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Rt Hon Christopher Luxon

**Open Letter to Parliamentarians and the Media: Does Aotearoa New Zealand Need a Third Large Supermarket Chain to Lower Food Prices?**

Tēnā koe e Prime Minister,

Both the previous Labour-led government and the current government have sought to reduce food prices in supermarkets. The current government is now exploring the possibility of attracting a third major supermarket operator to Aotearoa New Zealand.

While increasing competition might have a marginal effect on prices, introducing another large supermarket chain is likely to have significant negative impacts on our local food system, affecting producers, processors, distributors, and consumers. A new entrant would likely drive an increase in imported food, especially highly processed products, while also sending more profits offshore, further undermining our Gross Domestic Product and local economic resilience.

To compete effectively with the existing duopoly, any new supermarket chain would likely need to be even larger than Woolworths, necessitating highly centralised supply chains and favouring large-scale suppliers over local producers. This would increase food imports, with products such as pork being sourced from Europe or the United States instead of supporting domestic farming. The consequences would be particularly severe for regional economies, and any new entrant might also seek government support, including tax incentives, to establish its operations.

A recent Australian government-commissioned report on supermarket dominance highlighted a "heavy imbalance in market power between suppliers and supermarkets" in Australia's concentrated grocery sector. If similar patterns emerge in Aotearoa, we must question whether introducing another large corporate player would genuinely enhance competition or simply reinforce an already broken system.

New Zealand's banking sector provides a cautionary example. Despite four major Australian banks operating here—some under distinctly local branding—banking remains one of the most profitable industries in the country, even as many households struggle with mortgage and rent costs. Would another corporate supermarket chain truly benefit consumers, or would it merely entrench corporatised food systems at the expense of local economies and food sovereignty?

The recent experience with the school lunches programme serves as a warning against an over-reliance on corporate providers. Attempts to drive down costs often lead to a reduction in quality and place stress on the entire system. Similarly, introducing an offshore supermarket chain may achieve lower fresh food prices but only by further concentrating market power,

which could have long-term negative consequences for food sovereignty, local producers, and overall food security. Price lowering typically occurs with loss leaders of highly-processed, poor-nutrition food such as confectionary and “snack foods” which have not been addressed by government regulation.

### **Systemic Barriers to an Equitable Food System**

A report by Sonya Cameron, published by the Kore Hiakai Zero Hunger Collective, identifies five key barriers to achieving a fairer food system in Aotearoa:

1. **Corporate dominance** – Supermarkets and large corporations have prioritised profit-driven industrial food systems at the expense of local food economies, specifically yeoman small producers.
2. **Regulatory imbalance** – Government policies have over-regulated small-scale food producers while allowing the corporate food industry to flood the market with highly processed, unhealthy options.
3. **Economic pressure on households** – The high cost of living and low-wage economy make it difficult for many families to access and afford nutritious food.
4. **Poor food environments** – Limited access to fresh, local produce and fast-paced modern lifestyles contribute to unhealthy eating habits and food disconnection.
5. **Environmental impact** – Industrial food systems contribute significantly to environmental degradation and climate change, affecting both people and the planet.

### **A Call for a More Thoughtful Approach**

We, the undersigned, urge Parliament to fully consider the broader implications of introducing another supermarket chain and to adopt a systemic perspective in shaping food policy. Key considerations should include:

- **A systems-based approach to food policy**, ensuring economic, social, cultural, and environmental factors are fully accounted for.
- **An assessment of local vs imported food sourcing** across both the existing duopoly and any potential new entrant, with analysis of economic multipliers.
- Mechanisms to ensure that food businesses are not just more competitive but more socially and environmentally responsible.
- **The impact on kai sovereignty for Tangata Whenua**, ensuring that any changes empower, rather than undermine, Māori food systems.
- **Regulatory reforms to support small food enterprises**, encouraging innovation and regional economic growth rather than favouring large corporate interests.
- **The benefits of shorter food supply chains**, which improve food security, resilience, and local economic sustainability.

- **The role of the food system in climate change mitigation and adaptation**, recognising the urgent need for sustainable practices.

The introduction of a third major supermarket chain for food affordability is likened to a sticking plaster for a broken bone. Instead, a truly competitive and resilient food system requires policy solutions that empower local producers, prioritise food sovereignty, and support sustainable food networks. We urge Parliament to take a holistic approach that serves the long-term interests of Aotearoa New Zealand's people, environment, and economy.

Sincerely,

Dr Carol Peters QSM Climate Change Tai  
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