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Memorandum

To: Sir Don Curry, Fay Mansell, Peter Kendal, Deb Warren, Rt Hon David Curry MP, Justin King, Daniel Kawczynski MP, Lord Rooker

From: Richard Boden

Date: 17 April 2007

Re: The Great Milk Debate

As 'The Great Milk Debate' is not coming to Ashford - which is fair enough, given that cows are now an endangered species in these parts - I wanted to write to offer my thoughts on the issue.

For many years now, I have been trying to get people to understand that market share is the root of all evil; that is to say, the underlying cause of the social, environmental and economic ills you will be discussing is the concentration of market share in food retailing.

In your debates, I imagine there will be much bemoaning the state of the dairy industry, much pleading for a 'fairer deal' from the supermarkets, and, in response, much trumpeting of new initiatives by the big 4. All of which, at the end of the road show, will have achieved nothing. Dairy farmers will continue to get out, milk will continue to clock up more food miles, and consumers will become ever more detached from the people putting food on their table.

You may like to kid yourself that market share is not the issue, that the problems you will be discussing in the Great Milk Debate can be resolved without addressing the concentration of market share in food retailing. Yet ask yourself this: Would you be comfortable with a situation whereby two companies each controlled, say, 45% of UK food retailing? I suspect that all of you (even Sainsburys, who would in all probability become a footnote in history under such a scenario) would have unease at such a position. List the reasons why you would have such unease, and you acknowledge that market share is the issue.

In your boardrooms, your think-tank forums and your farmhouse kitchens, market share is the elephant in the corner. The reason you don't discuss it is because you cannot see a way through. Your advisers constantly remind you that "The public like shopping at supermarkets" and therefore there is no point, in a free market economy, of even going there. (An important aside here: As a wise person once said, "uncontrolled competition leads to a monopoly".)

Until you understand that your advisers do not grasp the absolutely crucial issue in all of this - that what the public sees as 'a supermarket' is not the same as what policy makers must understand to be 'a supermarket' - you will get nowhere. Here are three definitions:

1) Supermarket: A large self-service store retailing food and household supplies (Collins Paperback English Dictionary, 1987; simply the dictionary I have to hand)

2) Supermarket: We define supermarkets as grocery stores where the space devoted to the retail sale of groceries exceeds 280 sq metres (Competition Commission, 2007)

3) Supermarket: Any business responsible for more than 1% of UK food retailing (Richard Boden, the last 10 years)

The first definition is the one used by the public. All they want is to be able to do their weekly shopping under one roof, ideally with an adjacent car park. This is the definition to be used when saying "The public like supermarkets", as this is what the public understands a supermarket to be.

The second definition is the one used (as checked by e-mail today) by the Competition Commission. It is a meaningless, illogical definition. What has the floor space of an individual store got to do with any of the issues supposedly being looked into by the Competition Commission? What has the floor space of an individual store got to do with the issues you will all be debating when, during the course of an evening, the word 'supermarket' will be used over and over again? There are farm shops with a floor space greater than 280 sq metres, yet I don't hear anyone saying that farm shops are a part of the problem. Conversely, the new rash of mini-markets being opened by the big 4 typically have a floor space less than 280 sq metres, yet they are most definitely a part of the problem.

The third definition is the one which should be used by environmental campaigners, farming industry representatives, politicians, and the supermarkets themselves, as it is the only definition which has relevance in the context of falling milk prices, rising food miles and all the other issues up for debate.

Once you are able to separate out the above three definitions, and understand the importance of using no 1 when considering the electorate, no 3 when considering policy, and no 2 not at all, you will see that the way forward becomes a whole lot clearer. I am convinced that we must return to a point where no individual business is responsible for more than 1% of UK food retailing. This won't happen overnight, the political influence of big business is too great, yet it should be seen as a medium term aim. In the short term, I see no reason why we cannot have an immediate return to a 10% threshold. This would, within a very short period of time, lead to a whole host of benefits, most notably less CO2 emissions as the food supply chain re-localised and greater returns to farmers as their bargaining position in the market place improved.

It doesn't matter how such a reduction in market share is achieved; it could be through legislation pitched directly at market share, or through a whole range of more subtle measures (punitive business rates on car parking spaces at supermarkets, compulsory take-back legislation on supermarkets for their packaging, tax breaks for non-supermarket retailers, etc). What is important is that you recognise that, without achieving such a reduction, it will be impossible to achieve the 'triple bottom line' of economic, social and environmental benefit you will be striving for in your debate.

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