

## **Dachan Great Wall Group and 5 Other Companies**

1510<sup>th</sup> Commissioners' Meeting (2020)

Case: Dachan Great Wall and 5 other companies were complained for jointly increasing animal feed prices

Keyword(s): Animal Feed, animal husbandry

Reference: Fair Trade Commission Decision of October 14, 2020 (the 1510<sup>th</sup> Commissioners' Meeting)

Industry: Manufacture of Prepared Animal Feeds (0870)

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

### Summary:

1. Dachan Great Wall Group (hereinafter referred to as "Dachan Great Wall"), Cargill Taiwan Corp. (hereinafter referred to as "Cargill Taiwan"), Kuo Hsing Poultry and Livestock Feeds Co., Ltd., Morn Sun Feed Mill Corp., Fwusow Industry Co., Ltd., and Charoen Pokphand Enterprise (Taiwan) Co., Ltd. were accused of engaging in a concerted action and jointly raising animal feed prices respectively in November and December 2018. Therefore, the FTC initiated an investigation.

### 2. Findings of the FTC after investigation:

Dachan Great Wall and the other five companies each increased its animal feed price by NT\$0.3 per kilogram in November 2018. Cargill Taiwan made the raise 12 days apart from the others. However, the remaining five companies made the increase within only 2 days apart each other. Later in December, the six companies all raised their prices again by NT\$0.2 per kilogram. Cargill Taiwan adjusted its price 11 days apart from others, but the other five companies made the price adjustment only one day apart from each other.

### 3. Grounds for non-disposition:

(1) The main livestock and poultry feed items were different and the actual selling prices therefore varied. The price increases made by Dachan Great Wall and the other five companies were the result of rising prices of corn, the main ingredient needed to produce feeds. The prices of domestically available corn and international corn futures were also on the rise at the time. Besides, the feed price increase decision-makings and operating procedures of the six companies were not similar at all. There was no evidence indicating that the six companies had achieved a mutual understanding and jointly made the price adjustments.

(2) The cost structures of feed suppliers were similar. Fluctuations of international raw material costs had an impact on almost all animal feed businesses. Moreover, the salespeople of the six companies could find out from breeders at the downstream if their competitors had raised their prices. Moreover, as real-time communications software was increasingly popular, the price adjustments made by each feed supplier would be transparent and would be quickly spread over the market. In consequence, it could easily lead to the result of rather close price adjustment times.

(3) While the price increase decisions of Dachan Great Wall and the other five companies were made, in addition to the concerns of cost hikes, the ability of

breeders to afford the extra burden also had to be taken into account since feeds made up a rather high percentage of the overall breeding costs. For this reason, the two increases mentioned above were only NT\$0.3 and NT\$0.2. Furthermore, the mode of the price increases was not any different from those in the cases that the FTC had investigated in the past.

- (4) Based on existing evidences, the FTC found it difficult to conclude that Dachan Great Wall and the other five companies had jointly increased animal feed prices that was in violation of the Fair Trade Law.

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