

Balancing of competition requirements with cooperation between role players, market information and economics of scale

Oupa Bodibe

22 February 2011

AGENDA



- Commission's cases in the food value chain
- Information exchange
- Role of Trade Associations

Commission's investigations



- The Commission's investigations in the food and agro processing value chain:

Inputs	Storage	Processing/Manufacturing	Retail
a. Fertilizer	a. Senwes	a. Poultry – broilers and eggs	Supermarkets – focus on key staples: - Fish; - Poultry - Milk - Vegetable oils and margarine - Bread, flour & mealie meal - Pilchard
b. Commercial Diesel	b. NWK/RMB	b. Vegetable oil and margarine	
c. Yeast		c. Pilchard – tinned fish	
d. Tinplate		d. Wheat and Maize – and wheat and maize products (bread, mealie meal)	
e. Fishing		e.	
f. Poultry Breeding Stock			
g. Poultry Feed			
h. Animal Feed			

Information Exchange



- Sections of the Act:
 - ✓ Section 4(1)(a) agreement or concerted agreement likely to substantially prevent or lessen competition (Rule of reason)
 - ✓ Section 4(1)(b) agreement or concerted agreement that directly or indirectly fixes a purchase or selling price or other trading conditions; customer allocation or collusive tendering

Relevant factors to assess information sharing



- Nature of the product, i.e. Homogenous and inelastic demand;
- Competitors and type of competition – level of concentration, barriers to entry, competition through pricing, quality etc.
- The level of detail of information exchanged – level of disaggregation or aggregation & type: sales, costs, capacity
- The age of information shared – historical, current, future or publicly available

Pro-competitive information exchange



Spreading of technological knowhow and intellectual property;

Providing better information to customers;

Allowing benchmarking among industry participants, which if done in relation to costs could lead to efforts to reduced costs;

Resulting in more effective decision making

Resulting in more accurate demand and supply forecasts and therefore better allocation of resources.

Harmful information exchange



- Nature of information exchanged: prices, costs, output levels, market demand, capacities or customer details
- Increasing market transparency & reduce uncertainty about competitor's action.
- Monitor adherence to an agreed price or volume.
- Punish deviations from agreed price or volume.

Trade Associations



- Regulated by section 4 of the Act which prohibit collusion by firms or associations. Association not allowed to:
 - Directly or indirectly fix prices or trading conditions;
 - Allocate customer or territories;
 - Engage in collusive tendering
- Firms can cooperate through cooperatives & joint ventures subject to:
 - Efficiency justifications or
 - Exemption if anti-competitive i.r.o. exports, black economic empowerment or Ministerial designation – economic stability or sector in decline

THE END

OUPA BODIBE

**Manager: Advocacy and Stakeholder
Relations**

oupab@compcom.co.za

012 394 3267