



Policy Brief

Food retail and good corporate governance: Key to health, social and economic development

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Highlights

- Food retail is a key facilitator to build healthy, resilient, equitable communities and nation.
- Unhealthy commodities in particular ultra-processed foods take over store shelves, with the highest proportion of foods and beverages sold in modern trade retail stores.
- Taking corporate governance to a higher level by addressing health and nutrition issues in its basic principles is a promising avenue for promoting health and nutrition in the Thai society.
- Governments need a public policy and a joined-up approach in managing, supporting and monitoring the corporate governance, making it accountable for health and nutrition.
- The SEAOFE study has generated new data on food retail and policy landscape to inform effective public policy and action for improving nutrition outcome.



Socio-economic and health insecurity in Thailand

Today one out of every 4 people in Thailand live under the poverty line¹. The uneven distribution of income and wealth was observed across urban and rural areas; almost 80% of the poor live in a rural area². This socio-economic insecurity affects the health and wellbeing of many families, neighborhoods and for local and national economies.

82 of every 100,000 deaths in the Thai population are due to non-communicable diseases (NCDs)³. The increase of major NCDs – obesity, cardiovascular disease, diabetes and hypertension was among all socioeconomic groups and in urban and rural populations. Unhealthy diets is one of the main contributors to Thai deaths. Unhealthy diets was the 4th major cause (9.7%) of all deaths in 2019, following high glucose, tobacco, and high blood pressure, respectively⁴.

Health and economic insecurity cause a huge loss in Thai economy. Effect of health insecurity is largely irreversible, costing the government 1.6 trillion baht in economic loss each year, representing nearly 10% of Thailand's GDP⁵. This insecurity contributes to 1.5 trillion baht in social cost due to productivity loss⁵.

Food retail sector and country development

Food retail is a key facilitator to build healthy, resilient, equitable communities and nation. It connects together all of the key actors – farmers, manufacturers, distributors, traders and investors, with consumers⁶. Food retailing can influence a transition of food economies from traditional, informal, low-quality markets to more sophisticated, value-added and quality (safety, health and nutrition) of food retailing. Due to the rise of urbanisation and growing preference for sustainable, eco-friendly and healthy retail products, this has itself increased consumer demand for healthy food choices such as organic foods, linking them and farming to new social and economic opportunities such as reducing poverty, creating jobs, promoting sustainable growth and enhancing food security⁷.

The South East Asia Obesogenic Food Environment (SEAOFE) Study project resulted in new data and analysis on food retail challenges in Thailand. The SEAOFE is a cross-country study funded by International Development Research Center. It aimed to analyse the food retail environment, consumers' and retailers' perspectives regarding the food retail environment, and

existing policies influencing food retail in Malaysia, Indonesia, the Philippines, and Thailand. The findings provide better understanding of country's food retail landscape including key facilitators and barriers to policy implementation and policy changes, and suggest potential policy opportunities and recommendations.

Statistics & facts in Thailand: *Food retail landscape*

Food retail is among the leading segments in the retail sector in Thailand, having a stronger emerging consumer market. Despite a considerable impact from COVID-19 pandemic, some food retail segments have managed to grow during the crisis, such as convenience stores and grocery e-commerce⁸.

Food retail industry adds value as share of Gross Domestic Product (GDP) in Thailand. Thai food retail sector is expected to grow by 6-8% this year⁹. The large share of this market came from modern trade retail* which mainly consists of supermarkets, hypermarkets, convenience stores, accounting for 16.5% of GDP and being ranked the second place after the manufacturing sector¹⁰.

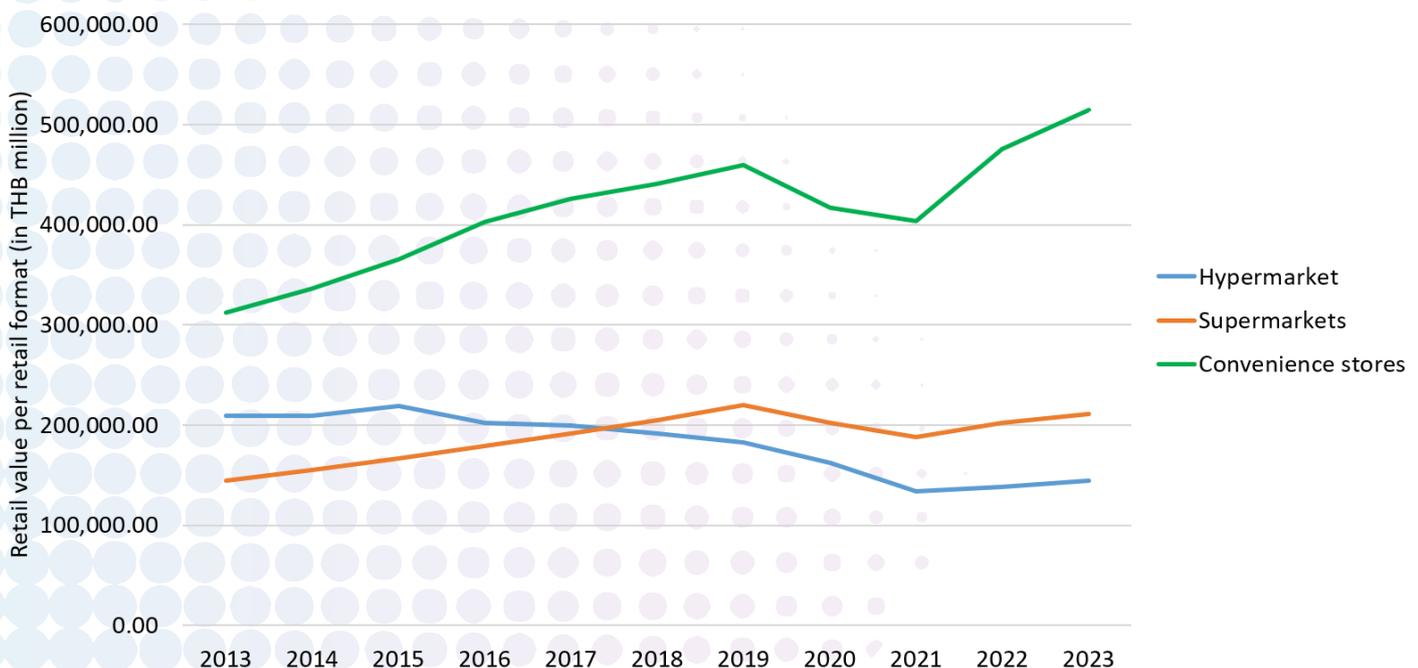


Figure 1 Modern trade retail value by retail format from 2013-2023

*Modern trade retail refers to a modern format of retailing that are better organized in supply chain management and buying, are and usually a chain store. It includes convenience stores, supermarkets and hypermarkets.

Thailand witnesses a rapid expansion of modern trade retail especially in urban city.

Results from the SEAOFE study showed that the retail company ranked first in convenience store, hypermarket and supermarkets was CP All company, Tesco Lotus and Central Group, respectively, (Figure 1)¹¹⁻¹³. 7-Eleven holds the highest number of branches with more than 10,988 branches nationwide; followed by Tesco Extra with 205 branches, and Big C with 147 branches.

Modern trade retail influences over Thai food supply chain.

The SEAOFE’s results highlight the role of modern trade retail as a link connecting producers, processors and distributors with Thai consumers (Figure 2)¹⁴. Particularly, the large chains have a strong influence on the supply chain from farming (order products through contact farming and central wholesale markets), processing (produce foods with their house brand and/or

supply products to their stores), trade and distribution (own distribution center or warehouse), to marketing (build relationships with consumers and meet consumer lifestyle). Their system is operated by a modern point of sale (POS) to facilitate stocking and sale processes.

Food retail markets are becoming oligopolies.

The SEAOFE study elaborates power of modern trade retail. Their power is supported by government measures to stimulate domestic consumption and greater public-sector investment by opening domestic market to foreign investors along with advanced technologies¹⁴. This is done through Free Trade Agreements, investment liberalisation and promotion of foreign direct investment¹⁵. This leads to turning the Thai retail markets to oligopoly which can risk the country's food systems and small retailers, and what consumers eat being controlled by a few large firms.

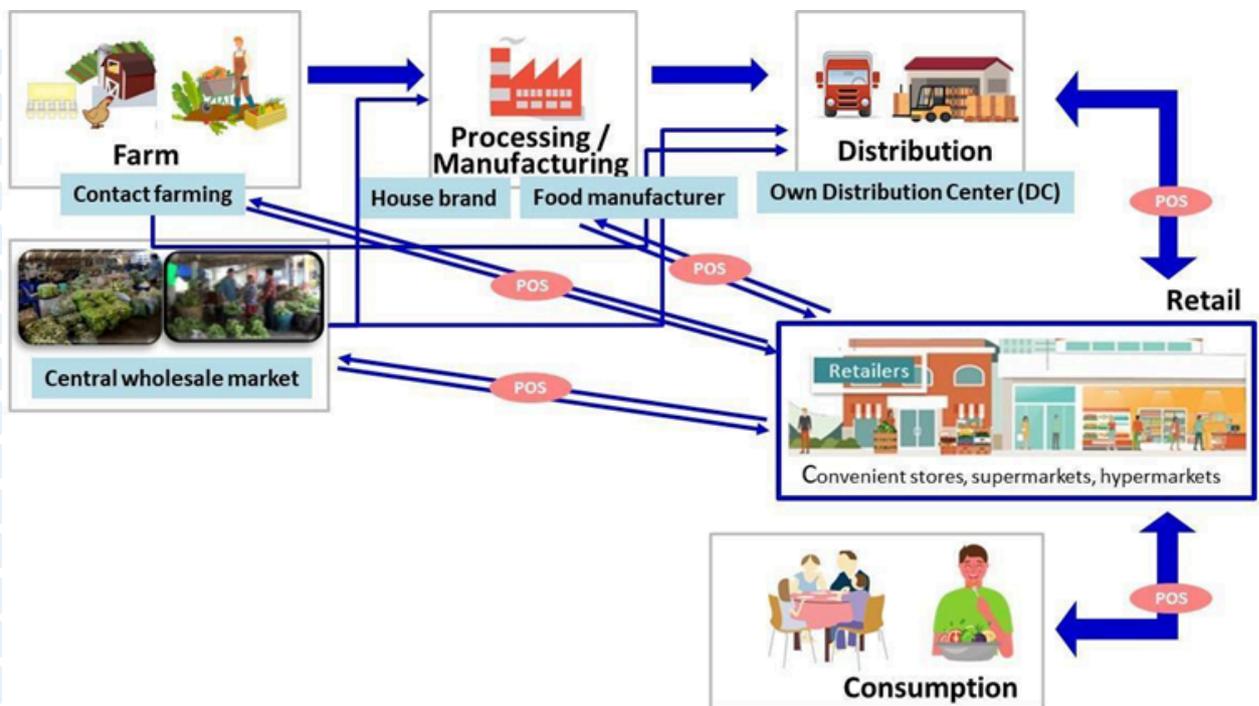


Figure 2 Modern trade retail mechanism in Thailand

Ultra-processed foods (UPF) take over food shelves.

UPF had the highest proportion of foods sold in modern trade convenience stores¹⁴. Top three most sold food and beverage products were snacks, sugar-sweetened beverages (milk products and soft drinks) and cheese and spread products (Figure 3).

The UPF are linked to higher risk of obesity and NCDs¹⁶, and can contribute to destruction of ecosystems (and thus climate change) than other food groups¹⁷.

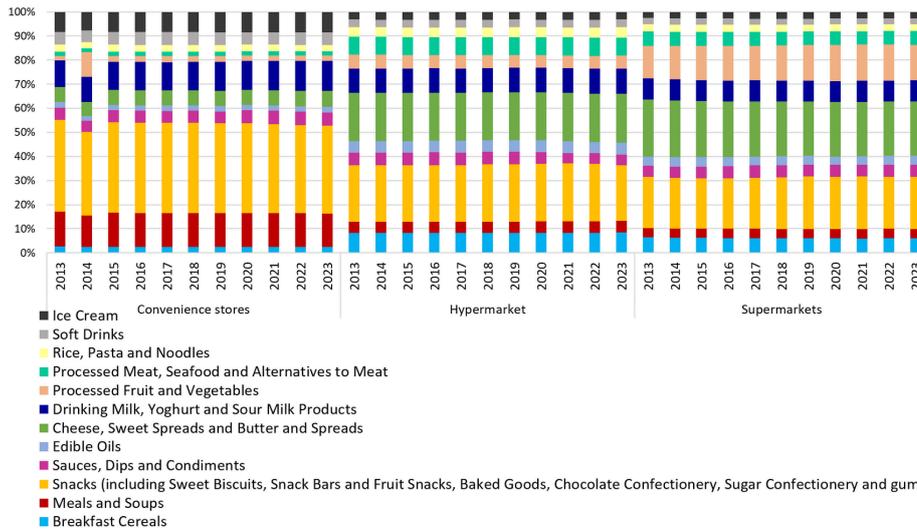


Figure 3 Proportion of foods sold in different retail formats in 2013 to 2023

Thai consumers lean more toward modern trade food retailing especially convenience stores. 57% of Thai consumers visit the convenience store because of quality, safety and variety of their product items, followed by place (good services, nearby location), reasonable price and store promotion, respectively¹⁴.

Food retail policy

Many food retail policies and actions are in place, but little focus on nutrition. Adhering to national laws and regulations majority of food retail policies developed focus on food hygiene and sanitation and safety (Figure 4)¹⁴.

Only three policies with nutrition objectives (Green Market, Less Sweet Order, Healthier Choice Gift baskets) were observed. Tools, mainly guidelines and standards have been identified as critical and recommendations that have been developed to provide framework for health actions in retail setting. These recommendations set a number of benchmarks and indicators, but does not place any legal obligations on policymakers.

The Ministry of Public Health occupies a unique role in the governance of health and nutrition while other ministries involved only in specific aspects of the health and nutrition systems and are mainly focused on economic policy objectives¹⁴.

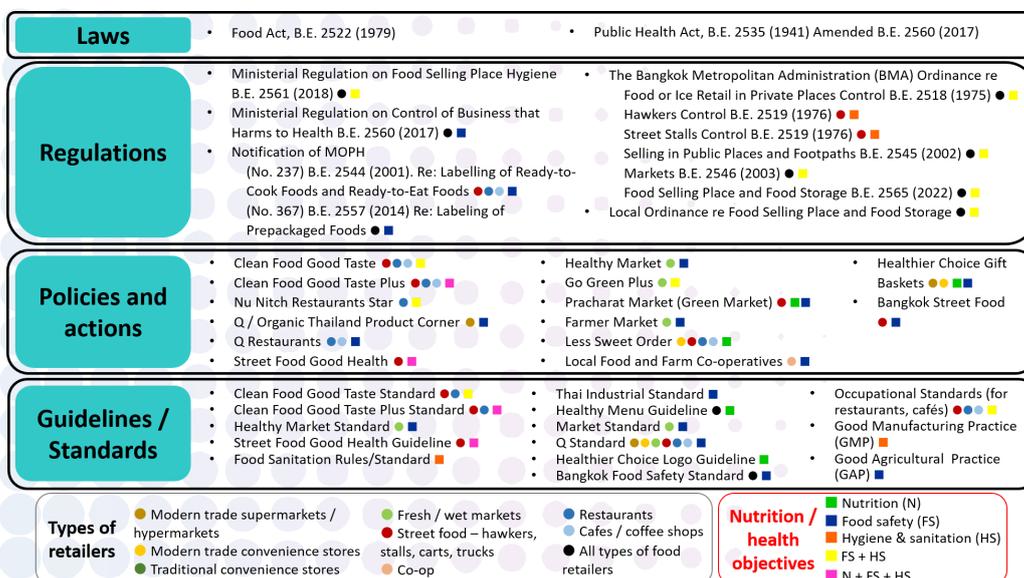


Figure 4 Thai Laws, regulations, policies and actions related to food retails with health and nutrition objectives

Policy tensions are a potential barrier to policy implementation and policy change. The government faces a challenge to design and implement policies that can manage the trade-off between economic activity and nutrition outcome, because food retail can contribute to both of these policy objectives. Different aspects of food retail policy appear at first to be incompatible and/or contradictory across the ministries and departments which work for retail setting¹⁴. Non-health ministries and departments in particular remained slow in the inclusion of nutrition.

The current policy focus regarding food retail was framed in a wider context of making Thailand become high-income country, emphasising more on applying food science, technology and innovation to turn Thailand's comparative advantage in biological and cultural diversity into international competitive advantage¹⁴. Non-health governments had little interest in building nutrition-sensitive retail policy and systems, but rather focused on productivity and efficiency. They focused on, for instance, developing infrastructure for the benefit of specific private interests such as large size retailers rather than for small, traditional or informal retailers. They were also seen to avoid taking certain actions against high-share companies than against small-share ones.

The needs of different stakeholders, incompatible or contradictory goals, and difficult trade-offs create unavoidable tensions across and within governments at both central and local levels. Conversely, this makes food retail policies for nutrition far more likely to be politically sustainable.

The future of the Thai food systems will be hugely shaped by government and company action on food retail – and whether they are held accountable to achieving both economic and nutritional goals. This is the only way to achieve the healthy, sustainable food systems. The governments cannot achieve this alone within their authority without the might of the corporate sector which their action on healthy food retail is still voluntary. Companies must also be held accountable for ensuring this, but these are not yet on their agenda.

A need for health and nutrition capture of corporate governance

Corporations influence over food systems.

Particularly, multi-transnational corporations redefine modes of food production and patterns of consumption, as well as prompting social and environmental consequences¹⁸. This leads to unprecedented threats to population health, food security and right to foods when public interest should be centered.

There is a risk of transnational food corporation activities that could undermine strong policy action to improve food retail.

In the case of the Philippines, for example, the ultra-processed food industry engaged a range of activities to influence food and nutrition policy processes in their favour¹⁹. In Mexico, the government was threatened to be sued by an unidentified children's cereal manufacturer during development of regulations to unhealthy foods marketing to children²⁰. In Thailand, food industry used multiple strategies especially information and messaging to shape nutrition and public health debates and tried to engage with policy makers through various forms²¹.

Taking corporate governance to a higher level with stakeholder-oriented ethic is a promising action to achieve economic and nutritional goals.

Good corporate governance can benefit investors, other stakeholders and people, while poor governance can lead to country's social instability and poor environment for economic growth²². There is a global shift from using a shareholder-oriented approach to adopting more stakeholder-oriented rules and practices in the global corporate governance²³. The corporations are called for being accountable, not just to shareholders, but to stakeholders which benefits of people and society should be center stage.

Corporate governance for health and nutrition benefits the company and government. Achieving improved health and nutrition is a global agenda. Corporate governance in the retail sector which involves accountability, transparency and fairness for health and nutrition affects the reputation of the corporation. This demonstrates that the company has effective mechanisms to manage qualities (nutrition and safety) of their products, as well as balancing it with business benefit successfully. This improves the organisation's reputation within their industry and increases brand value at national and global levels. This also provides a good professional reputation that attract partner companies in working with the organization, and that customers or consumers are more likely to view the company positively.

Modern trade retail industry is a critical engine of economic development and job creation in Thailand. Its good corporate governance is indispensable to build well-functioning institutions for economic growth, as well as higher social and human capital and better health which is a foundation of healthy economy. It can lead to efficient allocation of labor capitals and contributes to efficient job and financial markets. This can attract foreign investment.

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Making corporates accountable, a need for a public policy and a joined-up approach

Good corporate governance requires an appropriate public policy and an adequate legal and regulatory framework. Good corporate governance for promoting health and nutrition cannot occur without a support of a public policy as the corporate is formed within a government legal and regulatory framework. Therefore, the governments need to come up with the policy and law that can shape cooperate governance practices. The policy and law must be clear with a complete set of rules and with a proper enforcement mechanism. Accountable corporations can be key public institution-building ingredient for a transparent and accountable government and society.

Governments need a joined-up thinking which other stakeholders can contribute. Food and nutrition are social problems and social issues, involving health and non-health sectors. It is important to encourage stakeholder active participation in supporting and monitoring corporate behaviour, ensuring it functioned properly and ethically. Business ethics and corporate awareness of the societal and environmental interests of the societies in which a company operates can have an impact on that company's reputation and long-term success.

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