



# ***Competition issues in the Sugar sector***

*Brussels, 19 Mars 2019*

**Paul CSISZAR**

Director

Basic Industries, Manufacturing and Agriculture

## ***Competition Authorities have been active in the Sugar sector for a long time***

### **Types of competition issues addressed in the past :**

#### ➤ **Cartels of sugar processors**

- Market sharing and price fixing agreement “Suiker Unie” 1975 (EU Commission)
- German Sugar cartel fixing sales areas, quotas and prices 2014 (German Competition Authority)

#### ➤ **Dominant sugar suppliers excluding competitors**

- Price discrimination “Irish Sugar” 1997 (EU Commission)
- Margin squeeze abuse “British Sugar” 1988 (EU Commission)

#### ➤ **Cooperatives preventing farmers from switching**

- Relaxation of exclusivity conditions imposed by dominant cooperative Tereos on farmers (French Competition Authority)

#### ➤ **Mergers removing competitors**

- Acquisition of Danisco Sugar by Nordzucker, subject to conditions 2009
- Südzucker's acquisition of control over ED&F MAN, subject to conditions 2012 (EU Commission)



## ***The new competition outlook after liberalisation of the Sugar sector***

- Before 2017 limited competition in the EU Sugar sector due to production limits and minimum beet prices
- Since 2017 more competition on volumes and lower prices  
Not unexpected: it is what liberalisation aimed to achieve
- The market might be also affected by external factors like climate conditions (bumper harvest in 2017/2018)
- Competition means also repositioning on the market  
As usual, operators need a transition period to reposition themselves on the market
- It seems early to draw conclusions  
We are all learning from this new situation

## ***Concentration in the Sugar sector***

- The current situation in the sugar sector promotes cost-based competition and economy of scale among producers and might lead toward an increased concentration
- Increased concentration may or may not lead to lower competition
- Competition Authorities will monitor and will be vigilant to maintain competition, especially when reviewing acquisitions in the Sugar sector

## ***Can “low prices” of sugar be a competition issue?***

- The short answer is “yes, but not very often”
- Generally, **prices are signals for operators about the state of balance between supply and demand**. For example, low prices can signal excess supply that calls for reducing output

### **Predatory pricing as an abuse of a dominant position**

- Low prices of a sugar supplier can be a problem under the following conditions:
  - The sugar supplier is dominant
  - It is selling “below its costs”
    - Either it is selling at a price below its variable costs
    - Or it is selling below its total costs and has a strategy to eliminate competitors

## ***Can “low prices” of beet be a competition issue?***

- **Short answer: theoretically yes, there can be two kinds of situations**
- **Potential cartel of beet buyers**
  - If beet suppliers can choose between several processors
  - And these processors have agreed on prices to pay or on the quantities to buy or on the allocation beet suppliers
  - Examples in other sectors: milk buyer cartel in Spain, live pig buyer cartel in France
- **Possible Monopsony**
  - If there is a “monopsonist” for the purchase of beet
  - And there is not enough competition downstream for the sale of sugar  
=> the “monopsonist” does not pass on the lower cost of beet



*Thank you  
for your attention*

**Paul CSISZAR**

Director

Basic Industries, Manufacturing and Agriculture