

# FAS Russia: antimonopoly measures against growing prices for agricultural and food products

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In view of adverse climatic conditions in most regions of Russia, that can cause losses of agricultural products, FAS Russia has tightened its control over the situation on the market of agricultural and food products, giving relevant instructions to its regional offices.

In August 2010 FAS has initiated over 25 antimonopoly cases upon the facts of fixing monopolistically high prices for agricultural and food products, refusing or evading contracts without any economic justification, concerted actions of economic entities towards increasing prices, etc.

FAS Russia has become aware of the incidents when different non-commercial associations of producers and processors of agricultural and food products concluded agreements aimed at fixing and or maintaining prices. In this connection, FAS would like to state that such agreements are contrary to the antimonopoly law. Under Part 2 Article 13 of the Federal Law "On Protection of Competition" such agreements can only be allowed by the Government of the Russian Federation issuing a special normative legal act.

Analysis of the latest information shows that flour prices keep growing in nearly all constituent territories of the Russian Federation.

Milling enterprises have increased ex-works flour prices on average 20- 40%, sometimes higher. Prices have gone up in the Altai region, the Republic of Bashkortostan, the Republic of Mordovia, Zabaikalye, Krasnoyarsk, Vologda, Irkutsk, Kemerovo, Kostroma, Nizhniy Novgorod, Tver and Tula regions, and some other areas. The underlying reason for such price increase is that grain stocks purchased before the panic grain demand at low prices are exhausted and companies started producing flour from "expensive" grain. Retail prices for wheat have also increased by 7% - 20% (Arkhangelsk, Voronezh, Irkutsk, Kirov, Novgorod and some other regions).

Upon discovering the signs of violations of the antimonopoly law, regional offices of FAS Russia initiated cases and are carrying out investigations.

For example, on 18th August 2010, Karelia OFAS Russia initiated a case against "Kondopozhsky Bakery Works" OJSC for the signs of violating Part 1 Article 10 of the Federal Law "On Protection of Competition". The company infringed the interests of other persons by increasing prices for flour, produced by "Kondopozhsky Bakery Works" OJSC and sold to wholesale buyers, without any economic or technological justification.

In the Moscow region OFAS discovered that many enterprises simultaneously increased flour prices, which indicates the signs of concerted actions on the market of production and distribution of these products.

On 31st August 2010, the Penza OFAS Russia will consider a case against "Penza Bakery

Works". OFAS suspects that the company failed to comply with the Federal Law "On Protection of Competition" in its activities for producing and distributing wheat and rye flour.

Similar cases are opened in the Republic of Tatarstan, the Republic of Chuvashia, Tula and Chelyabinsk regions.

At the same time, no dramatic rise of retail prices for bakery products, particularly socially important types of bread, has been observed. In many regions bread prices remain stable because according to supply contracts between bread plants and retail chains, suppliers must notify retail chains thirty days prior to changing prices. Currently such notifications have been sent to retail chains from multiple bread plants. According to expert estimations, bread prices can increase by 10-15% at the end of August – beginning of September 2010.

In some regions of the Russian Federation, including the Republic of Bashkortostan, Amur, Irkutsk, Kostroma, Kemerovo, Moscow, and Novgorod regions and the city of Moscow ex-works and retail bread prices have already increased, which is consistent with expert estimations.

Antimonopoly cases were also initiated by Moscow and Chuvashia OFAS Russia.

Prices for some grains keep growing up, especially for buckwheat. Retail buckwheat prices have increased from 6% to 20 % in the Republic of Bashkortostan, Bryansk, Voronezh, Vologda, Ivanovo, Samara and other regions.

For example, in the Samara region OFAS carried out inspections on 3-6- August 2010 and discovered that retail prices for peeled buckwheat went up.

Samara OFAS Russia has requested information about average prices for peeled buckwheat from the Samara Regional Office of the Federal State Statistics Service. Analysis of the obtained data confirmed that prices in the region increased by over 30%. Governed by the Rules for fixing maximum allowable retail prices for some types of socially important food products (basic goods), approved by No.530 Decree of the Government of the Russian Federation, of 15th July 2010, Samara OFAS Russia forwarded this information to the Russian Ministry of Economic Development.

Over the past period many regions of the Russian Federation experienced growth of prices for dairy products. According to information from economic entities, the cost of milk production to a considerable extent depends on the volume of production and utilization of the company's capacity, which has fallen by 25-30% due to shortage of raw milk. Growing unit cost per liter of milk increased overall costs of production, which pushed up ex-works milk prices. Higher ex-works prices resulted in increasing retail prices for dairy products on average by 3%-18 % depending on the type of products.

Increase of prices was registered on Altai, Krasnoyarsk, Khabarovsk regions, the Republic of Bashkiria, the Republic of Tatarstan, Kostroma, Novgorod and Nizhniy Novgorod regions.

According to the regional offices of FAS Russia, some dairy products are no more available in retail stores in Voronezh, Kirov and Lipetsk regions.

Regional antimonopoly bodies expose the facts of increasing ex-works prices for dairy products, and investigate whether fixing such prices was justified by analyzing the necessary production costs and profits gains by producers.

Krasnoyarsk OFAS Russia initiated a case against the group of persons including “UNIMILK” OJSC and “UniMilk” Ltd. upon a fact of fixing monopolistically high price for drinking sterilized (pasteurized) milk (fat content - 2.5%). The case is being investigated.

In the Republic of Tatarstan “VAMIN-Tatarstan” Ltd. informed the Tatarstan OFAS Russia that on 28th July 2010 the company would increase wholesale ex-works prices for socially important whole-milk products by 5%: pasteurized milk (fat content -2.5%); 1% kefir; low fat kefir; 2.5% kатык; 15% sour cream; low fat packaged farmer cheese 250gr., and for other products – by 10%.

This price increase is justified because in 2010 purchasing prices for raw milk, which is the main raw material for whole-milk products, are 55% higher than in the similar period of 2009. Due to the situation with fodder in the region and reduction of milk output, in July 2010 purchasing prices for raw milk already increased by 13% in comparison with June. At the same time, the company did not increased wholesale ex-works prices for whole-milk products from December 2009.

Therefore, at the moment OFAS Russia has not found any signs of antimonopoly violations in actions of “VAMIN-Tatarstan” Ltd. (unjustified increase of prices for the company’s products).