

Foodstuffs South Island: Supplier Guidance to Wastage

FSSI's obligations around wastage under the Grocery Supply Code

As a retailer, FSSI must be compliant with the Grocery Supply Code, which from 1 May 2026 says:

The retailer must not directly or indirectly require a supplier to make any payment to cover any wastage of groceries incurred while the groceries are under the effective control of the retailer or an agent or contractor of the retailer.

What is wastage?

*“Groceries that are **unfit for sale.**”*

“Claims for wastage” are raised to Suppliers via either Proforma Credit (PC) claim or Returns Purchase Orders (RPOs) for stock unfit for sale.

The following products do not meet the definition of “groceries” and are excluded from this guidance: flowers, greeting cards, magazines, newspapers, tobacco & vapes.

When does FSSI take effective control?

FSSI takes **effective control** when stock has been **receipted** into either the Distribution Centre (DC) or the Store, with the exception of stock that has been ordered into the DC or store by the Supplier (for which the Supplier retains effective control, e.g. Vendor Managed Inventory, VMI).

The Supplier remains liable for products that were damaged/defective before they were under retailer control, even if discovered while under retailer control.

Where stock is pay-by-scan, the Supplier retains ownership until the goods are sold, and any unsold product is uplifted by the Supplier.

FSSI/Stores **CAN** claim for wastage **from Suppliers** when:

- The damage, defect or issue was due to **Supplier action or omission**, regardless of whether or not the product is in FSSI's/Store's effective control
- Products that were **ordered into the Distribution Centre or Store by the Supplier** have become short-dated or have expired and are therefore unfit for sale
- The Supplier requests FSSI to **hold VMI** overstock in the DC and it becomes dated

FSSI/Stores **CANNOT** claim for wastage from Suppliers when:

- Products have been **damaged as a result of action or omission by FSSI or Stores** (including during transport from the DC to the Store)
- Products that were **ordered by FSSI/Store** have become **short-dated or have expired**
- The Supplier requests FSSI to **hold non-VMI** stock in the DC and it becomes dated (even if the Supplier had agreed ahead of time to credit any wastage)

How will FSSI/Stores determine if there is a claim for wastage from Suppliers?

To determine if a claim for wastage can be made, FSSI/Stores will always assess:

1. Who caused the issue to arise (FSSI, Store, Supplier, or customer), **AND**
2. Who had effective control at the point the issue arose (it is not always relevant when the issue was noticed, and it is not always relevant where the issue was located), **AND**
3. Has FSSI and/or the Store taken reasonable steps to mitigate the wastage (where possible), **AND**
4. Is the claim for wastage reasonable in the circumstances.

What does this mean for Suppliers?

From 1 May 2026, Suppliers should note that:

- FSSI will only claim a credit and/or require return for products that are fit for resale (i.e. in overstock scenarios, before product becomes wastage)
- Where stock has become dated and is no longer fit for sale:
 - FSSI/Stores cannot accept payment or credit from the Supplier, unless the Supplier ordered the products
 - FSSI can only claim credits for VMI stock in the DC
 - The same rules apply to new supplier product (NPD) stock
- There are no changes to pay-by-scan arrangements, i.e. the Supplier is only paid for the products after they are sold, and any unsold product is uplifted by the Supplier
- Any existing (pre-1 May 2026) Store Commercial Terms Agreements (SCTAs) with Suppliers around dated stock wastage payments for Store-ordered stock are not Code-compliant and are not enforceable.

Working together

- Suppliers should:
 - Work with Stores and the FSSI Procurement Team to clear short-dated stock that is still fit for resale
 - Educate your reps on what is and isn't compliant post-1 May 2026
 - Ensure your reps do not make proposals / offers to Stores that would lead to the Store breaching the Code

What's happening with Ullage?

Ullage is a % term on products to cover minor damage (one carton or less)

Ullage still applies to cover the cost of small wastage claims due to the act or omission of the vendor/supplier, as it is uneconomic for the parties to take the time to process this type of claim.

Accordingly there is no change to ullage from 1 May 2026. If you wish to discuss your agreed ullage term please contact your Category Manager.

Questions about wastage claims

If Suppliers have any questions or concerns about a wastage claim, they should get in touch with the relevant FSSI contact who raised the claim. We will respond in a timely fashion and can provide detail to support the claim. Discussions will be undertaken transparently and in good faith.

FAQs:

Q: If a store buys clearance stock at a heavily discounted price, and it doesn't all sell through before dating out, can they claim wastage?

A: No. If the store ordered it, they cannot claim on dated stock.

Q: Where does the responsibility sit for clearing stock from the DC through to store where it is at risk of dating?

A: Suppliers are responsible for clearing VMI stock. For non-VMI, FSSI would ask for assistance in clearing the stock.

Q: Does wastage include claims for damaged stock?

A: Yes, if the damage was caused by supplier action or omission.

Q: Is sale or return available for short-dated stock?

A: Yes, but only if enough runway is left in terms of the life of the product to enable re-sale and therefore support credit and return.

Q: Is it ok to replace dated stock with fresh stock? i.e. TM brings in new stock of the same item and removes the expired stock.

A: Only if the Supplier ordered the stock. If the Store ordered it, then it is not ok to do this, as it would be considered to be an indirect wastage payment ("payment in kind").

Q: Are suppliers able to assist with additional scan for close-to-date stock to sell through on clearance? i.e. where the store has ordered and it's a short shelf-life product

A: Yes, we welcome any opportunity to work together to minimise wastage.

Q: What's the difference between ullage and wastage?

A: Ullage is a % term that covers damage of one carton or less. Any wastage that is covered by ullage is not claimed on separately.

Q: How is damage handled if it is caused by one of our field team doing merchandising activities? Is it a % of ullage payment or a manual credit claim?

A: If the damage is one carton or less, and you have an agreed ullage-rate with FSSI, it would be covered by ullage. If it's not covered by ullage, and the merchandiser is responsible for the damage, then the store could make a wastage claim, or the field member could do a manual credit claim.

Q: If VMI stock is under the control of the supplier, will KPIs and Xmas season limits on the number of order changes still apply? (limiting the number of order changes a supplier can make means the supplier doesn't have full control of the VMI stock)

A: Under a VMI arrangement, suppliers play a lead role in managing inventory, with FSSI retaining oversight through agreed KPIs and operational controls. These controls, including Christmas seasonal order change limits as previously advised, continue to apply under VMI. Where proposed order changes exceed the advised limits, Foodstuffs approval is required to ensure additional volumes are justified and that DC inwards capacity remains manageable during peak trading periods.

Q: What does “supplier ordered” actually mean?

A: Where a Supplier places the Purchase Order (PO).