

MEDIA RELEASE

High Food Prices: Consumers Benefit When Businesses Compete

By any measure, consumers in Trinidad and Tobago have faced tremendous increases in food prices over the last two years. The Central Bank's Monetary Policy Report November 2022 highlighted that year-on-year price increases were experienced across multiple goods in September 2022, for example, breads and cereals (17.2 percent), vegetables (13.8 percent), meat (13.4 percent), and butter, margarine and edible oils (12.7 percent). Consistent with these increases, Central Bank's Monetary Policy Report November 2022 further stated that year on year domestic food inflation maintained its upward trajectory and rose from 7.9 percent to 11.6 percent between March and September 2022, compared to overall headline inflation which accelerated from 4.1 percent to 6.2 percent over the same period. Explanations for these historically large magnitude of price increases are the COVID 19 pandemic, Russia's invasion of Ukraine, related geo-political factors and other supply-chain and demand-side disruptions. The Fair Trading Commission ("the Commission") understands that if and when utility rates, which include that of electricity increase, this will certainly add to the already high cost of doing business in this country.

The Commission is very much aware that these considerably higher food prices that are now prevailing have the greatest adverse impact on those who are least able to afford them. The Commission is also aware that existing high food prices are due to external and domestic factors such as historically inefficient agricultural and other economic policies as well as the absence of good consumer choices.

However, it has not escaped the Commission that there are indications that prices might be on a downward trajectory in 2023. The Commission is aware of the recent study by the International Monetary Fund which has indicated that increases in food prices are expected to stabilize in 2023. Further, studies by the World Bank have projected a fall in global agricultural prices by 5% in 2023. Based on these studies and internal research, the Commission is of the view that food prices, particularly in essential foodstuffs can be kept at manageable levels provided that this is fostered by a competitive business eco-system. The Commission is also of the view that consumers are right to expect some relief should anticipated developments materialize.

Notwithstanding, it is with some trepidation that in the context of possible increases in electricity rates, the Commission has noted statements indicating that increased operational costs may have to be passed on to the consumer in order to maintain current profit margins. The business community is reminded that in such a case it is under no obligation to pass on any increased costs to the consumer in the form of higher prices. Given varying cost structures and margins, competitive prices must remain the order of the day.

Food distributors including supermarkets are major links between importers, manufacturers and farmers on the one hand and the consumer on the other. As such they demand special attention. Any action by these entities to collude in price-setting, such as to agree to set specific markups, to abuse any monopolistic advantage or to form cartels is considered anticompetitive.

The Commission therefore wishes to make it abundantly clear that the Fair Trading Act enables the Commission to take offending businesses to Court for any anti-competitive behavior and any business found guilty by the Court of anti-competitive behaviour can face the maximum penalty of ten percent (10%) of its annual global turnover.

Accordingly, any anti-competitive agreement or coordinated action by enterprises to pass on any increase in utility or other costs to consumers will amount to a violation of the provisions of the Fair Trading Act. Businesses must allow fair competition to determine whether or not there will be any increase in the final price.

The Commission wishes to assure the general public that with the assistance of the Consumer Affairs Division it continues to monitor the price of food in Trinidad and Tobago to ensure that any increases are not the result of anti-competitive business practices. The public and the business community are encouraged to report any anti-competitive behaviour to the Commission.