

## Frozen Meat Suppliers

1424<sup>th</sup> Commissioners' Meeting (2019)

Case: Frozen meat suppliers was complained for violating the Fair Trade Law for engaging in concerted actions

Keyword(s): Frozen meat

Reference: Fair Trade Commission Decision of February 20, 2019 (the 1424<sup>th</sup> Commissioners' Meeting)

Industry: Slaughtering (0811)

Relevant Law(s): Articles 14 and 15 of the Fair Trade Law

### Summary:

1. The media reported that the wholesale price of pork hit record high when it reached NT\$85 per kilogram at the Ghost Festival in 2017. The wholesale price then dropped to NT\$60 per kilogram on Apr. 19, 2018 while the retail price remained as high as NT\$150 per Taiwanese kilogram (tw-catty, 600g). Certain businesses making a big profit from the price difference was suspected. The FTC therefore initiated an investigation to find out whether frozen meat suppliers had jointly lowered the price in violation of Article 15 of the Fair Trade Law.

2. Findings of the FTC after investigation and the results:

- (1) Lee Tah Farm Industries Co., Ltd. (hereinafter referred to as "Lee Tah Farm Industries" ) and 16 other frozen meat suppliers usually purchased pigs at various wholesale meat markets by bidding, although a small number of them got their supply directly from farms. Their clienteles included food processing businesses, hypermarkets and supermarkets, meat wholesalers, restaurants, and catering services. No matter whether there were signed contracts or not, the transaction prices normally would be adjusted in accordance with the pig auction prices in wholesale meat markets.
- (2) The aforesaid frozen meat suppliers were very different in scale and sold to different customers. Their gross profit rates and net profit rates also varied. However, there was no restriction on importation of frozen pork. In 2017, there were 127 (123 in Jan. to Oct. 2018) frozen pork importers competing in the market. The market structure was by no means advantageous for frozen meat suppliers to engage in concerted actions in fixing prices.
- (3) Between January 1 and April 30 in 2018, Lee Tah Farm Industries and other frozen meat suppliers sold pork shoulder butt, pork leg, pork loin and pork belly at different prices while the price adjustment margins and time points also differed. In addition, when pig auction prices at all the wholesale meat markets fell greatly between March and April in 2018, the prices of meat products also went down, but there was no evidence suggesting that frozen meat suppliers had jointly made price decisions or reduced the prices.
- (4) Since most frozen meat buyers were food processing businesses, hypermarkets and supermarkets, meat wholesalers, restaurants, and catering services that purchased large quantities, they had rather considerable buyer power. Their transactions with frozen meat suppliers were carried out through negotiations or tenders. After meat items, specifications, unit prices, ways of payment and other

transaction terms were decided, both sides would sign meat supply contracts and the prices of different meat items would be adjusted during the contract period according to the pork auction price fluctuations in wholesale meat markets. Frozen meat suppliers were not powerful enough to decide meat prices unilaterally. Besides, the transaction terms of each frozen meat supplier were different. Even if price adjustments were made, the time points, margins and frequencies were all different.

- (5) Based on existing evidences, the FTC found it difficult to conclude that Lee Tah Farm Industries and the 16 other frozen meat suppliers had engaged in any concerted action to reduce meat prices in violation of Article 15 of the Fair Trade Law.

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