
FOR IMMEDIATE RELEASE

CULLING TO REDUCE EGG PRODUCTION COULD BE ANTI-COMPETITIVE

KUALA LUMPUR, 01 November 2012 – The Malaysia Competition Commission (MyCC) is looking into the culling of 5 million layer chickens by farmers for any anti-competitive elements. The culling has resulted in a shortage of egg supply and an immediate price increase of between 2 to 5 sen per egg.

“The Competition Act 2010 prohibits enterprises operating at the same level in the production chain to collusively agree to limit or control production of goods and services. This is deemed to have the object of significantly preventing, restricting or distorting competition in any market for goods or services,” said MyCC Chief Executive Officer, Shila Dorai Raj.

The Federation of Livestock Farmers Association of Malaysia’s (FLFAM) layer unit chairman, Yap Hoong Chai, was recently reported in a local daily stating that farmers typically cull about 10% of their older layer hens from each cycle (of one to three months, depending on the farm size) to make room for younger, more productive hens. He added that however farmers have recently been culling up to 10% more hens to reduce production costs.

“Unilateral decision by a farmer to reduce production for purposes of prudent costs management may not be an anti-competitive conduct. However, if it is done in agreement with other farmers, then this may be an infringement under the Competition Act 2010,” she added.

The MyCC will undertake an initial information gathering process to gain a more comprehensive overview of the issues before any decision to conduct a formal investigation is made.

Under the Act, if the farmers were found to have infringed the law, they may be imposed a penalty of not more than 10% of their worldwide turnover besides being imposed other remedial orders.

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For media enquiries, please contact:

Rowena Wong, Tel +603 2273 2277 (ext 111), Email: rowena@mycc.gov.my
Corporate Communication Unit
Malaysia Competition Commission

About Malaysia Competition Commission (MyCC)

Established in June 2011, MyCC is an independent body responsible for enforcing the Competition Act 2010, which was implemented to create healthy competition which would in turn stimulate productivity and innovation, thus creating wider choices of products for consumers with better quality and reasonable prices.

The Act applies to all commercial activities undertaken within and outside Malaysia that affects competition in the Malaysian market. It provides a regulatory framework including powers to investigate, adjudicate and impose penalties on the perpetrators of the competition laws.

For more information on the Act and MyCC activities, log on to www.mycc.gov.my.

EDITOR'S NOTES:

The details on Section 4 (1) and (2) of the Competition Act 2010: Prohibited *horizontal and vertical agreement is as follows:

4. (1) A horizontal or vertical agreement between enterprises is prohibited insofar as the agreement has the object or effect of significantly preventing, restricting or distorting competition in any market for goods or services.

(2) Without prejudice to the generality of subsection (1), a horizontal agreement between enterprises which has the object to—

- (a) fix, directly or indirectly, a purchase or selling price or any other trading conditions;
- (b) share market or sources of supply;
- (c) limit or control—
 - (i) production;
 - (ii) market outlets or market access;
 - (iii) technical or technological development; or
 - (iv) investment; or
- (d) perform an act of bid rigging, is deemed to have the object of significantly preventing, restricting, or distorting competition in any market for goods or services.

* “horizontal agreement” = agreement between enterprises each of which operates at the same level in the production or distribution chain;

“vertical agreement” = agreement between enterprises each of which operates at a different level in the production or distribution chain.