

Food Quality Certification – Adding value to farm produce
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Food Quality Schemes and Competition Rules

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Why do we need competition rules?



- Competition rules ensure that markets
 - remain competitive: antitrust policies and merger control
 - become competitive: liberalisation

Competition Policy



- Economic Efficiency
 - Maintenance of Effective Competition
 - Consumer Welfare
 - Productive, Allocative and Dynamic Efficiency

- Other goals of competition law
 - eg. Single Market objectives

Techniques of Competition Law



- Control the existence of monopoly/monopsony or other market power and its abuse
- Control oligopolistic markets
- Prevent mergers which lead to a concentration in market power
- Prevent restrictive horizontal and vertical agreements

Market Power



- Firms which can profitably raise prices above marginal cost; ie, which can raise prices without losing sales, have market power
- When firms, individually or collectively, are able to restrict output, increase prices above competitive level and earn monopoly profits, society suffers as a whole (same is true for monopsony profits with “reverse” indicators)
- Product markets and geographic markets

Food quality schemes and competition rules



- DG Competition has very little experience on food quality schemes (FQS); no complaints or ex officio investigations
- Different tools for making the markets function better:
 - Regulation vs competition law instruments

Analysis of FQS under competition law



- Who has market power?
- Technically, FQS are vertical arrangements between the buyers and the producers of the goods
 - Competition authorities may intervene if FQS are used as a tool for abusing market power (eg. buying power) or when they lead to reduction of consumer welfare by for example foreclosing other competitors

Analysis of FQS under competition law (*cont.*)



- Competition authorities may also intervene in case of cartel-like behaviour (horizontal coordination) on the part of the producers or the buyers:
 - Agreement among competitors
 - Restrict entry
 - Decrease output

note: for cartels, establishment of market power is not necessary

FQS and Competition law



■ Conclusion:

- If seller/buyer has market power (eg, monopsony/oligopsony) and FQS are contributing to the abuse of such market power or otherwise foreclose other competitors, at the detriment of consumers, ie:

- negative effects on total input/output and
- subsequent impact on consumer prices/choices or quality

➡ *there may be a violation of competition rules*