

## **Dried Scallop Importers**

1597<sup>th</sup> Commissioners' Meeting (2022)

Case: Dried scallop importers violated the Fair Trade Law for jointly raising prices

Keyword(s): Dried scallop, information exchange

Reference: Fair Trade Commission Decision of May 5, 2022 (the 1597<sup>th</sup> Commissioners' Meeting); Disposition Kung Ch'u Tzu No.111022

Industry: Wholesale of Other Food (4549)

Relevant Law(s): Article 15 of the Fair Trade Law

### Summary:

1. The media reported that prices of imported products all went up because of port congestion. As a consequence, there was a shortage of dried scallops and their prices increased by more than 20%. In order to prevent joint price gouging by related businesses from affecting the supply-demand function, the FTC launched an ex officio investigation into the dried scallop market.
2. Findings of the FTC after investigation:
  - (1) Tou Hou Group (including Che Sheng Trading Co., Ltd., Chun Che Trading Co., Ltd., Tou Hou Trading Co., Ltd. and Feng Che Trading Co., Ltd.) and Ly An Group (including Ly An Trade Co., Ltd. and Jin Chu Trading Co. Ltd.), the major domestic scallop importers, took advantage of the rising demand before the Chinese New Year and jointly increased the prices of dried scallops since November 2021 to make a big profit. In 2021, Tou Hou Group imported a much larger amount than Ly An Group. As a result, the purchase cost was lower and the group should have been able to give back to the market by offering more advantageous prices to increase its competitiveness. Meanwhile, compared to 2020, the overall import costs of the two groups were lower. An assessment showed that the ups and downs of prices of dried scallops of different sizes were dissimilar. Obviously the price increase involved no cost factors and the two groups had no reason to raise prices consistently.
  - (2) Tou Hou Group and Ly An Group had been dried scallop importers for years. They used LINE to share the information as to prices of dried scallops and pictures of dried scallops sold by competitors to confirm products and prices. They also talked about the difficulties of staying in business and how many competitors had closed down. The selling prices indicated that both groups had exchanged information regarding the scallop price increase. After taking into account the price adjustment

factors, the FTC concluded that the offenders had established a mutual understanding regarding price increase.

3. Grounds for disposition:

- (1) The six companies of Tou Hou Group and Ly An Group reached a mutual understanding on increasing dried scallop prices. It was able to affect the supply-demand function in the related market and was in violation of the regulation against concerted actions in Article 15(1) of the Fair Trade Law.
- (2) After taking into account that the offenders were cooperative throughout the investigation and the violation was their first time, the motive and purpose behind their unlawful act, the duration of the violation, the level of harm to trading order, the profit obtained from the unlawful act, and the factors to be considered as listed in Article 36 of the Enforcement Rules of the Fair Trade Law, the FTC cited the fore part of Article 40(1) of the Fair Trade Law, ordered the offenders to cease the unlawful act, and imposed administrative fines of NT\$1 million on Che Sheng Trading Co., Ltd., Chun Che Trading Co., Ltd., Tou Hou Trading Co., Ltd. and Feng Che Trading Co., Ltd. respectively, and NT\$500,000 on Ly An Trade Co., Ltd. and Jin Chu Trading Co. Ltd. respectively.

Appendix:

Tou Hou Trading Co., Ltd.'s Uniform Invoice Number: 13194325

Feng Che Trading Co., Ltd.'s Uniform Invoice Number: 82065634

Che Sheng Trading Co., Ltd.'s Uniform Invoice Number: 79335108

Chun Che Trading Co., Ltd.'s Uniform Invoice Number: 82065629

Ly An Trade Co., Ltd.'s Uniform Invoice Number: 84282088

Jin Chu Trading Co. Ltd.'s Uniform Invoice Number: 97093031

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