



# VITAL/VICTORIA OIL

Paolo Buccirossi

Bologna 15 November 2018

# Outline

2

- Relevant market definition
- Theory of harm
- Analysis of the effects

# Relevant market definition-1

3

- Refined consumable sunflower oil vs. pork fat
  
- Product characteristics: never decisive
  
- The Commission acknowledge that substitutability exists “to a certain degree” or that there are “limited” possibilities of substitution
  - Substitutability does not have to be **perfect** to have two products in the same relevant market: a small but significant non-transitory price increase is prevented if a **significant minority** of consumers switch

# Relevant market definition-2

4

- Price levels
  - The Commission shows that other edible vegetal oils are more expensive than sunflower oil
  - Vital argues that retail prices for sunflower oil and pork fat are similar
  - Both types of evidence are not conclusive
  
- Vital argues that the Commission could (or should) have estimated a demand function for sunflower oil and compute the demand elasticity
  
- Vital does not provide positive evidence that the relevant product market is wider

# Theory of harm

5

- The agreement entailed the exchange of commercially sensitive information
  - Collusion? Partial collusion?
  
- The agreement has reduced the number of competitors at the production stage
  - Unilateral effects?

# Market characteristics and collusion (or concerted practice?)

6

- Homogeneous product
  - But these are branded products
  - Private labels amount to 30-35% of sales; private labels are not typical for homogeneous products
  - Large price differences across brands
- Identical cost structures (cost symmetry)
  - Sunflower seeds represent between 70 and 90% of costs (*not enough*)
- Transparency
  - Due to...?
- High level of concentration
  - OK

# Effects on prices

7

- Prices increased more than costs
  - Price variations may be caused by other factors
  - Cost pass-through is typically lower in a collusive equilibrium
  
- Auto-regressive analysis used to compute “but for” prices
  - This approach is not adequate in this case, precisely because we have to understand whether the price variation is due to contemporaneous factors
  
- The agreement caused a significant price increase
  - The available evidence is not sufficient to prove this statement

# Alternative explanations?

8

- Drop in production in 2015 is due to the discontinuation of production in some plants operated by Sunce (same Group as Vital) caused by the “shortage of raw material”
- Dijamant and Banat are the firms that exhibit the largest price increase

Index	Victoriaoil (Iskon)	Vital (Vital)	Sunce (Sunce)	Dijamant (Dijamant)	Banat (Cvet Banata)
Sunflower purchase price index	[...]	n/a	n/a	[...]	[...]
Producer price index (11 bottle)	[...]	[...]	[...]	[...]	[...]
Average retail price index	119	120	114	123	123