Warehouse supply drama has put charity tax breaks back in spotlight

Sasha Borissenko comment

Weet-Bix is back being sold by The Warehouse after Sanitarium pulled supply for a short time. Photo / NZME

Weet-Bix saga opens can of worms around competition

Who would have thought Weet-Bix would bring the country's questionable competition and charities framework into focus and open Pandora's box in the process?

Sanitarium made headlines in September, saying it would stop supplying Australasia's national treasure to The Warehouse, citing supply issues. Questions emerged why the Seventh-day Adventist-owned company didn't ration its supply among its retailers.

Following a "please explain" letter from the Commerce Commission, Sanitarium said it would reinstate its supply agreements and no breach of the Commerce Act had occurred.

New Grocery Commissioner Pierre van Heerden said Sanitarium's decision to continue to supply The Warehouse was "a real win for Kiwi consumers".

"It's encouraging to see suppliers and retailers work through these sorts of issues, and that is what should happen in a well-functioning market," van Heerden said.

The watchdog was "extremely concerned" about supply shortages impacting one retailer and acted on it accordingly. While Sanitarium's response was still under consideration, the Commerce Commission wouldn't comment further.

Too close for comfort?

Appointed in July, van Heerden was executive general manager of Sanitarium for 10 years from 2007. As a Weet-Bix kid for more than 10 years, are the commissioner's former ties to the company too close for comfort?

A Commerce Commission spokesperson said van Heerden's experience was a real asset as he understood and had first-hand experience in the sector, noting he had never worked or held shares in any supermarkets.

"As a previous supplier, his experience is invaluable when monitoring the sector. He has ended his links and obligations with the grocery sector some time ago and the potential for conflicts was considered in the appointment process."

First on the chopping block

Back to the Weet-Bix saga. A 1.2-kilo box of Weet-Bix is currently priced at $8.20 at Countdown, $8.19 ($6.99 with a Club Card) at New World, and $6 at The Warehouse.

Sanitarium general manager Michael Barton said manufacturers didn't set retail prices.

"Not forgetting that many Kiwis are battling through the current economic environment, during the last year, Sanitarium has continued to supply over 7 million serves of Weet-Bix to the community directly through its charitable programmes and partners," Barton said.

The press release pointed to Sanitarium's donations to New Zealand's Food Network website – a non-profit organisation that redirects surplus food from businesses to communities.

Grocery Commissioner Pierre van Heerden, a former executive general manager of Sanitarium, says Sanitarium's decision to continue to supply The Warehouse was "a real win for Kiwi consumers".

There's an irony in the company's original plans to scrap supplies to the cheapest Weet-Bix retailer on offer, yet highlighting its charitable endeavours in the same press release.

In other words, who needs to provide Kiwis with the ability to afford cheaper options, if donations can be made in other areas, which just so happen to be great PR?

Pay it forward

Under the name New Zealand Health Association Limited, Sanitarium is listed as a charity on the basis of education, training, research, health, and religious activities.

Meaning, the company receives tax breaks. Although Sanitarium declined to comment, its website says: "Sanitarium's primary purpose is the promotion of health food products. This is aligned with the 'whole person health' objectives of the Seventh-day Adventist Church.

"Sanitarium remains committed to its purpose of helping New Zealanders enjoy healthier, happier, and longer lives."

Weet-Bix may be full of fibre, but the ultra-processed food company is also responsible for the likes of Up&Go, Marmite, Peanut Butter, Cluster Crisps, Skippy cornflakes, Ricies, and Honey Puffs.

A 2021 study found 59 per cent of New Zealand's packaged food products were classified as "unhealthy" in 2018.

At the time, 22 companies dominated the market. Among those were Arnott's, Bluebird, Griffin's, Heinz Wattie's, Kellogg's, Nestle, Sanitarium, Coca Cola, and the two supermarket home brands.

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Charity amendments fall short

Should the Charities Amendment Bill 2023 have included clearer distinctions between charitable organisations and charitable businesses? Sanitarium's income tax-paying competitors could argue, yes.

Hell, there's also the question whether the "advancement of religion" should have been scrapped altogether, as New Zealand is a secular country.

A Tax Working Group (TWG) report flagged these issues in 2018, estimating 30 per cent of registered charities conducted business activities. The Seventh-day Adventist Church was listed in the top 10 charities with significant commercial assets.

In its final recommendations in 2019, the TWG said the underlying issue concerned how charities were using their profits for charitable activities. It recommended the Government should regularly review the sector's use of what would otherwise be tax revenue.

Alas, the ship sailed in 2018, when the Labour Government sought an official Charities Act review, noting it wasn't necessary to consider changing the definition of "charitable purpose", such as the advancement of religion. The Department of Internal Affairs said out-of-scope considerations could be looked at later, maybe.

And so it was. This year's legislation introduced changes that tinkered at the edges, including a non-legislative requirement for larger charities to report reasons for accumulating funds through annual return forms.

How the Grocery Commissioner handles the Weet-Bix saga is a wait-and-see. For the new charity financial return requirements, it's a wait-and-see.

Until then, it's a case of attempting to close Pandora's box, one Weet-Bix at a time.

Dividends

Payments

Company	Period	Cents a share	Ex date	Payable date	Imputation credit
Ak Airport	Fin	4.00	25/09	06/10	1.55
Briscoe	Int	12.50	19/09	11/10	4.86
Chorus	Fin	25.50	11/09	10/10	Nil
Col Motor	Fin	42.00	21/09	02/10	16.33
Comvita	Fin	3.00	04/10	26/10	1.16
Delegat	Fin	20.00	28/09	13/10	7.77
Fletcher Bld	Fin	16.00	14/09	05/10	6.22
Fonterra	Fin	40.00	27/09	13/10	Nil
Fonterra SF	Fin	40.00	27/09	13/10	Nil
Genesis	Fin	8.80	21/09	06/10	3.42
Hallenstein	Fin	24.00	07/12	15/12	7.00
KMD Brands	Fin	3.00	04/10	20/10	Nil
NZX	Int	3.00	20/09	05/10	1.16
PGG Wright	Fin	10.00	14/09	03/10	3.88
Port Taur	Fin	8.80	21/09	06/10	3.42
Skelllerup	Fin	14.00	28/09	13/10	2.72
South Port	Fin	19.50	25/10	07/11	7.58
Spark NZ	Fin	13.50	14/09	06/10	5.25
Turners Auto	Int	6.00	10/10	27/10	2.33
Warehouse	Fin	8.00	15/11	01/12	3.11