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**ANTI-COMPETITIVE PRACTICES AND FOOD
PRICE INFLATION IN SOUTH ASIA**

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Presentation OUTLINE

- Introduction
- Trajectory of food inflation in South Asia
- Competition Issues in Agro-Food Sector
- Anti-competitive Practices
- Conclusion
- Recommendations
- Future Research Agenda
- References

Introduction

- ❑ Traditional IO Approach: SCP Paradigm: market *structure* is responsible for product-price determination
- ❑ Competition Distortions leads to *market failure* results in *price instability*
- ❑ Competition Policy and Law – a tool to alleviate market failure
 - ✓ *Competition policy*: affect structure and conduct of firms
 - ✓ *Competition law*: prevent anti-competitive business practices or market failure
- ❑ **Food market structure** - coexistence of organised and unorganised sector. E.g., Foodgrains, [Food Retail](#)
- ❑ Food Price inflation in South Asia is a structural problem

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The Trajectory of Food Inflation in South Asia

General Inflation and Food Inflation in Major South Asian Economies
(y-o-y change in percent)



Source: Bangladesh Bureau of Statistics, Reserve Bank of India & Office of Economic Advisor, Nepal Rastra Bank, State Bank of Pakistan & Central Bank of Sri Lanka

	Growth Rates* (in %)	
	2000-2011	2007-2011
Bangladesh	7.0	8.3
India	6.0	10.5
Nepal	8.0	13.3
Pakistan	11.0	15.4
Sri Lanka	8.0	10.0

* Significant at 5% level of significance.

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Competition Issues

- ❑ Market distortions in the sector lead to anti-competitive practices
 - Impact:** Increase the price differential between farm gate and the retail level
- ❑ Typical **market distortions** include:
 - State intervention in the market
 - Inadequate marketing , storage and transport infrastructure
 - Barriers to entry in domestic trading services
 - Traders/ intermediaries dominance, more market power
- Impact:** Increasing integration affects competition in the sector
- ❑ Barriers to intra-country commodity movements

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Anti-competitive Practices

❑ Collusive Practice

Examples:

- ✓ Collusion among ghee and oil manufacturers and their association to fix their prices at a higher level in Pakistan
- ✓ Collusion among intermediaries/ middlemen in vegetable farming in Bangladesh
- ✓ Buyers' Concentration and collusion in wheat market of North India

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Anti-competitive Practices

❑ Cartelisation

Example:

- ✓ Cartels in the poultry industry in Pakistan
- ✓ Cartels in *onion trade* across Maharashtra, Punjab and Haryana in India

❑ Barriers to Entry

Example:

- ✓ Entry barrier by large conglomerates in Sugar Industry in Bangladesh

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Conclusion

- ❑ Food sector: mostly unorganised which leads to market imperfection
- ❑ Limited scope of competition regulation so far in South Asian countries
- ❑ Agro-food market in the region is performing inefficiently due to state intervention in pricing, entry barriers and lack of effective regulation in retail sales
- ❑ Promoting competition will help improve resource allocation by farmers, as well as allow consumers to benefit from competitive prices of food

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Recommendations

- ❑ **Necessary government intervention** in terms of regulatory/legislative reform
- ❑ Addressing food inflation requires a **strong governance** of the food production and policy system
- ❑ **Need for adoption and effective implementation of competition and regulatory regime in South Asia**

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Future Research Agendas

- ❑ **Competition Impact Assessment** : whether the existing legislation is encouraging anti-competitive practices or not
- ❑ **Role of Private investment in enhancing competition in the sector:** investment – competition interlinkages, regulatory issues
- ❑ **Promoting regional agricultural trade** : trade- competition interlinkages, regulatory issues

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References

☐ Research Paper/Articles:

- *Anti-Competitive Practices and Food Inflation : The South Asian Context*, Discussion Paper, SAWTEE,2012.
- *Anti-Competitive Practices and Food Inflation in South Asia, Trade Insight*, SAWTEE, Vol. 8, No.1: 33-35.

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Thank You

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