
June 2022	Commerce (Grocery Sector Covenants) Amendment Act passed.	This Act prohibits restrictive land covenants and lease agreements which retailers were using to block competitors from opening new supermarkets at specific sites.
June 2023	Grocery Industry Competition Act 2023 (the Grocery Act) passed.	Amongst other things, the Act required Foodstuffs North Island, Foodstuffs South Island, and Woolworths to engage in wholesale supply of groceries to competitors and established the new regulatory role of Grocery Commissioner.
July 2023	Consumer Information Standards (Unit Pricing for Grocery Products) Regulations 2023.	Requires grocery retailers to include unit prices on products, aimed at making it easier for consumers to compare prices.
August 2023	Grocery Supply Code regulations.	The Grocery Supply Code puts in place minimum requirements aimed at protecting suppliers from unfair conduct of Foodstuff and Woolworths.
September 2024	Dispute resolution (wholesale and Supply Code).	The scheme is aimed at resolving issues between suppliers and Foodstuffs/Woolworths under the Grocery Supply Code, and Foodstuffs/Woolworths and their wholesale customers under the new wholesale regime.

Annex Two – summary of work being undertaken by the Commerce Commission to improve Grocery Competition

Initiative	Description	Next steps
Improvements to wholesale	The Commission is undertaking an investigation into wholesale arrangements which may result in recommendations for further regulation. It is concerned about high prices and a lack of range in the Woolworths/Foodstuff wholesale offerings. Confidential advice to Government	A draft report is expected to be released in early June 2025.
A review of the Grocery Supply Code	The Commission is currently reviewing the grocery Supply Code. Some suppliers are concerned the Code allows Foodstuffs and Woolworths to contract out of key protections. The Commission has powers to amend the Code, if needed.	A draft report is expected to be released in early June.
Implementing disclosure standards	The Commission is proposing standards which require Foodstuffs and Woolworths to report Confidential advice to , and on complaints they have received from consumers (for example, about incorrect pricing).	The Commission is currently consulting on a complaint's disclosure standard Confidential advice
Land banking	The Commission is concerned that Woolworths and Foodstuffs may be banking land at prime development sites, as a way of preventing competition.	Analysis of land banking will be included in the Commission's next Annual Grocery Report (draft due to the Minister in late June).
Confidential advice to Government		
Annual report	The Grocery Industry Competition Act requires the Commission to report annually on the state of competition in the grocery sector.	The Commission plans to release its next annual reporting in mid-2025.