Partial Business and Regulatory Impact Assessment (BRIA) – Price Controls on Essential Foods

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Scottish Government
Riaghaltas na h-Alba

Executive summary

This partial Business and Regulatory Impact Assessment (BRIA) sits alongside the consultation exploring the potential introduction of price controls on essential food items and its potential design and mechanisms. This BRIA reflects the best available information at the time, outlining existing evidence and potential impacts of a food price control scheme as set out in the consultation. It also highlights a number of areas where additional evidence will be required in future impact assessments.

This partial BRIA, together with the development of additional relevant impact assessments, further evidence gathering, and stakeholder engagement, will inform the final BRIA required to support any future legislation in this area.

Issue and why it needs to be addressed

This partial Business and Regulatory Impact Assessment (BRIA) accompanies the Scottish Government consultation on the potential introduction of statutory price controls on selected essential food items sold by large supermarket chains in Scotland.

The consultation forms part of the Scottish Government's wider approach to addressing cost-of-living pressures. While action is being taken across a range of areas including social security, transport, childcare and household costs, many households continue to experience significant pressure from food prices, which have increased substantially over recent years and have risen faster than household incomes.

Food affordability pressures are experienced across society but can have a disproportionate impact on lower-income households and those at greater risk of food insecurity, who spend a larger proportion of their household budget on food. Looking ahead, uncertainty in global food systems, energy markets, climate impacts and geopolitical developments means there is a risk of further food price shocks.

The Scottish Government is therefore consulting on intervention in food prices and what form that could take. This partial BRIA outlines the available evidence, the potential impacts on businesses and consumers, and the areas where further evidence is required before any decisions are taken.

Intended outcomes

The objective being explored is to improve the affordability of food for a selection of essential food items, particularly for those on lower incomes. Our approach should also support a healthy and balanced diet.

As part of this work, we wish to ensure that any future approach addresses the issue of food affordability in a way that protects Scotland’s primary producers in our farming and fishing communities.

The Scottish Government also wishes to understand whether price controls could help protect households from future food price shocks. In developing any intervention, consideration will also be given to nutrition and health outcomes, food security, child poverty, economic impacts and the wider Good Food Nation ambitions.

A key consideration throughout policy development will be achieving an appropriate balance between improving affordability for consumers and avoiding unacceptable impacts on food producers, retailers, supply chains and wider economic and business activity.

Options

The consultation seeks views on whether statutory price controls should be introduced on selected essential food items sold by large supermarkets in Scotland.

The options under consideration include:

- **Option 1**: Business As Usual (Do nothing), whereby existing market arrangements continue, and no additional intervention is introduced.

- **Option 2**: Introducing statutory price controls for a defined basket of essential food items, with the precise scope, products covered, level of price intervention and implementation arrangements to be determined through consultation and further analysis.

The Partial BRIA provides an initial high-level assessment of Option 2. Following consultation and stakeholder engagement, a fuller assessment of this option and other viable alternative approaches, including their expected costs, benefits, effectiveness, and impacts on businesses and consumers, will be included in the Final BRIA should it be required to support future legislation in this area.

There are alternative approaches to addressing the issue of food affordability, particularly for those on lower incomes. The Government welcomes views through consultation on the issue of addressing food affordability more generally.
The consultation is intended to test the rationale for intervention, including whether statutory price controls are an appropriate and proportionate response to food affordability challenges, and to gather evidence on the relative costs, benefits and risks of introducing statutory price controls (Option 2), as well as the different ways any such intervention could be implemented, before any decisions are taken.

Sectors affected

Any future intervention is likely to have implications across the following groups. These can be categorised as those that may be directly affected by a statutory price control scheme and those that may be indirectly affected through wider potential impacts on the food supply system.

For the purposes of this consultation, the pricing obligations in the proposed scheme would apply only to qualifying grocery retailers. These are proposed to be larger

businesses with more than 250 employees, turnover above £250 million, and where the majority of turnover is from grocery sales.

Directly affected groups

- Consumers.
- Food retail businesses within the scope of any intervention, particularly large supermarkets and online grocery retailers.
- Local authorities and any organisations responsible for compliance, monitoring or enforcement activities.
- Third sector organisations, consumer groups and public health stakeholders.

Indirectly affected groups

- Food producers, including farmers, crofters and fishers.
- Food manufacturers, processors, distributors and wholesalers.
- Businesses that purchase food as part of their operations, including hospitality and catering businesses, which may experience changes in food costs, product availability or sourcing practices.
- Smaller grocery retailers and convenience stores.
- Packaging manufacturers and suppliers.
- Logistics, transport and distribution businesses.

The scale and nature of impacts will depend on the model of intervention taken forward and the final design of any statutory price control scheme. While the proposed eligibility criteria are intended to avoid smaller grocery retailers being directly captured by any scheme, potential knock-on effects for these businesses and other indirectly affected sectors will be considered as part of the assessment of wider market impacts.

Engagement completed, ongoing and planned

Policy development has been informed by initial engagement across the Scottish Government and with stakeholders involved in food policy, consumer interests, poverty and inequality, public health, agriculture, food production and retail. This engagement has highlighted the importance of improving food affordability while understanding potential impacts on consumers, businesses and the wider food supply chain. The proposals were presented to the Regulatory Review Group (RRG) on 20 June 2026 as part of ongoing policy development and stakeholder engagement.

The Scottish Government has also reviewed evidence from Scotland, the wider UK and international examples of food price interventions, alongside evidence on food inflation, household expenditure and food insecurity.

This public consultation represents the next stage of engagement. Responses will inform future policy development, with further targeted engagement planned with consumers, producers, retailers, representative bodies, local authorities and other stakeholders to support any future proposals and the development of a final BRIA.

Anticipated impacts (intended and unintended, positive and negative) and mitigating actions

The principal intended effect of any future intervention is to improve the affordability of food for a selection of essential food items, particularly for those on lower incomes. There may also be wider benefits through reducing food insecurity, supporting healthier dietary choices and contributing to wider child poverty and Good Food Nation ambitions.

However, intervention in food pricing could also result in unintended consequences. Potential risks include additional costs and administrative burdens for retailers, impacts on food producers and other businesses across the supply chain, changes in product availability, and effects on competition within the grocery market. The scale and nature of these impacts will depend on the final design of any scheme.

The consultation seeks evidence on these potential impacts, including effects on consumers, businesses, rural and island communities, public health, food security and the wider economy. Potential mitigating actions under consideration include careful selection of products within scope, proportionate implementation and compliance arrangements, ongoing monitoring of impacts across the supply chain, and consideration of measures to minimise adverse impacts on primary producers and other affected businesses, and consideration of whether the scope of qualifying businesses should be expanded to improve coverage and accessibility of any future intervention in rural and island communities.

Our intention is to ensure that the business impact assessment, informed by consultation responses and ongoing stakeholder engagement, informs the final policy design.

Enforcement/ compliance

As policy development is at an early stage, no decisions have been taken on the final compliance and enforcement regime. The consultation seeks views on appropriate compliance arrangements and the proportionality of any enforcement measures. Illustrative draft provisions propose that local authorities would be responsible for enforcement, supported by a compliance notice process intended to encourage compliance and provide an opportunity to rectify issues before offences arise.

Recommendations/ implementation plans

No preferred option has been identified at this stage. The consultation is intended to gather evidence on the costs, benefits, risks and practical implications of food price controls, alongside potential alternative approaches. Consultation responses and further stakeholder engagement will inform Ministers' decisions on next steps, including any future legislative proposals, implementation arrangements and supporting guidance.

Evaluation and monitoring of implementation/ review of BRIA

The consultation seeks views on how the effectiveness of any future food price cap scheme should be monitored and evaluated. Should the policy be taken forward, a final BRIA will be prepared to reflect consultation findings, further analysis and stakeholder engagement. The illustrative draft provisions also include a requirement for a statutory review of the operation of any scheme, with decisions on its continuation informed by evidence of its effectiveness and impacts.

Section 1: Background, aims and options

1.1 Background to policy issue

Food affordability

The Scottish Government has committed to exploring further action to improve food affordability as part of its wider response to cost-of-living pressures. This consultation seeks views on principle of capping the price of essential food items and how any intervention could be designed to improve affordability while taking account of nutrition, health, food security, impacts on businesses and wider Good Food Nation ambitions.

In recent years, the people of Scotland have experienced significant levels of food inflation. Food prices have risen by just under 40% over the last five years, increasing faster than average incomes over the same period. Although food inflation has eased from historic highs, food prices remain substantially higher than they were prior to the cost-of-living crisis. Many households continue to experience affordability pressures because prices increased faster than incomes over a sustained period of time. Recent data from the Office of National Statistics (ONS)[1] shows that cumulative food inflation since 2020 was 38.1% to July 2026, compared to 32.1% for general inflation and 35.3% for average incomes (to June 2026).

These pressures are particularly significant for lower-income households, who typically spend a greater proportion of their income on food, are more exposed to food price inflation and are more likely to experience food insecurity.[2] The ONS Living Cost and Food survey finds that whilst the average UK household spends 10.9% of equivalised income on food and non-alcoholic drinks, this rises to 15.2% for the poorest fifth of households, but falls to 7.9% for the richest fifth of households.[3]

Sustained affordability pressures can also influence purchasing choices, contribute to food insecurity[4] and make it more difficult to afford healthier diets. In 2023/2024 combined, 8% of adults worried about running out of food due to a lack of money or other resources in the last 12 months. This rises to just over a third (36%) of adults in single parent households, followed by 21% of single adult and 19% of large family households.[5] According to Trussell[6], one million people across Scotland, including 210,000 children, lived in food insecure households in 2024 with households in the most deprived areas of Scotland three times as likely to be food insecure than households in the least deprived areas (26% vs. 8%).

The Scottish Government considers that persistent food affordability pressures warrant intervention and that everyone in Scotland should be able to afford essential

[1] Consumer price inflation tables - Office for National Statistics and Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted - Office for National Statistics
[2] Scottish Government (2022) The Cost of Living Crisis in Scotland: An Analytical Report
[3] Family spending in the UK - Office for National Statistics
[4] Food insecurity is defined as “the full range of experiences from worry regarding ability to afford food, through to compromising on quality and quantity of food and experiencing hunger”.
[5] Scottish Government (2025) The Scottish Health Survey 2024
[6] Trussel Trust (2025) Hunger In Scotland

foods. Through this consultation, the Scottish Government is seeking experience, data and evidence to further develop an effective and proportionate policy to support food affordability.

Looking ahead, there remains significant uncertainty regarding future food prices. Recent experience demonstrates that food systems can be affected by a range of global shocks, including our exit from the European Union, geopolitical conflict, disruption to energy markets, extreme weather events and climate-related impacts on agricultural production. This uncertainty has prompted consideration of additional measures to improve future food price shocks and support household food affordability.

We recognise that food affordability is influenced by both the prices consumers pay and financial resources available to households. We are taking steps to tackle both sides of the equation, through, for example, our plans to increase the value of the Scottish Child Payment for eligible households with children under one and seeking to address high costs elsewhere such as through the nationwide expansion of the bus price cap. To help with heating bills we will provide winter heating payments to pensioners, families with disabled children and the households struggling the most, whilst protecting existing supports around fee prescriptions and free tuition fees for undergraduate students. Food price caps are one component of our approach to addressing cost-of-living pressures.

Grocery market

A 2023 review the Competition and Markets Authority indicated that food price inflation in since 2020 had largely reflected increases in costs throughout domestic and global supply chains rather than a weakening of competition in the grocery sector. The Competition and Markets Authority (CMA) concluded that the grocery retail sector was broadly competitive, with supermarkets competing particularly strongly on commonly purchased grocery items.[7]

However, competitive markets do not necessarily deliver outcomes that align with wider government policy objectives relating to affordability, health, wellbeing or inequality and can produce outcomes which create significant affordability challenges for households. Food differs from many other consumer products because it is an essential for living and households cannot avoid purchasing. Moreover, food price inflation disproportionately impacts low-income households, even where market prices accurately reflect underlying costs.

Supermarkets play a central role in the UK food system and are the primary point of purchase for most household food and non-alcoholic drink expenditure.[8] Through their scale and extensive distribution networks, supermarkets act as a key link between food producers, manufacturers and consumers.

Intervening in the grocery market will have impacts on retailers, food producers and supply chains. The policy could affect business directly or indirectly and there may

[7] Competition & Markets Authority (July 2023) Competition, choice and rising prices in groceries
[8] In 2025, 73% of UK household expenditure was in large supermarkets (excluding online purchases). ONS Living Cost Survey

also be potential unintended consequences of the policy proposal that need to be considered further. There may be mitigating actions that may be taken to address these specific issues.

Different size retailers from small independent stores to multinational grocery companies would all be impacted but with some less able to adapt.

This partial BRIA sets out an initial assessment of impacts providing a framework for the engagement and consultation process. Ultimately the impacts on business will depend on the specific design of the price cap and this is being consulted on.

1.2 Purpose/ aim of action and desired effect

The consultation seeks views and evidence on whether statutory price controls on selected essential food items sold by large supermarkets in Scotland would represent an appropriate and effective means of improving food affordability. It also seeks views on how any intervention could be designed and implemented, and on the potential benefits, costs and unintended consequences associated with different approaches.

The objective that we are seeking to achieve through this work is to improve the affordability of food for a selection of essential food items, particularly for those on lower incomes. Our approach should also support a healthy and balanced diet. As part of this work, we are seeking to protect primary producers in Scotland from effects that might arise as a result. The Scottish Government is also seeking views to understand whether a price cap could help with the potential of future food price shocks.

The consultation also explores how any intervention may contribute to wider policy objectives relating to poverty reduction, progress towards child poverty targets, food security, public health and the ambitions of the Good Food Nation framework. Any intervention would complement wider measures intended to improve household financial resilience and address cost-of-living pressures.

At the same time, any intervention would need to avoid disproportionate impacts on consumers, retailers, producers, food manufacturers, supply chains and the wider economy. The consultation therefore seeks evidence on both the potential benefits and risks associated with food price controls, including possible effects on product availability, consumer choice, supply chain resilience, business viability and investment.

The desired outcome of the consultation process is to strengthen the evidence base regarding the affordability challenges facing households and the potential effectiveness, costs, benefits and unintended consequences of food price controls.

This will inform future decisions on whether intervention is appropriate and, if so, what form any intervention should take. Further information on international experience of food price controls, including evidence on their impacts, is provided in Annex B of the consultation document.

1.3 Current Position – before proposed changes

The proposed policy is intended to contribute to wider Scottish Government objectives relating to poverty reduction, reducing inequalities, supporting progress towards child poverty targets, supporting the affordability of healthy and nutritious food, and improving food security. It would complement existing cost of living support measures aimed at reducing household expenditure and increasing financial resilience.

Existing action to support food affordability and household living standards includes devolved social security payments, support with energy and transport costs, free prescriptions, free university tuition and other measures intended to increase disposable income. The Scottish Government also delivers a range of policies relating to food security, child poverty, public health and Good Food Nation outcomes.

While these measures may improve household financial resilience and the ability to afford food, they do not directly intervene in the retail prices paid by consumers for essential food items. The consultation therefore seeks views on whether additional action focused specifically on food affordability may be required and whether the proposed food price cap could play a role alongside existing measures as a distinct intervention aimed specifically at food prices rather than household incomes.

At present, in the absence of further intervention, food affordability will continue to be determined primarily by market conditions, wider inflationary pressures and household incomes. Existing support measures would continue to provide assistance to households; however, some households may continue to experience difficulties meeting food costs, particularly during periods of elevated food inflation.

The consultation seeks evidence on whether intervention in food prices is justified, whether it could improve affordability outcomes, and how any potential benefits would compare with the costs, risks and unintended consequences for consumers, businesses and the wider food system. Evidence gathered through the consultation and stakeholder engagement will inform future policy development and the preparation of a Final BRIA.

1.4 Types of Business, Economic Sector, Groups or Communities that could be affected by the issue and its proposed solution

The proposed intervention has the potential to affect a wide range of stakeholders across Scotland's food system. While any direct regulatory requirements would apply only to qualifying retailers (large supermarket chains), the introduction of food price controls is likely to have wider impacts on consumers and households, food producers, manufacturers, processors, wholesalers, distributors and other businesses operating throughout the supply chain, including businesses based overseas. The scale and nature of these impacts will depend on the final scope and design of any scheme.

Businesses potentially affected therefore span multiple sectors of the economy, including retail and wholesale trade, agriculture, fishing and aquaculture, food and

drink manufacturing, transport and storage, logistics and distribution, wholesale, and hospitality and food service activities. Impacts may be experienced by both businesses directly subject to any future statutory duty, by businesses connected through supply chain relationships and related sectors.

The consultation seeks views on which businesses should fall within the scope of any future intervention. In considering options, the Scottish Government has sought to balance the objective of maximising the benefits of price controls on essential food items for consumers with the need to minimise disproportionate compliance and implementation burdens on smaller businesses.

Qualifying retailers

The proposal put forward in the consultation is that large supermarket chains supplying food to consumers in Scotland would be required to comply with a future price cap duty. The consultation invites responses on whether the principle of only applying the duty to large supermarket chains achieves the best outcomes for the consumer, the retailer sector and the food supply chain.

At one end of the spectrum, a scheme could apply to all retailers selling food products covered by a price cap. This would maximise consumer access to price capped products and increase geographical coverage but would also place regulatory obligations on a large number of small and micro businesses, potentially creating disproportionate burdens.

An alternative approach could be to apply a threshold based on the physical size of retail premises. This could target larger stores, which potentially sell multiple lines of essential products, while excluding smaller outlets which may have more limited availability of essential foods. However, businesses operating similar grocery models could be treated differently depending on their store format, and physical floor space may not accurately reflect a retailer's capacity to absorb compliance costs or implement regulatory requirements.

The consultation therefore proposes a business-level approach focused on larger grocery retailers. These businesses are typically large national and international supermarket chains operating across Scotland through physical stores and online retail platforms. Qualifying retailers operate in all local authority areas, including urban, rural, remote and island communities, and employ significant numbers of workers across retail, warehousing, logistics, distribution, customer service and management occupations. ONS Business Register and Employment Survey data show that Scotland had around 85,000 employees working in food-led non-specialised retail stores (SIC 47110) in 2024.[9] This industry category encompasses the major supermarket chains alongside convenience grocery retailers and other food-focused retail businesses. This is intended to maximise the reach of any intervention through retailers responsible for the majority of grocery sales, while reducing the likelihood of disproportionate burdens falling on smaller businesses. According to analysis of Kantar data by NESTA, most food in GB purchased from

[9] ONS, Business Register and Employment Survey 2024

retailers is for in-home consumption (groceries) and over 90% of this is purchased from just 11 retailers, which includes the major supermarkets.[10,11]

As set out in the draft legislative provisions that accompany the consultation, it is proposed that in order to be in scope of the duty, a business is a qualifying business (during a financial year in which the business offers for sale a food product of a specified description) if:

At the end of the previous financial year

- The business had more than 250 employees
- The business had a turnover of more than £250 million, and
- More than 50% of that turnover related to the sale of groceries[12], and
- The business is not an exempt business.[13]

Applying a price cap to all food retailers would also create a risk that businesses whose primary activity is not grocery retailing could be brought within scope simply because they sell food products that fall within a capped category – for example chains of coffee shops that sell loose fruit. The proposed business-level approach is intended to focus the proposed price control scheme on retailers that are the principal source of household grocery shopping[14], while avoiding disproportionate regulatory burdens on businesses where food sales form only a small part of their operations. At a UK level it is estimated that 88% of daily calories are from food prepared and consumed in the home, of which 95% are from the 11 largest retailers.[15] While differences exist between income groups most people purchase groceries either from large supermarket brands or from discounters. Further insights on patterns in food purchases can be explored via other relevant assessments that may be required to support the design of a final scheme.

The treatment of franchise and symbol-group retailers is more complex. Individual operators may trade under a larger brand while retaining varying degrees of independence in relation to ownership, staffing, pricing and supply arrangements. The consultation therefore seeks views on whether, and under what circumstances, franchise and symbol-group businesses should fall within the scope of any future scheme. Their inclusion could improve the accessibility of price-capped products for consumers but may also increase compliance and implementation challenges for smaller operators.

Under the proposed approach, qualification is based on the characteristics of the business rather than the size of an individual store. As a result, smaller outlets operated by a qualifying supermarket chain could be covered by the scheme, while

[10]NESTA (2024) Targeting the health of the nation: technical appendix
[11] Worldpanel by Numerator: Grocery Market Share
[12] Note the employee number and total annual turnover relate to the entire business and not an individual outlet.
[13] It is proposed that a business would be exempt if it wholly or mainly offers food for sale as part of a takeaway food service or both as part of a takeaway food service and for immediate consumption on the premises of sale.
[14] In 2025, 73% of UK household expenditure was in large supermarkets (excluding online purchases). ONS Living Cost Survey
[15] Scottish Government (2024) Shopping behaviours and meal deals - consumer behaviours: evidence brief

independent retailers operating from similar-sized premises may not be. This reflects the policy intention of targeting large grocery businesses while minimising direct regulatory obligations on smaller independent retailers.

While most household grocery expenditure takes place through larger retailers, a significant number of businesses operating within the food retail sector are small or micro enterprises. According to data from the Inter-Departmental Business Register (IDBR), the total number of outlets (or local units) of non-specialised Food & Drink retailers in Scotland is 4,605 (as of March 2025).

Approximately 32% of these outlets (1,490) are operated by enterprises that are considered large employers (more than 250 employees across the UK) and have a turnover above £250 million across the enterprise as a whole. This means that the majority of non-specialised Food & Drink retailers in Scotland are likely to fall outwith the proposed qualifying businesses definition, with 68% (3,120 sites) falling below the proposed threshold. It should be noted that the treatment of franchise and symbol-group arrangements may have a significant effect on the number of businesses captured and therefore the number of local units required to comply with the price control obligation. Further analysis to assess this would be required in a future BRIA.

Table 1 and 2 below outline the number of outlets (or local units) of large non-specialised Food & Drink retailers in Scotland by Local Authority area and SIMD quintile respectively. These tables represent the likely coverage of businesses required to comply with the price control obligation under the proposal put forward in the consultation.

Table 1: Number of business sites of large businesses (250+ employees UK-wide and £250m+ turnover UK wide) in Non-Specialised Food & Drink Retail by Local Authority[16]

Local Authority Area	Local Units
Aberdeen City	75
Aberdeenshire	80
Angus	30
Argyll and Bute	30
City of Edinburgh	155
Clackmannanshire	15
Dumfries and Galloway	35
Dundee City	35
East Ayrshire	30
East Dunbartonshire	35
East Lothian	35
East Renfrewshire	25
Falkirk	40
Fife	105
Glasgow City	150
Highland	90
Inverclyde	20
Midlothian	25
Moray	30
Na h-Eileanan Siar	5
North Ayrshire	35
North Lanarkshire	70
Orkney Islands	5
Perth and Kinross	40
Renfrewshire	30
Scottish Borders	35
Shetland Islands	5
South Ayrshire	30
South Lanarkshire	90
Stirling	30
West Dunbartonshire	25
West Lothian	50
All	1,490

Source: Scottish Government, ONS (Inter-Departmental Business Register)

[16] IDBR extract provided by Scottish Government business statistics team, SIC code 47.11, March 2025

Table 2: Number of business sites of large businesses (250+ employees UK-wide and £250m+ turnover UK wide) in Non-Specialised Food & Drink Retail by Local Authority by SIMD quintile[17]

SIMD 2020 Quintile	Local Units
Quintile 1 - Most Deprived	325
Quintile 2	420
Quintile 3	280
Quintile 4	255
Quintile 5 - Least Deprived	215
All	1,490

Source: Scottish Government, ONS (Inter-Departmental Business Register)

Other food retailers

While the proposed scheme is intended to apply only to qualifying retailers, other food retailers may experience indirect impacts. This could include independent convenience stores, specialist food retailers, community retailers, symbol-group operators, franchise businesses and other retailers that are not directly subject to any price cap requirements under the proposal put forward in the consultation. Depending on the final design of any scheme and how consumers and retailers respond, these impacts could include changes in consumer purchasing behaviour and competitive pressures which may adversely affect some retailers that are not subject to the price cap duty. However, the scale, nature and distribution of any such impacts remain uncertain and would require further assessment in the Final BRIA.

Food Producers and Primary Production

The proposal may have indirect impacts on food producers, including farmers, crofters and fishers. The scale and nature of any impacts would depend on the design of any food price cap scheme and how commercial impacts are distributed throughout the food supply chain. This is discussed in section 3.1.

Food Manufacturers, Processors, Wholesalers and Distributors

The proposal may have indirect impacts on other businesses operating throughout the food supply chain, including food manufacturers, processors, wholesales, distributors, logistics providers and other intermediaries. This is discussed in section 3.1.

Other Affected Businesses and Communities

Wider indirect impacts may also arise for businesses and communities not directly involved in the retail food supply chain. This may include businesses involved in the sale of food outside mainstream grocery retail, such as bakeries; hospitality, catering, pub and tourism businesses or producers of local, premium or specialist

[17] IDBR extract provided by Scottish Government business statistics team, SIC code 47.11, March 2025.

food products. There is also the potential for impacts on businesses not directly involved in the production, processing or sale of food.

Consumers and Households

Consumers are the primary intended beneficiaries of the proposed price control scheme. Any food price cap is intended improve the affordability of food for a selection of essential food items, particularly for those on lower incomes. However, benefits will depend on the on the products selected, the level at which the cap is set, and the extent to which those products reflect the purchasing patterns of households experiencing food affordability pressures.

Section 2: Engagement and information gathering

2.1 Business/Third Sector engagement

At the time of publication, policy development has been informed by analysis of available evidence relating to food affordability, food insecurity, retail markets and food supply chains. The consultation is intended to further develop the evidence base through engagement with businesses, third sector organisations and other stakeholders who may be affected by, or have an interest in, the proposals.

The Scottish Government intends to engage with a broad range of stakeholders during the consultation period, including:

- Grocery retailers operating in Scotland, including supermarkets, convenience retailers and representative bodies.
- Food producers, processors, manufacturers, wholesalers and distributors.
- Business representative organisations.
- Organisations representing small and medium-sized enterprises.
- Consumer organisations.
- Anti-poverty organisations and food insecurity charities.
- Public health and nutrition organisations.
- Other relevant third sector stakeholders.

Stakeholder engagement undertaken to date

The approach to engagement has been to engage early and proactively with business and economic stakeholders at both official and ministerial level to understand potential impacts, identify implementation considerations and ensure that stakeholder views have helped shape the consultation.

Officials have undertaken structured engagement with stakeholders across the food supply chain, including retailers, producers and business representative organisations.

This has included regular engagement with the Scottish Retail Consortium (SRC) and its members, as well as food and drink businesses and wider industry representatives, to provide information on proposals, gather evidence and understand potential impacts.

Ministers have also met with a range of stakeholders, including the SRC, major retailers, the National Farmers Union Scotland (NFUS), the Food and Drink Federation (FDF), the Scottish Grocers Federation (SGF) and the Scotch Wholesale Association (SWA), to understand sector-specific issues and concerns.

Engagement has been undertaken with businesses of different sizes and operating across different parts of the food supply chain, helping to ensure that a broad range of perspectives and potential impacts are understood. This has included engagement with representatives of both large retailers and smaller businesses, recognising that the proposals may affect different parts of the sector in different ways.

This has been supported by ongoing official-level engagement to explore technical, operational and implementation considerations in greater detail.

Evidence has been gathered through a combination of stakeholder engagement, published evidence and data, policy analysis, one to one discussions and industry roundtables.

The Regulatory Review Group has been engaged during policy development, and its feedback has helped inform consideration of regulatory burden, proportionality and implementation issues.

Engagement will continue throughout the consultation period, including through further discussions with stakeholders and a planned stakeholder summit bringing together representatives from across the food supply chain to discuss the proposals and their potential impacts.

Following the consultation, officials will continue to engage with businesses and stakeholders to inform policy development, implementation planning and the monitoring and review of any measures taken forward.

Engagement activity is expected to include written consultation responses, stakeholder meetings, roundtable discussions and sector-specific engagement events. This approach is intended to ensure that evidence is gathered from across the food supply chain and from organisations representing consumers and communities who may be affected by any future intervention.

Consistent with the New Deal for Business and the Business and Regulatory Impact Assessment guidance, engagement will seek to understand the practical implications, costs, benefits and potential unintended consequences of the proposals. Particular attention will be given to understanding impacts on different business models, including large retailers, independent retailers, franchise operators and geographical considerations.

Evidence gathered through the consultation and engagement will inform further policy development and subsequent iterations of the BRIA.

2.2 Internal SG Engagement

Policy development has involved engagement across relevant areas of the Scottish Government, including officials with responsibility for food policy, agriculture and rural affairs, public health, child poverty, social justice, economic policy, competition and consumer policy, and analytical services.

As policy development progresses, engagement will continue with relevant policy teams to assess potential interactions with existing and emerging policy initiatives relating to cost-of-living support, food security, public health, nutrition, rural economies and economic growth.

Engagement with relevant assurance, regulatory and economic policy colleagues, including consideration of potential investment and business impacts, will continue throughout policy development and inform future versions of the BRIA

Officials will continue to engage with relevant corporate and analytical functions as the evidence base develops and as the policy position is refined following consultation.

2.3 UK/ Devolved Administrations

Officials have undertaken preliminary consideration of relevant policy developments and regulatory frameworks operating elsewhere in the UK and internationally, including examples of food price controls implemented in other jurisdictions.

During and following consultation, the Scottish Government will engage as appropriate with UK Government departments and the Devolved Governments to discuss evidence, implementation issues and lessons from related policy activity where relevant.

2.4 Wider Public Sector

As policy development is at an early stage, the full implications for the wider public sector have not yet been determined. Any future scheme may have resource implications for bodies with responsibilities for compliance, monitoring and enforcement.

Further engagement is planned with COSLA, local authorities, enterprise agencies, the Society of Chief Officers of Trading Standards in Scotland (SCOTSS) and other relevant bodies to better understand any operational, enforcement and resource implications of the proposals.

Evidence gathered through this engagement will inform future policy development and the final BRIA.

2.5 Other Key Stakeholder

Given the interconnected nature of food supply chains, the Scottish Government intends to engage with a broad range of stakeholders beyond those directly affected by any future regulatory requirements. This may include academics, consumer representatives, public health organisations, food security organisations and bodies representing different parts of the domestic and international food supply chain.

The Scottish Government will also continue to consider evidence from international jurisdictions that have introduced or examined food price controls and will engage with relevant experts where appropriate to understand lessons learned from these experiences.

2.6 Public consultation

This Partial BRIA accompanies a public consultation on the proposals for price controls on selected essential food items.

The consultation will run from 1 September 2026 until 24 November 2026 and seeks views on both the proposed price cap model and alternative approaches, including maintaining the current position without introducing food price controls.

The consultation will be published on the Scottish Government's consultation platform and promoted through stakeholder networks and representative organisations. Responses will be invited from consumers, businesses, representative bodies, third sector organisations, academics, regulators and other interested parties.

To support participation from a broad range of stakeholders, the Scottish Government will undertake a programme of engagement alongside the written consultation, including targeted discussions and stakeholder events. This will include specific engagement with businesses operating across food retail and supply chains and with organisations representing groups most affected by food affordability pressures.

Consultation events are planned, including a Fair Foods Summit following the consultation launch. Feedback gathered through consultation responses and engagement activity will be analysed and used to inform future policy development and subsequent versions of the BRIA.

Section 3: Assessment of Impact on Business, Investment and the Economy

3. Costs to businesses

The policy proposal is expected to have direct costs for qualifying retailers within scope of the proposed scheme and may also give rise to indirect costs on other food retailers, wholesalers, distributors, food manufacturers and other businesses in the food system operating within Scotland and elsewhere (see section 3.1). However, the nature and scale of these costs are dependent on the design of a future food price control intervention and its implementation, which are the subject of the consultation. The overall extent of impacts is therefore dependent on a range of policy factors including the food items selected, the level at which any price cap is set and the availability of measures or mitigations to support implementation.

For the purposes of this Partial BRIA, it is not possible to set out quantified estimates of the potential costs to the qualifying retailers, quantify indirect costs for other businesses or quantify benefits to consumers. It is anticipated that the design and implementation of the food price control will be developed through engagement with stakeholders through the consultation process and through further business engagement following the consultation.

This iteration of the BRIA does however set out an initial assessment of the possible sources of and avenues for costs (direct and indirect) and benefits that may arise for different stakeholders of a general food price control.

Costs to qualifying food retailers

There will be a range of potential new direct and indirect costs for specified supermarkets required to comply with a food price cap scheme. Potential costs may include:

- **Direct compliance costs**, including one-off and ongoing costs associated with changes to pricing systems and processes, staff training, familiarisation with new requirements, adapting pricing signage and/or labelling and any reporting, monitoring or record-keeping obligations.
- **Direct commercial costs** which may arise where price caps result in lower margins on specified food products compared with the status quo, potentially reducing revenues associated with those product lines
- **Indirect commercial costs** including costs associated with reviewing product ranges, changes to procurement practices, and engaging in negotiations with suppliers and other supply-chain partners.
- **Regulatory and enforcement-related costs**, including the costs of responding to compliance activity, compliance notices, investigations or enhanced information requirements where applicable.

It is recognised thorough the development of proposals set out in the consultation that smaller retailers may have less purchasing power and lower operating margins than larger supermarkets. As a result, the costs identified above were more likely to

be disproportionate to smaller businesses. This is set out in section 3.3 in more detail.

It is further recognised that a price cap could have differing impacts on different qualifying retailers depending on the price at which the retailer had sold specific goods before a cap is put in place and the design of the price cap.

The Scottish Government will seek to develop its understanding of the quantifiable impacts of the food price cap for further iterations of the BRIA, although it should be noted that providing these may prove overly complex. Following the consultation further development of the policy would be undertaken alongside detailed economic analysis to assess the proportionality of intervention, quantify costs and benefits, and identify implementation arrangements that maximise consumer benefits while minimising adverse impacts on businesses and market functioning.

Costs to other food retailers

While the proposed scheme is intended to apply only to qualifying retailers, other food retailers may experience indirect impacts.

These businesses may compete directly with qualifying retailers for grocery sales. Depending on the design of any scheme, a widening of the price differential between price-capped products and similar products sold by retailers outside the scheme could potentially influence consumer purchasing behaviour and affect sales patterns.

The scale of any impact is uncertain and may vary significantly between locations, business models and product categories. Impacts may be more pronounced where smaller retailers rely on sales of staple food products or operate in direct competition with qualifying retailers.

3.1 Other potential impacts on business or the wider economy

Potential wider economic impacts of a price control intervention

In economic terms, a binding price cap on essential food products can be understood as the transferring a portion of the economic surplus (the ‘benefit’) associated with those products from producers and suppliers to consumers purchasing the capped goods. An illustrative diagram is shown in Annex B, showing the prevailing market price (P*) and the price set under a binding price cap (Pc) using formal economic theory.

Where price caps (Pc) are set below the prevailing market price (P*) or create a price differential between the market rate and the capped price, the expected effect is to lower the prices paid by consumers for targeted goods. Depending on the design of the intervention, this may reduce revenues or margins associated with those products for qualifying retailers and potentially other businesses within the supply chain.

The extent to which any costs are absorbed by retailers, passed through supply chains, or offset through other commercial decisions will depend on the design of

any scheme and wider market conditions. The consultation therefore seeks evidence on how retailers and other businesses may respond in practice.

Potential responses could include:

- **Changes to supplier arrangements**, including renegotiations with suppliers and intermediaries within the supply chain for capped products. This could reduce costs for retailers but may also have implications for suppliers, sourcing decisions, product quality, supply-chain resilience and the use of local produce.
- **Changes to wider pricing strategies**, where qualifying retailers adjust prices of products that are not subject to the price cap in an effort to offset reduced margins on capped items. This could include changes to the pricing of non-capped products, promotional activity, product ranges or other commercial strategies. The extent to which this may occur would depend on commercial considerations and competitive pressures.
- **Changes to product availability or range,** where retailers reduce the range of products offered or, in more extreme circumstances, withdraw products where a price cap is set significantly below prevailing market prices and cannot be accommodated within normal commercial operations.

Furthermore, if a price cap has constrained prices below prevailing market levels for a sustained period, there is a risk that consumers could face a relatively sharp increase in prices once the intervention ends as retailers, suppliers and markets adjust to underlying costs and market conditions.

Potential indirect impacts on the food supply chain, including primary producers

The food supply chain comprises a number of interconnected stages, including primary production, processing, manufacturing, distribution, wholesaling and retail. Each stage adds value, incurs costs and contributes to the final price paid by consumers.[18]

Any food price cap would apply at the retail stage of the supply chain. However, the extent to which the costs associated with a price cap are absorbed by retailers, passed through to other businesses, or offset through wider commercial decisions will depend on the design of any intervention and market conditions at the time. As a result, impacts may extend beyond qualifying retailers and affect other businesses operating throughout the food system.

Potential impacts could be experienced by farmers, food manufacturers, processors, wholesalers, distributors and others. These impacts could affect operating costs, investment decisions, product availability or business viability. The scale and nature of any effects is also likely to vary considerably between products.

According to figures provided by the Food and Drink Federation to the Competition and Markets Authority (CMA), the cost of suppling goods directly from the supply chain in supermarket retail accounts for around 70% of revenues generated by

[18] A simplified representation of the food supply chain can be found in the Competition, choice and rising prices in groceries - GOV.UK (2023).

retailers on average across the sector. Of the remaining 30%, 27% relates to other costs incurred by the retailers, such as labour, energy, warehousing, distribution, marketing and administration costs, with the remaining 3% equates to the retailer's profit.[19] This highlights that the majority of retail food prices are associated with costs incurred throughout the wider supply chain rather than retailer profits alone.

Our food supply chain is highly complex. Primary producers typically operate within interconnected supply networks and often sell their products through processors, packers, manufacturers or other intermediaries before goods reach retailers and consumers.

Primary producers may be particularly sensitive to changes in commercial terms where they have fewer opportunities than larger downstream businesses to negotiate prices or contractual arrangements. Where commercial pressures are transmitted through supply chains, stakeholders may have concerns that a disproportionate share of any commercial adjustments linked to the operation of a price cap policy could occur at the production stage. However, the extent to which this could occur in practice remains uncertain and likely to vary highly depending on the specific product and specific market context. This is a key area on which the consultation seeks evidence.

Designing measures that mitigate any potential negative commercial impacts on primary producers requires careful consideration of the complexity of modern food supply chains.

Farm-gate prices are shaped by a range of interconnected factors, including domestic and international market conditions, input and production costs, contractual arrangements and wider supply chain dynamics. This makes it challenging to isolate the potential impact of a food price cap from other factors affecting prices and profitability across the food system.

While data are available on farm-gate prices and retail prices, it becomes decidedly more complex to track how individual ingredients, costs and profits within composite food products move through supply chains. Even for more "simple" products made up of a single ingredient the number of intermediaries means it is unlikely that one actor in the food supply chain would have visibility of costs and prices paid.

The draft legislation includes a proposed duty for Scottish Ministers to consider the impacts on food retailers, food producers and other relevant businesses when setting a price cap and specifying the foods subject to price caps,

There is a number of identified design and implementation choices which we are seeking to more fully assess through the consultation. In particular further evidence from those operating across the supply chain will help us better understand the scale and nature of any impacts in practice.

[19] Competition, choice and rising prices in groceries - GOV.UK

Potential indirect impacts on other outcomes

There are potential indirect consequences for production, including impacts on supply chain resilience, climate change, biodiversity and animal welfare. This will be considered more fully following the consultation in a final BRIA.

3.2 Benefits to business

At this stage, no direct or material benefits to businesses have been identified. The primary purpose of the proposed intervention is to improve food affordability for consumers. While some businesses may experience indirect effects, for example through changes in consumer demand or purchasing behaviour, the direction and scale of any such impacts are uncertain and may vary significantly between sectors and businesses. The consultation therefore seeks evidence on whether any business benefits may arise in practice.

3.3 Specific Small business impacts

As policy development remains at an early stage, it is not currently possible to quantify the impacts of any future food price control scheme on small businesses. The consultation seeks evidence on these impacts and further assessment will be undertaken in future iterations of the BRIA.

Direct impacts

Under the qualifying business criteria proposed in the consultation, direct regulatory obligations would apply only to larger grocery retailers meeting specified thresholds relating to employment, turnover and grocery sales. As a result, most small and micro businesses are not expected to be directly subject to any obligations arising from a food price cap scheme. As set out in section 1.4, the majority of small Non-Specialised Food & Drink Retail stores will not be included under the criteria set out in the consultation.

The proposed approach has been developed with the aim of reducing the risk of disproportionate compliance, implementation and administrative burdens falling on smaller businesses, which may have less capacity to absorb additional costs or implement new regulatory requirements.

However, the consultation also seeks views on alternative approaches to defining businesses within scope. Depending on the final design of any policy, different approaches to defining qualifying businesses could result in different impacts on smaller businesses. In particular, the treatment of franchise and symbol-group arrangements remains an area where further evidence is being sought through consultation. The extent to which individual operators within such arrangements could be affected will depend on the final policy approach adopted.

Indirect impacts

Although the proposed qualifying business criteria are intended to limit direct regulatory obligations to larger supermarket chains, there may nevertheless be

indirect effects on smaller retailers. In particular, a price cap could increase the price differential between products sold by qualifying retailers and comparable products sold by convenience stores, independent retailers and other businesses outside the scope of the scheme.

The extent to which this affects consumer behaviour is uncertain. Consumers may continue to choose smaller convenience stores not captured under the price cap scheme for reasons such as proximity, opening hours, product range and convenience, even where prices are higher than those offered by larger supermarkets. However, if the price differential for capped products became sufficiently large, it is possible that some consumers may choose to shift a greater proportion of their grocery spending towards retailers subject to the scheme.

Depending on the design of any intervention, this could affect sales volumes, revenues and profitability for some smaller retailers, particularly those that rely on sales of staple grocery products. The scale and distribution of any impacts are likely to vary significantly depending on a range of factors.

Although proposal to capture large qualifying businesses is to mitigate the risk to smaller enterprises, there are possible indirect impacts it may have, such as smaller enterprises now having to compete with lower prices for the selected products with larger retailer who are charging (significantly) less. This widening of the price differential between smaller enterprises, such as convenience stores, and larger supermarkets may create increased demand for these products at the selected businesses in scope and reduce demand in the smaller enterprises.

There is also the possibility of indirect affects to consumer facing businesses that are not grocery retailers, such as bakeries, pubs, restaurants, cafes and other forms of hospitality that rely on the local food supply chain and may make available essential food items or meals made out of essential items, for example sandwiches. However, the scale and nature of any such impacts remain uncertain and require further consideration. The Scottish Government will continue to engage with SMEs and their representative bodies to better understand and consider any potential indirect impacts as policy development progresses.

3.4 Impact on Scottish firms' competitiveness

The introduction of a food price cap on selected essential food items may affect competitive dynamics within the grocery sector and wider food supply chain. The nature and extent of any impacts will depend on the final design of the scheme, the products selected, the level at which any price cap is set and how businesses respond in practice. At this stage, the Scottish Government has not reached any conclusions regarding the overall impact on competition and is seeking further evidence through the consultation process.

Scotland produces food that is recognised around the world for its quality, underpinned by high standards of environmental stewardship and animal health and welfare. The costs associated with labour, energy, feed, fertiliser and other inputs are significant factors in food production. There are concerns that the introduction of price controls on certain products could influence sourcing decisions within the

supply chain. Depending on how any price cap is designed and implemented, there may be circumstances in which retailers or suppliers seek to source lower-cost alternatives to maintain margins or manage costs. This could affect demand for some domestically produced goods and potentially increase reliance on imported products.

This may have implications for Scottish producers and Scottish food and drink manufacturers and could raise wider questions around economic impacts, environmental outcomes, production standards and food security. Alongside the consultation, we are exploring available evidence on the effects of price capping on primary production in countries where similar policies were advanced.

3.5 Impact on Scottish firms' ability to trade internationally

The proposal may have implications for businesses involved in the import, export, production and supply of food products. The scale and nature of any impacts will depend on the final design of any intervention and the products selected for inclusion.

Price controls on selected products could influence sourcing decisions within supply chains, including the balance between domestically produced and imported products. Depending on how any scheme is designed, businesses may alter procurement arrangements, product ranges or purchasing strategies in response.

The Scottish Government is also mindful of its obligations to consider the impact of domestic policies on international trade. As the draft consultation and BRIA acknowledge, the international trade impacts of this policy are an important consideration, and the final policy design must be compatible with the Scottish Government's obligations arising from the UK's membership of the World Trade Organisation (WTO). Legal analysis will therefore be required in due course to ensure the policy's compliance with WTO rules, and formal notification at the relevant WTO committees may be required, depending on the specific measures and requirements adopted.

The consultation therefore seeks evidence on any potential impacts on trade, supply chains and business activity both within Scotland and more widely. Further assessment will be undertaken through development of the Final BRIA.

3.6 Impact on investment opportunities for Scotland and Scottish' Firms

The introduction of a food price control scheme could influence investment decisions by retailers and businesses operating within the wider food supply chain.

If a food price cap reduced expected returns or increased perceived regulatory risk, businesses may choose to delay, reduce or redirect investment in retail operations, food manufacturing, processing, logistics or production. Potential impacts may be more significant for businesses whose activities are closely linked to the Scottish retail market than for businesses primarily supplying export or wider UK markets.

The extent of any such impact would depend on the design and duration of any scheme and the products affected.

3.7 Impact on Employees

At this stage, no direct impacts on employees or Fair Work outcomes have been identified. However, the potential effects of any future food price control on employment remain uncertain and are likely to depend on the final design of the scheme and how businesses respond in practice.

Potential impacts may arise indirectly through changes in retail, production and supply-chain activity. For example, if a price control scheme were to influence sourcing decisions within the food system, there may be implications for demand for domestically produced food products. Depending on the scale of any such changes, this could affect investment and employment within parts of the Scottish food and drink supply chain. Conversely, different effects may arise in other sectors depending on how businesses respond to any intervention.

The Scottish Government will continue to engage with businesses, producers, trade representatives and other stakeholders throughout the consultation process and as policy development continues. This engagement will help inform a fuller assessment of any potential employment, workforce and Fair Work implications in future iterations of the BRIA.

The Scottish Retail Consortium has indicated concern that the proposed price cap could exacerbate negative consumer behaviours in store or create negative working conditions for retail staff. This responds to recent trends in increases in unacceptable customer behaviour towards retail employees. Further work is required to understand whether there would be any correlation between pricing strategies and customer behaviour/ employee experience.

3.8 Impact on Consumers – The Consumer Duty

The potential impacts to consumers are dependent on the design and implementation of the food price control, of which views are being sought through the consultation. As such, no quantifiable costs or benefits have been identified at this stage. We outline in this iteration of the BRIA the possible avenues for consumers to benefit.

As set out in the consultation, the primary objective of the food price cap is to improve the affordability of food for a selection of essential food items, particularly for those on lower incomes. Whilst any reduction in the price of essential food items would be available to all consumers purchasing those goods, lower-income households may benefit disproportionately as they typically spend a larger share of their household budgets on food.

At this stage the potential impacts on consumers have been identified as:

- A potential reduction in the cost of purchasing essential food items in supermarkets which are subject to the obligation, depending on the level at which any cap(s) is set relative to prevailing market prices. This will in effect

deliver an in-direct and in-kind benefit to consumers. The value of any benefit will depend on a number of factors (discussed below).
- Potentially greater benefits for lower-income households, who spend a larger proportion of their disposable income on food.
- Increased predictability and transparency around price levels of essential food items – even during periods of high food price inflation

The selection of food items that would be subject to a price cap in Scotland is central to how the policy's implementation could support consumers to afford healthy food. The balance of items subject to the cap are therefore critical to support the affordability of nutritious affordable food that is needed to maintain a healthy diet. While the intention of the proposed price cap scheme is to deal with the issue of affordability of food in the face of increasing inflationary pressures it is important to balance this against other factors such as encouraging a healthy diet.

It would be necessary to balance consumer preferences and purchasing behaviour against a number of other considerations. Other considerations should include how the choice of items might have broader impacts for climate change and biodiversity loss, as well as potential implications for animal welfare and the Scottish food and drink industry. For example, capping certain products could encourage imports and there could be an incentive for suppliers to minimise costs by selecting food with lower animal welfare standards.

In considering the impacts of any price control measures, it is also important to understand how they may influence consumer perceptions of the value of food. While the overall policy objective is to improve affordability of essential foods, any changes in retail pricing could also affect how consumers perceive intrinsic value of those products.

The potential impacts of the proposal on consumers, including differential impacts on people with protected characteristics are a consideration for other impact assessments including the Equality Impact Assessment (EQIA). An EQIA can identify both potential benefits and risks arising from differences in dietary requirements, purchasing behaviour, access to retailers and access to online delivery services. The evidence gathered during consultation can inform all relevant assessments that may be required to support the design of a final scheme.

The extent to which consumers benefit from any food price cap scheme may also vary depending on their access to qualifying retailers. Households in some rural, remote and island communities may have more limited access to large supermarket chains and may rely to a greater extent on local convenience or community retailers for some food purchases. Research on the cost of remoteness has found that food purchased from some remote community stores can be significantly more expensive than equivalent food purchased from supermarkets.[20]

Research undertaken in the Western Isles (Na h-Eileanan Siar) suggests that consumers access food through a combination of large retailers, local stores and

[20] Scottish Government (2024) Appendix - The cost of remoteness: reflecting higher living costs in remote rural Scotland when measuring fuel poverty

online grocery provision, with food access increasingly reliant on a small number of national retail chains.[21] While access to larger retailers and online delivery services has improved food access for many households, the availability of these options is likely to vary considerably by location. As a result, the benefits of any price cap scheme may not be experienced equally across all communities and locations. This will be considered further in future policy development, including through any future Island Communities Impact Assessment.

As set out in section 3.1, one potential response by retailers to a price cap would be to adjust wider pricing strategies, including increasing the prices of products that are not subject to the price cap, in an effort to offset reduced margins on capped items. This could result in some consumers facing higher prices for non-capped goods and may reduce the net affordability benefits of the policy for some households. However, the extent to which this may occur in practice remains uncertain and would depend on retailer behaviour, market conditions, the final design of the scheme and the competitive pressures faced by retailers.

3.9 Impact on Regulators

At this stage it is not possible to quantify regulator costs or resource requirements. The consultation therefore seeks evidence from regulators, local authorities and other stakeholders to inform future assessment in the Final BRIA. More detail is set out in section 4.

The introduction of a food price cap scheme would have implications for public bodies responsible for monitoring, oversight and enforcement of any future intervention. The consultation proposes that local authorities would have a central role in the administration and enforcement of the scheme, including the investigation of potential non-compliance and issuing of compliance notices. As a result, local authorities, may experience additional resource requirements associated with monitoring activity, business engagement, compliance assessment, record-keeping and enforcement functions.

Alternative approaches to the price cap scheme explored in the consultation, for instance introducing a requirement for a whole basket of goods to be sold at a maximum price or capping the profit that retailers could make on a specified product, are likely to place additional demands on enforcement bodies and increase the cost and complexity associated with monitoring and compliance activity compared with the model directly tested in the consultation.

There may also be a requirement for additional Scottish Government resource to support the operation of the scheme. This could include, but is not limited to, on-going policy development, stakeholder engagement, monitoring of scheme performance, collection and analysis of evidence, periodic reviews of impacts and development of price-setting decisions.

[21] Freathy, P et al (2024) 'The importance of the informal food economy to food access and security: An examination of the Western Isles of Scotland'

Section 4: Additional Enforcement and Compliance considerations

4. Business and Regulator Enforcement and compliance considerations

Given the proposal that a food price cap would require qualifying businesses to sell certain foods at or below a set price, it would be necessary to monitor the goods sold in store and online. The consultation is seeking views on the methods of ensuring compliance and enforcement of any regulatory regime of introducing food price controls. This is because the design and implementation of a food price cap directly impact the complexity of any future enforcement regime and compliance.

The Scottish Government will carefully consider the consultation responses and will continue to explore an appropriate compliance and enforcement regime. At this stage, the consultation includes illustrative provisions intended to support discussion. Compliance and enforcement arrangements will be developed further in light of consultation responses and stakeholder engagement. The final BRIA will provide an update on this based on any final legislation.

As opposed to other food and drink sale regulations, which place responsibility at the point of sale, formal monitoring may be more appropriately managed at a business level, supported by suitable compliance controls and oversight mechanisms. Qualifying businesses would be expected to have e appropriate procedures, training and systems would be in place.

The illustrative draft legislation proposes that Local Authorities would be responsible for enforcement of the core price cap duty and would appoint authorised officers to undertake day-to-day enforcement/monitoring. The principal enforcement tool is proposed to be a compliance notice, issued by authorised officers where they have reasonable grounds to be believe that the qualifying business is failing or has failed to comply with the price cap duty. Failure to comply with a compliance notice would be an offence and a fine may be imposed.

it is also proposed that further detail about the enforcement system would be made using the regulation-making power. This is expected to include: provision of information and keeping of records, the content and form of compliance notices, the powers of authorised officers and any additional offences or penalties in connection with failure to comply with the price cap duty.

The proposed approach is intended to encourage compliance in the first instance rather than immediately create criminal liability for isolated failures. If a qualifying business is found not to be complying with the duty, a compliance notice would be issued, providing an opportunity to rectify the issue before any offence is committed.

The consultation also seeks views on the proportionality of the proposed enforcement approach, including the suitability of local authority enforcement, the proposed offences and penalties, and any burdens that compliance may place on businesses. Consideration will also be given to whether exemptions, transitional

arrangements or phased implementation may be appropriate as policy development progresses.

4.1 Commencement Considerations

As policy development is at an early stage, no decisions have been taken regarding implementation timescales for any future food price cap scheme.

Any future scheme would require qualifying businesses to make operational and system changes to support compliance, including potential changes to pricing systems, stock management processes, staff training and internal procedures. The Scottish Government recognises that businesses and regulators may require a lead-in period to prepare for implementation and that practical challenges may arise, particularly during the initial stages of operation.

The consultation seeks views on the practical implications of implementation, including the time required for businesses and regulators to prepare, and whether transitional arrangements or phased implementation would be appropriate. Responses will inform future decisions on commencement arrangements.

The Scottish Government will continue to engage with retailers, local authorities, enforcement bodies and other stakeholders to better understand implementation and reporting requirements and to minimise unnecessary burdens.

The final BRIA will provide a more detailed assessment of implementation arrangements, timescales and associated costs.

Section 5: Scottish Government Compliance with UK regulatory alignment and EU Standards

5.1 Alignment of proposals with the Internal Market Act and Intra-UK Trade

The Scottish Government has undertaken an initial assessment of the potential interaction between the proposals and the United Kingdom Internal Market Act 2020 (UKIMA).

Legislation that sets limits on the price at which goods are sold, such as a price cap, is a “manner of sale” requirement in terms of the United Kingdom Internal Market Act 2020. This means that the mutual recognition principle is unlikely to apply to legislative provisions setting price caps, but the non-discrimination principle will be relevant. The final design of any scheme would take into account potential impacts on trade within the UK and information about trade impacts is sought as part of the consultation. The extent to which UKIMA may impact final proposals depends on the final design of any scheme.

The proposals could result in regulatory divergence from other parts of the UK, as no equivalent food price cap scheme currently operates elsewhere.

The implications of UKIMA, intra-UK trade and any relevant Common Frameworks will be considered further as policy development progresses and reflected in future versions of the BRIA.

5.2 Alignment of proposals with EU on standards and access to (trading) markets

The consultation proposals relate to the retail pricing of selected food products and do not propose changes to food safety, food composition, animal welfare or environmental standards. As such, they are not expected to affect Scotland's commitment to maintaining and advancing high standards aligned with those shared by the EU.

Price controls can raise issues under EU law unless impacts on competition can be justified. The compliance of a price cap with EU law depends on its ultimate design, and this will be considered as the policy develops.

The Scottish Government has considered relevant European experience with food price interventions. Recent judgments of the Court of Justice of the European Union concerning measures introduced in Hungary highlight the importance of ensuring that any intervention is proportionate and compatible with wider legal and market frameworks.[22]

[22] Court of Justice of the European Union, Case C-658/24, Penny Market, Judgment of 18 June 2026, concerning the compatibility of Hungary's mandatory food retail discount scheme with EU law

The consultation is therefore seeking views not only on whether intervention is appropriate, but also on how any intervention could be designed to achieve affordability objectives while minimising unintended impacts on businesses, consumers and supply chains. The Scottish Government considers that it may be possible to design a food price intervention in a manner that aligns with EU law.

The Scottish Government has also considered examples from other EU Member States, including Croatia, where food price controls remain in operation. At the time of publication, there is no publicly reported indication that the European Commission has initiated infringement proceedings in relation to those measures. Further information on international examples of food price controls is provided in Annex B of the consultation document.

These issues will be considered further as policy development progresses and reflected in future iterations of the BRIA.

Section 6: Implementation and Review

6. Implementation plans

The consultation seeks views on the principle of intervention, the design of any future food price cap scheme and the practical implications for consumers, businesses, regulators and the wider food supply chain.

As policy development remains at an early stage, no decisions have been taken regarding implementation timescales. The consultation seeks views on the practical implications of implementation, including the time businesses, local authorities and other stakeholders may need to prepare for any new requirements.

Should Ministers decide to take forward legislation following consultation, further engagement would be undertaken with retailers, producers, representative organisations, local authorities, regulators and other stakeholders to inform implementation planning. The illustrative draft provisions propose that key aspects of any scheme, including products in scope, applicable price caps and detailed operational requirements, would be set through secondary legislation following consultation.

Evidence gathered through the consultation and further stakeholder engagement will inform future decisions on implementation arrangements, commencement timescales, guidance requirements and any transitional measures that may be necessary to support implementation.

6.1 Post implementation review

The consultation seeks views on how the effectiveness of a food price cap scheme should be monitored and evaluated, including what indicators should be used to assess whether the policy is achieving its objectives and whether any unintended consequences arise.

At a minimum, any future evaluation would be expected to assess whether the policy has improved the affordability of essential foods, particularly for lower-income households. Consideration would also be given to what wider impacts – if any – the policy has had on food insecurity, consumer behaviour, dietary outcomes, food security, businesses, primary producers and the wider food supply chain. It should be noted that demonstrating a link between food price cap policy and these wider policy outcomes will not be straightforward and will require further policy development to consider.

The consultation further proposes that any legislation would expire unless Scottish Ministers make regulations to continue its effect. It is proposed that expiry would occur on the earlier of one year after publication of the statutory review report or eight years after the first price cap regulations come into force. This would help ensure that any decision to continue a scheme is informed by evidence of its effectiveness and impacts.

It is also proposed that Scottish Ministers should have the power to suspend and revive the operation of any price cap legislation. This is proposed to ensure that any price caps would not be in place any longer than considered necessary and could be paused or stopped when circumstances require it.

Section 7: Options Considered and Recommended

7.1 Options considered so far

The Scottish Government is consulting on whether intervention in food prices is appropriate and, if so, what form it should take. The Scottish Government is asking for views on the potential mechanisms and framework design for introducing a food price control. The Partial BRIA provides an initial assessment of statutory food price controls and signposts to where areas will need to be developed.

Alternative approaches to achieving food affordability objectives, including non-regulatory interventions, will be considered alongside consultation evidence and assessed further in the Final BRIA.

In this partial BRIA, we set out one broad option for implementing the food price control (Option 2) in comparison to the Business as Usual or Do Nothing (Option 1). In relation to the potential designs of the food price control, these are put forward in more detail in the consultation for consultees to consider, for example where the price caps will initially be set. Within this option, we will mention the potential price mechanism of the price cap, which affects the potential impacts of the price cap. However, as these are being explored and considered in the consultation, the overall impacts of a general price cap will be what is explored with the BRIA.

These options are outlined in more detail below:

Option 1 – Business As Usual (BAU) [Do Nothing]
In this scenario, there would be no governmental intervention, meaning there would be no price cap put in place. This assumes that there would be no benefit for consumers in the form of stabilised or reduced prices for essential food items, and no additional costs for businesses.

In the final BRIA we will compare the other option of introducing a food price cap to this option – i.e. the potential impacts (costs and benefits) of different approaches to implement a food price cap will ultimately be compared to a ‘do nothing’ baseline. Government could also choose to pursue other policies in order to address food affordability, however this possibility of this has not been explored in this iteration of the BRIA.

Option 2 – Introduce price controls on essential food items

The Scottish Government recognises that there are a number of models for introducing price caps on essential food items. Options for each design element of a price cap model could combine to produce different impacts, risks and benefits. The aim of the consultation is to seek views on this.

As such, there are varied approaches to a food price cap, this includes:

An Item based price cap (proposed approach set out in the consultation)

An item-based price cap requires setting the price of the individual specific goods that fall into the essential basket of 20-50 items. Where qualifying retailers offer for sale a food product (that matches the description of a qualifying product) at a particular shop or online, they would be required to offer at least one type of that product at or below the applicable price cap in that store or on that website. The retailer can choose which particular product to use to meet the duty, as long as it meets the description of the product as set out in Regulations. If the product type selected by the retailer to be impacted by the price cap runs out, then in order to meet the duty the retailer would be required to offer another type of that product which meets the description outlined in Regulations at or under the price cap if available and on sale to customers.

In the consultation, this is the proposed approach to the price cap. An illustrative example of how a food price cap for an essential item may work can be found in Annex A. Note this is just illustrative and is not necessarily how the food price cap design may develop.

Profit limitation price cap

A profit limitation price cap is a direct restriction on the financial return or total profit a business can generate, reducing prices automatically if profits cross a specific threshold. Recognising that input costs for food producers and suppliers change over time it could be an approach for the market to continue to set the price arising from costs but to limit the total profit allowable for a retailer on specified essential items. International examples also exist. In Hungary, a margin cap was introduced in 2025 which restricts the retail mark-up that larger retailers can apply to a range of essential food products.[23] This illustrates how a profit or margin limitation approach may operate in practice, although evidence on the effectiveness and wider market impacts of such measures remains mixed. It is unclear how much benefit this would derive for the consumer however given the scale of competition in the Scottish retail market. This also does not limit profits prior to the retailer in other parts of the food supply chain. It would also require a full understanding of the input costs for the retailer including but not limited to taxes and business rates, labour and energy.

Trigger based price cap

A trigger-based price cap would examine whether it is possible to implement a scheme that would see Ministers able to put in place caps on price rises in response to predefined triggers. This would mean that if price rises went above a benchmark, then a price cap for the good concerned could be put in place. There are a variety of measures that could be used as a benchmark – for example specifying a percentage above CPI and if price rises for a given product were to increase past that point the Scottish Government would have the ability to intervene. This would require significant price monitoring to implement.

[23] Szecskay Attorneys at Law (2025), Hungary Imposes Profit Margin Caps on Essential Food Items to Combat Inflation

Retailer based price cap

A retailer-based price cap is different from the sub-options above as it does not consider the grocery market as a whole. The approach could be taken to fix the price of the lowest priced item (say the lowest priced variety of bread) at a retailer from a point in time and only allow that price to rise at some rate less than food inflation for a set period of time. The effect of this is that different retailers would sell their "essential items" at different prices as the price cap is made in reference to the individual retailers' market price. Issues with this approach include the date at which a price cap is fixed and potentially coinciding with promotions. This approach may be administratively less complicated, however.

Basket-based price cap

A basket-based price cap would be to set the total price of a basket of certain goods, allowing the retailer flexibility in setting individual item prices. This would require specifying a number of items and limiting the total price of those goods in total rather than by item (as in the item-based approach). Although this allows for greater flexibility and competition for retailers, it may mean consumers will not realise the full benefit depending on the items they purchase. Moreover, it becomes more difficult to monitor and ensure compliance, and it becomes complicated for retailers who may not stock specific items. This approach may only be possible in the context of an obligation to stock specific items which is not included in the draft proposals. Alternatively, consideration could be given to requiring if one item within a group (for example a set of fruits like bananas, apples and pears) then at least one of the items within that category must be sold at a capped price, leaving that choice up to the retailer.

Choosing alternative models that add more flexibility for retailers in the application of price caps allows for rapid response to issues that may arise in specific supply chains by increasing prices of that good while reducing others. It also allows for competition between retailers within the category of capped items. However, it increases complexity for all concerned. For the retailer an ongoing assessment of the price of goods that is within a limit set by regulation is required. For the consumer it is less transparent than a clearly defined limitation on certain products. And it increases complexity with respect to ensuring compliance.

7.2 Recommendations/ preferred options

The Scottish Government is currently undertaking a public consultation on the implementation of a food price control on a range of essential food items, asking how a food price control could be designed and implemented.

This iteration of the partial BRIA does not present a formal recommendation to endorse any of the approaches to designing a food price control scheme presented.

Following the conclusion of the consultation, Scottish Government Ministers will consider the views expressed and decide on next steps. An updated final BRIA will then present more detailed consideration of the options upon which recommendation could be made.

Section 8. Declaration

I have read the Business and Regulatory Impact Assessment, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options as they are understood at this time. I am satisfied that business impact has been considered and will continue to be assessed with the support of businesses in Scotland throughout the options development process.

I am also satisfied that officials have considered the impact on consumers as required by the Consumer Scotland Act 2020 in completion of the Consumer Duty section of this BRIA.

Signed:
Date: 24 August 2026
Minister's name Stephen Flynn
Minister's title: Cabinet Secretary for Economy, Tourism and Transport
Scottish Government Contact point: foodprices@gov.scot

Annex A: An illustrative example of a food price cap

This illustrative example is intended to demonstrate what considerations may be needed in selecting a particular capped food item (eggs) in an item-based price cap, as put forward in the consultation

Background to the egg market in the UK

The cumulative increase in egg prices since 2020 was 59.8%, substantially higher than cumulative food price inflation (38.1%) and general inflation (31.7%) over the same period.[24] The increase in egg prices over this period has been driven by a combination of factors, including avian influenza outbreaks that reduced the laying flock and constrained supply, higher feed and energy costs, rising labour costs and wider increases in production and distribution costs.[25]

In 2025, it was estimated that the UK produced 12.5 billion eggs and imported 2 billion eggs, with the UK being 89% self-sufficient.[26] Retail sales value was roughly £2.1 billion, with shell eggs accounting for 64% of the market. Supermarkets and discounters are estimated to account for over 75% of egg sales.

Industry analysis by IGD Economics suggests that increases in egg prices between 2020 and 2025 were primarily driven by higher production and supply-chain costs rather than substantial expansion of retailer margins. IGD highlights rising production costs, labour costs and packaging costs across the supply chain, and characterises eggs as a highly visible and price-sensitive grocery staple within competitive retail pricing.[27,28]

For illustrative purposes, we assume that the item-based price cap could apply to a 6 pack of free-range eggs. We assume that most of the businesses in scope of the food price cap regulations are likely to sell this product. Free-range eggs represent 78% (including 2% organic) of retail egg sales in the UK and this product is also included as an item in the basket of essential foods that are include in the Food Foundation's basic basket tracker[29], with the price of a 6 pack of medium free-range eggs being £1.80 (as of 16th June).

Factors underpinning item choice (eggs)

There are many relevant factors that could be considered when deciding which items to subject to a price cap. Some of these factors are set out in the consultation as

[24] As measured by the Consumer Price Index, data as of June 2026.
[25] Is supply pressure making the egg industry crack?
[26] UK Egg Industry Data | Official Egg Info
[27] IGD, Oxford Economics (2026) Where does your food pound go?
[28] IGD Economics estimates are based on supply chain modelling and industry data and should be regarded as illustrative rather than official statistics.
[29] The Food Foundation's Basic Basket tracker measures weekly prices of a basket of food for an adult male and adult female as part of a reasonably costed, adequately nutritious diet. Prices are taken from food sold in Tesco; however other major supermarkets were offering this product at a similar price point when checked.

matters which Scottish Ministers would, in particular, be expected to have regard to. These factors set out in the consultation are as follows:

a. The general affordability of food (particularly as regards persons on low incomes);
b. Scottish Minister's policies or strategies relating to healthy eating;
c. Guidance on nutrition;
d. The impact of the proposals on producers, retailers and other businesses Ministers consider may be impacted;
e. Consumer behaviour as regards the purchase of food;
f. Food security;
g. Any other matters the Scottish Ministers consider appropriate.

The first factor (a) relates to the general affordability of food, particularly as regards persons on low incomes. An assessment of this factor may include the extent to which eggs contribute to average household food expenditure (and/or food expenditure among lower-income households) and the extent to which a price intervention on eggs could address food affordability pressures, both individually and alongside a basket of other items. In practice, any assessment would need to consider purchasing patterns, household expenditure data and trends in the price of eggs over time.

The second and third factors (b and c) relate to Scottish Ministers' policies and strategies on healthy eating, together with relevant nutrition guidance. Existing dietary guidance, such as the Eatwell Guide, is likely to be relevant in considering how a product such as eggs aligns with health and nutrition objectives. A food item may also be assessed according to whether it is considered a product high in fat, sugar and salt (HFSS). Within the Eatwell Guide, eggs fall within the 'Protein foods' category. Eggs are a good source of protein, vitamins and minerals and are not considered to be an HFSS food.

The next factor (d) relates to the impact that a price cap on the product may have on producers, retailers and other businesses across the food supply chain. This is likely to include an assessment of production costs relative to the selling price, as well as typical retailer margins. It may also include consideration of the vulnerability of the product to supply-side shocks, such as adverse weather events or animal disease outbreaks, and the implications this may have for producers and retailers in the context of a fixed price cap. There are also likely to be differential impacts across the egg supply chain, including on poultry producers, egg packing facilities and retailers. Consideration may also be given to the extent to which the product is sourced from Scottish producers and the potential implications for domestic supply chains (see factor f). The extent of any price reduction from a price cap may also depend on existing retailer pricing strategies. Many major supermarkets already operate price-matching schemes for selected products with discounters such as Lidl or Aldi. If eggs or other products were already subject to such arrangements, the additional impact of a price cap on consumer prices may be more limited.

Factor (e) relates to consumer purchasing behaviour and preferences. As set out in the consultation, this is distinct from considerations of impact on affordability. This

might include an assessment of the frequency with which eggs are purchased, the proportion of the population that regularly consume eggs as part of their diet, and how consumer preferences may influence the extent to which a price cap would be utilised. It is also important to consider at this stage the price elasticity of demand for eggs. Price elasticity of demand for eggs is generally considered to be relatively inelastic, meaning that changes in price may result in proportionately smaller changes in purchasing behaviour. Consideration may also be given to equality impacts and whether particular groups are more or less likely to benefit from the inclusion of a food item within a price cap scheme due to differences in dietary preferences, cultural and religious practices, medical requirements, household composition and purchasing behaviour.

In terms of dietary need, requirement and preferences, there is likely to be a need to consider whether food products are compatible with plant-based diets (vegans), religious or traditional diets (some Buddhist and Hindu traditions do not eat eggs) and medical considerations such as allergies to egg proteins. Consideration would also need to be made alongside other items included within any broader basket of capped products.

The final factor (f) relates to food security. The UK is largely self-sufficient in egg production, with domestic producers supplying the majority of eggs consumed in the UK. Consideration may therefore be given to how a price cap could affect the resilience of domestic production and wider supply chains. Egg production has been affected in recent years by avian influenza outbreaks, increases in feed and energy costs, and broader supply chain disruptions, all of which can result in rising production costs and temporary reductions in supply. In assessing eggs as a candidate food item, consideration may therefore be required as to whether a fixed price cap could affect incentives for domestic production, investment or wider supply chain resilience during periods of market stress. Wider considerations may also include impacts on imports, animal welfare standards, environmental outcomes and the long-term resilience of the domestic food system.

In addition to the above factors, any other relevant factors would also be taken into account.

Setting the price cap

In setting the level of a price cap for a food item (i.e. eggs), consideration has to be given to its current price of the item and how prices vary between retailers. A choice would also have to be made on how specific the food item is for the purpose of establishing the cap. For illustrative purposes we assume that the price cap could apply to a 6 pack of medium free-range eggs, however other variations of price caps could be imposed (for example a cap on price per egg, a cap on a larger pack size, or less restrictions around production method).

It is expected that in order to set a price cap for a particular food item, ‘a baseline price’ would need to be established for that food item by observing the recent price history of a given product based on the lower end of the market and not for higher end retailers or for premium versions of products. Other factors that need to be considered include product quality, branding, size and reductions/price promotions.

For eggs, consideration of production method (i.e. free-range) may be particularly relevant.

Once a baseline price is established, a price cap would then need to be set the relevant food item. For context, 6 medium free-range eggs sold at a retail price of £1.80 across four major supermarkets in the UK (as of 13 August 2026). Setting a price cap at this baseline price (assuming no increase in price level ahead of implementation of any cap) would reflect current market conditions and therefore protects consumers from future price rises, however immediate consumer benefits may be limited where retailers are already pricing at or below the cap level, although consumers purchasing from retailers charging above the cap could benefit from lower prices and greater price certainty.

Alternatively, setting a price cap above the baseline (set a fixed percentage above, for example £1.80 + 10%) would also provide no immediate benefit to consumers but could act as a "backstop" against future periods of high inflation and also allow retailers some flexibility in their current pricing.

Setting a price cap below the baseline price (£1.80 – 10%) would result in an immediate benefit to consumers through lower prices but could also reduce retailer margins and, in some circumstances, result in products being sold below cost.

Other alternative mechanisms for setting a price cap put forward in the consultation include an affordability assessment approach, a cost-based approach and averaging.

- **An affordability assessment approach** would set the price for a 6 pack of medium free-range eggs at a level that ensures people on low income only spend a certain percentage of a fixed income on this item (or as part of a wider basket of items) and that this is maintained over time. In practice, 'income' could refer to many reference measures of income such as payments rates under Universal Credit or expenditure assumptions derived from the Minimum Income Standard (MIS), which estimates the income required for an acceptable standard of living. Different affordability benchmarks may produce materially different cap levels and therefore different outcomes for consumers and businesses.

- **A cost-based approach** links the price cap to the underlying costs of producing and supplying the product. This could be established by undertaking supply-chain analysis of items under the price cap. However, it should be recognised that some retailers may use eggs as a loss leader or low-margin product. A cost-based price cap could therefore be set above prevailing retail prices. While retailers would remain free to price below the cap, the cap may have little immediate effect on consumer prices and primarily act as a safeguard against future price increases

- **An average price approach** would be to set the price cap based on a running average price of a product over a fixed period of time (for example a year) across multiple retailers. This would insulate consumers from temporary

spikes in prices over time by constraining prices to levels in a previous 12-month period.

Quantitative potential impacts

Given the possible different design elements of a future food price control and its implementation, it is difficult estimate quantitative impacts - even for a single product such as a 6 pack of medium free-range eggs.

In order to outline the potential quantitative impacts independent of key policy design elements such as the composition of the essential basket, the level at which the price cap is set or the mechanism through which it would operate, the following information would be required:

- The share of overall household expenditure on food that each essential item in the basket represents
- The current retail prices for each of the essential items (including relevant variation across retailers and locations)
- The price elasticity of demand for the essential items and consideration of cross-price elasticity with other products to account for potential for substitution effects
- Forecasts of future cost inflation (preferably for the product) and/or historic annual price growth rates
- An assessment of the degree to which a given essential item is subject to promotions, discounting or loyalty pricing or seasonality in pricing.
- An assessment of retailer margins on the essential items to establish the impact of any price cap on retailer profitability.
- Retailers' ability to absorb capped prices
- The degree of market concentration for the essential items
- The supply chain costs for the essential items, particularly producer/farm-gate prices and margins at different stages of the supply chain
- Average sales value and volume for the detailed product lines of the essential items
- Household expenditure by income decile on the essential items
- Consumption patterns for the essential items
- Differences in expenditure, consumption and purchasing patterns by age, disability, sex, ethnicity, household composition, geography and income level.

If this information can be accessed, exploring the potential quantitative impacts may be feasible for the full BRIA.

Annex B: Economic intuition underpinning the effects of price controls in a competitive market

In economic terms, a binding price cap can be understood as transferring some ‘economic surplus’ from producers, suppliers and retailers to the consumers purchasing the capped goods, while potentially reducing overall economic efficiency.

Illustrative diagrams are provided below to illustrate this point which define the prevailing market price (P*) for a given food and the price set under a binding price cap (Pc) using formal economic theory.

Where price caps (Pc) are set below the prevailing market price (P*), the expected effect is to lower the prices paid by consumers for targeted goods.

In practice, food retail markets are complex and not perfectly competitive. Retailers may respond with offsetting adjustments elsewhere. This could include:

- price increases on non-capped goods
- absorbing cost pressures or passing pressures down the supply chain
- changing the product mix, quality, or availability

As a result, impacts on the average cost of a shopping basket (one containing a mix of capped and non-capped goods) may be neutral or ambiguous. Benefits depend critically on which households consume the capped goods and how far capped prices sit below the market price that would otherwise prevail.

Figure 1B: Allocation of economic surplus under competitive market equilibrium

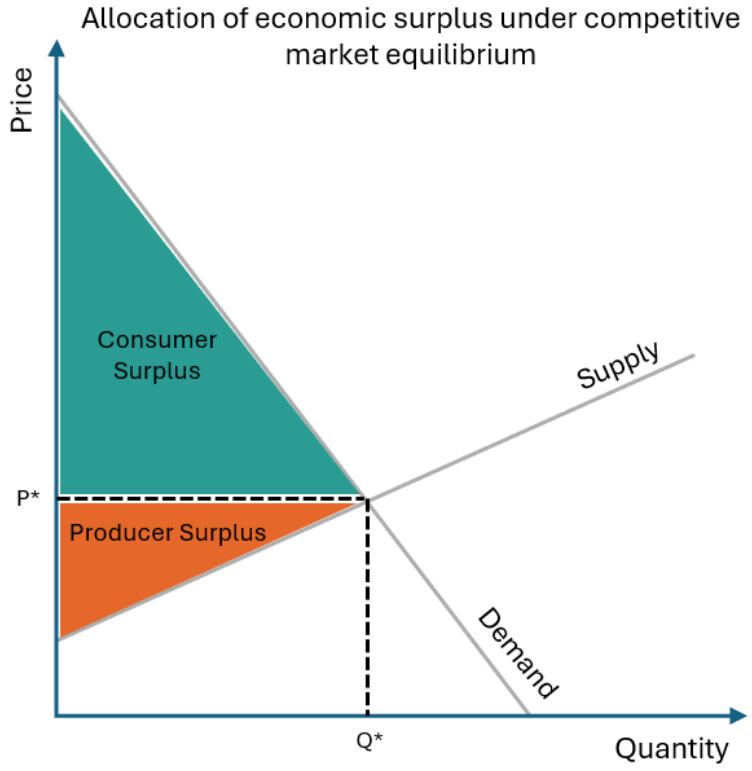
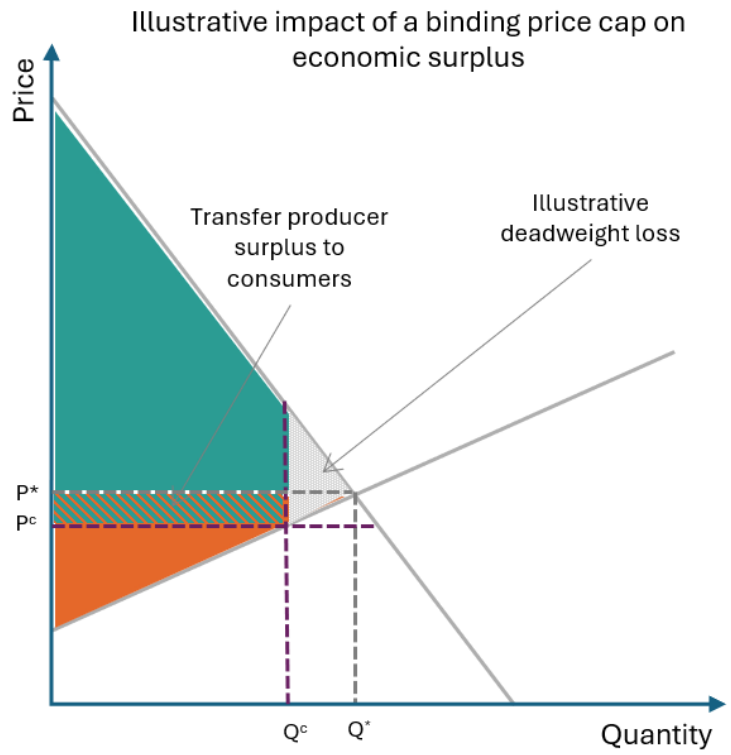


Figure 2B: Illustrative impact of a binding price cap on economic surplus



These diagrams are intentionally stylised and are intended only to illustrate the underlying economic intuition.

In the figures 1B and 2B, consumer surplus is the difference between the maximum amount consumers are willing to pay for a good and the price they actually pay. It represents the benefit consumers receive from being able to purchase a product for less than the value they place on it.

Producer surplus is the difference between the minimum price producers are willing to accept for supplying a good and the price they actually receive. It represents the benefit producers receive from selling a product at a price above their minimum acceptable price.

By way of illustration, if a consumer would have been willing to pay £1.50 for a loaf of bread but purchases it for £1.20, the consumer surplus is £0.30. Similarly, if a producer would have been willing to supply the loaf for £0.90 but receives £1.20, the producer surplus is £0.30.

In a competitive market, the market-clearing (equilibrium) price (P*) balances supply and demand, generating both consumer and producer surplus. A binding price cap set below the equilibrium price (Pc) transfers some producer surplus to consumers purchasing the capped goods by reducing the price paid for those goods.

Economic theory suggests that price caps may also reduce total economic surplus (the sum of consumer and producer surplus) by weakening the price signals that help coordinate production and consumption decisions.

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