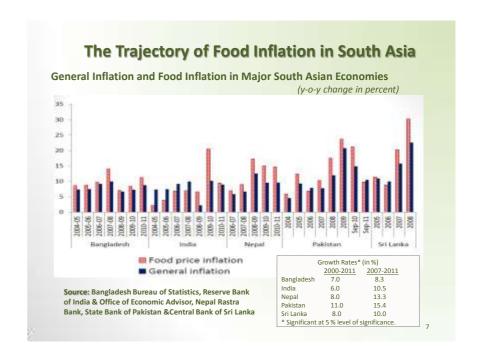
Regional Consultation on Trade, Climate Change and Food Security in South Asia 20 - 21 December 2012, Kathmandu, Nepal ANTI-COMPETITIVE PRACTICES AND FOOD PRICE INFLATION IN SOUTH ASIA Dr. Anusree Paul

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



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
 - o Inadequate marketing , storage and transport infrastructure
 - o 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

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

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:

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 Discussion Paper, SAWTEE, 2012.
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Thank You

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