

COMPETITION COMMISSION OF PAKISTAN

ENQUIRY REPORT

(Under Section 37(1) of the Competition Act, 2010)

IN THE MATTER OF INCREASE IN PRICE OF MILK IN KARACHI

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Dated: 11 June, 2021

I. BACKGROUND

1. In light of various media reports and concerns raised by the Consumer Association of Pakistan ('the Complainant') against rise in price of milk in Karachi and in its adjacent areas by Dairy Farmers Association ('CAP'), the Competition Commission of Pakistan ('the Commission') initiated an enquiry in the matter under Section 37(1) of the Competition Act, 2010 ('the Act'). (Annex 'A')
2. A news item in The News dated 10th July 2020 reported that the demand of the Dairy Farmers Association (DFA) of cattle colony to increase the price of milk in Karachi on account of higher input costs¹. Two days later the price of milk in Karachi was raised by the Respondents, as quoted in a media report dated 12th July 2020:
*"Karachi's milk prices have risen and are likely to rise again next month. The per litre price of milk is now Rs120. The Dairy and Cattle Farmers Association hiked the price by Rs10. Next month, the price will go up by Rs10 to Rs15. The association said it won't lower these prices even if the local government holds a meeting to decide the prices"*².
3. Another news item appearing in the Dawn, on 13th July 2020, reported that 'stakeholders' in Karachi had raised per litre price of milk by Rs. 10 and milk was now retailing at Rs. 120. Defending the increase in price the president of the Dairy Cattle Farmers Association Shakir Umar Gujjar cited the increase in input costs, soaring food inflation, utility charges etc³.
4. Similar concerns raised by the CAP in a letter to the Commission dated 20th July 2020 wherein it was stated that President of the DFA Karachi Shakir Gujjar had announced a hike in the price of milk in Karachi with immediate effect. Milk was now retailing at Rs. 120 per litre (the previous price was Rs. 110 per litre) as opposed to Rs. 94 fixed by the Commissioner Karachi. The Commission was asked to take stern action against the cartel formed by the DFA.

¹ "APLDA asks to revise milk prices" <https://www.thenews.com.pk/print/684573-aplda-asks-to-revise-milk-prices>

² "Karachi milk prices rise to Rs120/litre" <https://www.samaa.tv/news/pakistan/2020/07/karachi-milk-prices-rise/>

³ "Fresh milk, wheat flour, vegetables prices shoot up" Dawn, <https://www.dawn.com/news/1568641>

5. Data on milk prices obtained from Pakistan Bureau of Statistics (PBS) shows that fresh milk prices in Karachi rose by 26 percent between July 2019 and July 2020 with the retail rate in July recorded at Rs. 120 per litre. (Refer to Table 1 below)

Table 1: Retail Price of Milk in Karachi			
Time period	Rs./litre	Increase/ (Decrease) Rs/ litre	% Age
Jul-19	95		
Aug-19	96	1	1%
Sep-19	103	7	7%
Oct-19	107	4	4%
Nov-19	108	1	1%
Dec-19	108	0	-
Jan-20	108	0	-
Feb-20	108	0	-
Mar-20	108	0	-
Apr-20 *	94	(14)	-13%
May-20	105	11	12%
Jun-20	108	3	3%
Jul-20	120	12	11%
Price change		25	26%

*Source: Pakistan Bureau of Statistics ('PBS') *Prices in Karachi April 2020 saw a dip as a strict Covid-19 related lockdown was imposed*

6. Based on the foregoing, an enquiry was initiated, by the Commission, in the matter under section 37(1) of the Competition Act, 2010 ('the Act') on 30th July, 2020 to any alleged contravention of Section 4 of the Act by suppliers of milk in Karachi based on the following ToRs:
- a. Identifying role of any Association in fixing of prices;
 - b. Any forum for deliberation on and fixing of such pricing. Acquiring any minutes of meeting to that effect;
 - c. Identifying the role of Government and the latitude available to industry players for carrying out any possible price manipulation in the market;

- d. Seek out through all necessary means provided for in the Act, evidence of any communication/agreements/decisions for the purpose of fixing of any prices;
 - e. Carry out an analysis of the above, if applicable, to determine whether any probable violation of Section 4 of the Act has taken place.
7. Following officers were appointed to the enquiry committee:
- a. Maliha Quddus , Joint Director (C&TA)
 - b. Aqsa Suleman, Assistant Director (C&TA)
 - c. Aziz Ullah , Management Executive (C&TA)

Vide action item for the 10th Emergent Meeting for the year 2021 held on 28th April, 2021 the Commission reconstituted the enquiry committee and in addition to the officers mentioned above Mr. Abdul Haseeb Satti, Assistant Director (Research) was also made part of the enquiry committee.

8. In order to gather further information in the matter, the enquiry committee wrote a letter to the CAP on 03rd August 2020 seeking further information in the matter. In its response vide letter dated 10th August 2020, the enquiry committee was informed that the announcement the DFA was the only association working effectively in Karachi and strongly demanded that the retail price of milk should be Rs. 120 per litre. Since the announcement by President DFA Shakir Gujjar, milk all over Karachi is being sold at Rs. 120 per litre. (**Annex 'B'**).
9. A letter was also written to Commissioner Karachi dated 3rd August, 2020 to obtain following further information in the matter (**Annex 'C'**):
- i. Basis of determining the price of milk at all level of supply chain of milk;
 - ii. List of stakeholder involved from whom inputs /recommendations are taken in determining the price list of milk.
 - iii. Minutes of meeting held for the announcement of price list of milk at all levels of supply chain from July 2019 till date.
 - iv. Any evidence /information your office may have w.r.t to involvement of Dairy Farms association in raising the price of Milk in Karachi.
 - v. Any retail or wholesaler association active in the milk business in Karachi.
10. In the response vide letter dated 20th August 2020 information was provided with regards to the different associations involved in the milk supply chain in Karachi, minutes of

meetings held to fix price of milk in Karachi Division and copies of complaints received from retailers against the DFA. (**Annex 'D'**)

11. Furthermore, a complaint was also received from an individual dated 14.04.2021 wherein it was stated that since the last three years the prices of fresh milk in Karachi were being at rates fixed by what was dubbed as the 'milk cartel' which included office bearers of the following associations:

- a. Karachi Dairy and Cattle Farmers Association President Shakir Umer Gujjar;
- b. Dairy Farmers Association Karachi, President, Haji Muhammad Akhtar Gujjar;
- c. Milk Retailer Association, President, Amjad Ali

Various press clippings and video links were also appended with the complaint showing price announcement by association office bearers. (**Annex 'E'**).

II. ISSUES

12. Based on the ToRs above, the following issues have been identified for further deliberation by the enquiry committee:

- a. Provide an overview of the Milk industry to contextualize any possible violations of Section 4 of the Act.
- b. What is the relevant market in terms of Section 2(1)(k) of the Act?
- c. Identifying the role of Government and the latitude available to industry players for carrying out any possible price manipulation in the market;
- d. Identifying role of any Association in fixing of prices; Any forum for deliberation on and fixing of such pricing; Seek out through all necessary means provided for in the Act, evidence of any communication/agreements/decisions for the purpose of fixing of any prices in contravention of Section 4 of the Act.

III. SECTOR REVIEW

13. In 2019-20 the livestock sector contributed 60.6 percent to the overall agriculture and 11.7 percent to the GDP. The estimated livestock population in Pakistan over the last three years is given in Table 2 below which shows that it consists of four main types of animals i.e. cows, buffaloes, sheep and goat and headcount of livestock has increased.

Species	2017-18	2018-19	2019-2020
Cattle	46.1	47.8	49.6
Buffalo	38.8	40.0	41.2
Sheep	30.5	30.9	31.2
Goat	74.1	76.1	78.2
Camels	1.1	1.1	1.1
Horses	0.4	0.4	0.4
Asses	5.3	5.4	5.5
Mules	0.2	0.2	0.2

Source: *Economic Survey of Pakistan 2019-20*

14. Within the livestock sector, milk is the largest single commodity and the higher growth in the livestock sector can primarily be attributable to milk production. According to the Food & Agriculture Organization ('FAO') Pakistan is the fourth largest milk producing country in the world. Pakistan's milk production in 2019-20 stood at 61.69 million tons out of which 49.7 million tons was available for human consumption⁴. Over the last three years Pakistan's gross milk production rose by 7 percent (from 57.8 to 61.69 million tons) as seen from Table 3 below. Buffalo milk constitutes about 60 percent of gross milk production, followed by cow milk with a share of 36 percent.

Species	2017-18	2018-19	2019-2020
Milk (Gross Production)	57,890	59,759	61,690
Cow	20,903	21,691	22,508
Buffalo	35,136	36,180	37,256
Sheep	40	40	41

⁴ Milk for human consumption is derived by subtracting 20 percent wastage (15 percent faulty transportation and lack of chilling facilities and 5 percent in suckling calf nourishment) of the gross milk production of cows and buffalo.

Goat	915	940	965
Camels	896	908	920
Milk (Human Consumption) (000 Tons.)			
Species	2017-18	2018-19	2019-2020
Gross	46,682	48,185	49,737
Cow	16,722	17,353	18,007
Buffalo	28,109	28,944	29,805
Sheep	40	40	41
Goat	915	940	965
Camels	896	908	920
The figures for the milk production for the indicated years are calculated after adding the production of milk from camel and sheep to the figures reported in the Livestock Census 2006			
Milk for human consumption is derived by subtracting 20 percent wastage (15 percent faulty transportation and lack of chilling facilities and 5% in suckling calf nourishment) of the gross milk production of cows and buffalos.			

Source: Economic Survey of Pakistan

15. The annual per capita consumption of milk in Pakistan is estimated at 190 litres per capita⁵ which given a population of 220 million works out to a total demand of 43.2 million tons per annum. Fresh milk is an important item in the consumer basket of goods accounting for a 23 percent share in overall food expenditure of an average urban household and 7 percent share in the overall expenditure of a household⁶. Pakistani consumers have a general preference for buffalo milk as also indicated by the production trends which show that buffalo milk accounts for 60 percent of total production. In terms of consumption, there are three different types of milk available in the market:

- a. Fresh milk: is raw milk sold through milk shops in urban centers and/or delivered to the consumer at the doorstep. This product is highly perishable and has a shelf life of approximately one day. Although figures differ, a press report citing a company involved in the sale of UHT milk, notes that the share of the packaged milk segment is approximately 8% of total production⁷.

⁵ <http://www.fao.org/3/i0588e/i0588E07.htm#fn33>

⁶ Consumer Price Index weights assigned by PBS

http://www.pbs.gov.pk/sites/default/files//price_statistics/monthly_price_indices/nb/2021/monthly_review_dec_2020_0.pdf

⁷ <https://www.dawn.com/news/1541158>

- b. Packaged milk: This includes Ultra High Treated ('UHT') milk with brands such as Nestle Milkpak, Olper, Haleeb, Good Milk etc. which are sold through grocery stores. Pasterurised milk such as Prema and Anhaar has a shorter shelf life.
 - c. Powdered milk: Powdered milk is consumed primarily by children with brands such as Nestle Nido. Although companies such as Nestle produce powdered milk locally, most of the milk in this form is imported.
16. Majority of dairy farming in Pakistan i.e. 50.6 percent is carried out by farmers with a herd size of between 1 to 4 animals whereas large scale commercial dairy farming is very limited as shown in Table 4 below:

No. of animals	Ownership by Household (%)
1-2	27.32
3-4	23.73
5-6	14.32
7-10	13.68
11-15	6.29
16-20	2.65
21-30	2.58
31-50	2.71
51 or more	6.72
Total	100

Source: Pakistan Livestock Census 2006

17. The FAO classifies milk production systems into the following categories:
- a. Smallholder subsistence production;
 - b. Smallholder market oriented production: This production system typically has a herd size of five animals and the milk is in excess to family requirements. Milk produced is sold directly to retail shops in the nearest city, intermediaries or procurement agents for large dairy processing companies.
 - c. Rural commercial production systems: some farmers have invested in production on a commercial scale and market milk to the same channels as smallholder market oriented production farmers.
 - d. Peri-urban production system: commercial-scale units located on the peripheries of major urban centres. These maintain herd sizes ranging from ten to 200 head, and averaging 50 animals – 90 percent buffaloes and 10 percent cows. Milk is marketed

to retail shops in the city or under annual contracts to intermediaries. Cattle colonies in Karachi can be classified under this production system.

18. Milk in Karachi is produced in peri-urban production systems described above, i.e. the main supplies are from various cattle colonies located on the periphery of the city. The main cattle colonies are:

- a. Cattle colony/Bhains colony Karachi: located in Landhi and occupies an area of 3000 acres. It has a cattle population of 350,000 animals divided into various shed with shed size ranging from 25 to 500 per shed⁸. About 90 percent of animals in the colony are buffaloes and the remaining are cows. The enquiry committee during interviews with stakeholders was informed that the Australian cow did not perform well in the humid climatic weather of Karachi therefore, buffaloes were the primary source of milk. The total daily milk production in the colony is around 3.2 million litres per day⁹.
- b. Other cattle colonies include: Nagori Cattle colony, Al-momin cattle colony, Surjani cattle colony and Bilal cattle colony. It is estimated that these colonies combined have a cattle population of 400,000 animals¹⁰ and therefore, their production is also estimated at 3.2 million liters per day.

19. The total population of Karachi is 16.093 million persons and an estimated demand for milk stands at about 7 million liters per day however, other estimates suggest that daily demand is 5 million litres¹¹. Demand for milk in Karachi, like other parts of Pakistan, is seasonal in nature with demand peaking during the summers as consumers purchase more milk and milk based products such as yogurt, lassi, ice creams etc. Demand tends to fall in the winters as milk is used only for tea or consumption of children.

20. The supply chain of fresh milk in Karachi is depicted in Figure 1 below. Milk is primarily marketed through agreements known as '*bandhi*' which are verbal agreements between the

⁸ Estimates of cattle population vary with some estimates suggesting the total animals in cattle colony are 400,000. Source Statement of Shoukat Mukhtar: Dairy Farmers Association.

⁹ <http://agribusiness.org.pk/wp-content/uploads/2015/04/2.Karachi-Buffalo-Colony-Assessment-Jan-3-2013.pdf>

¹⁰ https://www.researchgate.net/publication/322083853_ECONOMIC_ANALYSIS_OF_MILK_PRODUCTION_IN_DIFFERENT_CATTLE_COLONIES_OF_KARACHI

¹¹ Submissions by the Consumer Association of Pakistan and press reports suggest it is 5 million
<https://www.thenews.com.pk/print/639051-milk-demand-declines-50pc-amid-lockdown>

dairy farmer-wholesaler-retailer wherein they agree to buy-sell a predetermined quantity of milk at a particular price. The duration of *bandhi* is for one year starting from January and the *bandhi* price can be revised throughout the year. Most of the milk is purchased by the retailer through *bandhi*. The other marketing channel is the milk *mandi* in Lee market.. Milk arrives twice a day in the *mandi* (brought by farmers and wholesalers). Just like in any other *mandi*, there are brokers who determine the starting bid price based on quality of the milk. The average price of the bids are calculated to reach the market rate. Ordinary consumers do not buy from the *mandi* since the minimum traded quantity is 37.5 litres. Retailers and some commercial users such as flavoured milk companies (Pakola), confectioners and restaurants buy from the *mandi*. However, according to retailers the price of milk in the *mandi* is set artificially high that it is not feasible for them to purchase through this channel. (Further discussed in the enquiry report). The role of each player and the cost element added at each point is discussed in further detail below.

Figure 1: Supply chain of Fresh Milk in Karachi



Dairy Farmers

21. The dairy farmers are located in the abovementioned cattle colonies on the outskirts of Karachi. According to information gathered from farmers under Section 33 of the Act, shed sizes in these colonies ranged from 25 to 500 animals per shed. The dairy farmer sells milk to the wholesalers through bandhi however, sometimes milk is also sold in the mandi. Dairy farmers have agitated that they are faced with rising cost of production coupled with low productivity of the current breed of buffaloes. The main expenses of dairy farmers can be divided into three heads:

- a. Cost of buffalo (capital): cost of purchasing a new animal, mortality and depreciation of buffalo which has an average lactation period of 270 days.
- b. Feed ingredients: compound feed, wheat straw and green grass. Each buffalo consumes an average of 8kgs of compound feed and wheat straw and 6kgs of green grass daily.
- c. Management charges: labour, electricity, water, medicines and farm rent.

Wholesalers

22. As per information gathered from statements under Section 33 of the Act, there are approximately 100 to 150 milk wholesalers in Karachi. Milk business in Karachi operates mostly on credit basis. The wholesaler or aarthi's function in the milk supply chain is that of an investor. The wholesaler gives cash advance to the farmer for purchasing cattle at the main *mandis*. These *mandis* take place at various locations with the biggest mandi taking place in Okara on the 9/10th of every month in Okara (and others take place in Arifwala and Chichawatni at different dates throughout the month). Farmers have to purchase cattle from there on cash basis therefore, the wholesaler gives the farmer cash advance for the purpose. Similarly, retailers make payments to wholesalers depending on their business cycles. Normally retailers make payments to wholesalers after every 5 days, some pay in advance, some pay on a daily basis. Wholesalers are also involved in the transportation of milk from farm to the retailers. In a 2004 case in the Sindh High Court a legal status was given to the wholesaler. The wholesaler earns a commission for his services in the range of Rs. 3.75 per litre as per the notified prices of the Commissioner Karachi.

Retailers

23. There are around a milk shops in Karachi with average shop size ranging from Majority of the retailers in Karachi do business of 10-15-20 *mand* of milk. 1 *mand* equals 37.5 litres. The larger shops who do business of 50 *mand* are owned by farmers and wholesalers. The major costs of the retailers are :
- a. Packing material: Milk bag, shopping bag and rubber band; Sub-total Rs. 2.55 per litre.
 - b. Variable expenses: Ice, electricity, diesel generator, shop rent, labour charges, miscellaneous expenses, depreciation, loss (wastage), detergents for cleaning utensils. Sub-total Rs. 10.57 per litre.
 - c. The total expenses incurred are Rs. 13.12 per litre.
 - d. Retailers were allowed a profit margin of Rs. 5.25 per litre as per the notification of the Commissioner Karachi.

IV. ANALYSIS

What is the relevant market in terms of Section 2(1)(k) of the Act?

24. Relevant market is defined under Section 2(1)(k) of the Act as:

“relevant market” means the market which shall be determined by the Commission with reference to a product market and a geographic market and a product market comprises of all those products or services which are regarded as interchangeable or substitutable by the consumers by reason of the products’ characteristics, prices and intended uses. A geographic market comprises the area in which the undertakings concerned are involved in the supply of products or services and in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighboring geographic areas because, in particular, the conditions of the Competition are appreciably different in those areas;

25. As per Section 2(1)(k), a “relevant market” is comprised of a product market and a geographic market. Starting with the relevant product market, the instant matter involves the production, sale and distribution of fresh milk. As detailed in the sector review of milk above, in Pakistan, milk consumption consists of:

- a. Fresh milk: is raw milk sold through milk shops in urban centres and/or delivered to the consumer at the doorstep. Since it is in raw form, the milk is boiled before consumption. It is estimated that 92 percent of milk marketed in Pakistan is fresh milk whereas 08 percent of supply is accounted for by UHT milk¹².
- b. Packaged milk: This includes UHT milk with brands such as Nestle Milkpak, Olper, Haleeb, Good Milk etc. which are sold through grocery stores. It also includes pasteurized milk such as Prema and Anhaar (which have a shorter shelf life and require refrigeration).
- c. Powdered milk: Nido and Millac.

26. In terms of product characteristics and intended uses, fresh milk and packaged milk are closer substitutes and only a small portion of powdered milk is consumed. However, in terms of price, packaged milk is more expensive. The price of UHT packaged milk in Karachi or across major urban centres of Pakistan currently stands at Rs. 160 per litre and pasteurized milk is Rs. 165 per litre¹³. The retail price of fresh milk in Karachi on the other hand is at or near Rs. 130 per litre¹⁴ therefore, the price differential of Rs. 30 means that these two product may not be considered as close substitutes. Based on the above, the relevant product market is that of fresh milk.

27. Milk in Karachi is supplied by 5 cattle colonies located on the outskirts of the city which have an estimated supply capacity of 6.4 million litres per day¹⁵. The demand for milk varies depending on the season with some estimates suggesting that it is 5 million litres per day and other estimates putting this figure at 7 million litres per day which include commercial as well as individual consumption. Therefore, supply of fresh milk is roughly equal to demand. With the advent of chillers (refrigerated trucks), milk can now be

¹² <https://www.dawn.com/news/1541158>

¹³ Olper and Milkpak prices as of May and June 2021.

¹⁴ Milk retailers and PBS.

¹⁵ Please refer to the sector review above.

transported across greater distances and the aforementioned cattle colonies supply milk not just to Karachi and its localities but also to adjacent areas such as Hub and as far as Gwadar in Balochistan¹⁶. It is also noted that multinational companies also purchase milk from these cattle colonies and a flavoured milk drink company also purchases fresh milk from the Lee Market mandi¹⁷. This packaged milk can be sold throughout the territory of Pakistan. Therefore, the relevant geographic market consists of Karachi Division and adjacent areas including but not limited to Hub and Gwadar in Balochistan. Based on the foregoing, the relevant market appears to be that of production, supply and sale of fresh milk in Karachi Division and adjacent areas including but not limited to Hub and as far as Gwadar in Balochistan.

28. Any increase in price of milk will have a spillover effect beyond the relevant market and the province of Sindh this is due to the following:
- a. Fresh milk from Karachi's cattle colonies is transported to areas adjacent to Karachi Division which include Hub in Balochistan. Chillers are also used to transport milk to areas as far as Gwadar.
 - b. Companies including multinationals involved in the sale of packaged milk also purchase milk from Karachi's cattle colonies.
29. In addition to the above it may also be noted that milk being an essential commodity has a spillover effect by virtue of it being a key ingredient in a number of other food products such as desi ghee, butter, cheese and a number of bakery and confectionary products (*khoya, barfi, halwa*, traditional sweets and biscuits). Since Karachi is home to many of the country's leading biscuit brands such as EBM and Ismail industries, which are supplied throughout the territory of Pakistan. Milk is also used in various other products such as cosmetics (soaps, lotions) and pharmaceutical products which are supplied throughout the territory of Pakistan. Therefore, there is a spillover effect of increase in price of milk beyond provincial boundaries.

¹⁶ Super United Milk Retailers association.

¹⁷ Interview of Shakir Umer Gujjar April 10, 2021, <https://finetv.pk/index.php/2021/04/10/shakir-gujjar-president-dcfa-interviewed-by-riaz-aajiz/>. and Super United Milk Retailers association.

Identifying the role of Government and the latitude available to industry players for carrying out any possible price manipulation in the market.

30. As per the response received, by the enquiry committee, from the Office of the Commissioner Karachi Division vide letter dated 20.08.2020, the Commissioner Karachi Division (and Controller General of Prices & Supplies) exercising powers under Section 3 of the Price Control and Prevention of Hoarding and Profiteering Act, 1977, notifies prices of milk in the division. Milk prices are determined after obtaining recommendations of all stakeholders which includes: Bureau of Supply and Prices Department Karachi, Livestock Department, Government of Sindh, all Consumers Rights Associations and all dairy related associations in Karachi.
31. Milk price is determined using a formula for each level in the supply chain. This formula as elaborated in the Minutes of Meeting held on 14.03.2018 evaluates milk price at the farmgate based on the following indicators:
- a. Average price of wheat straw;
 - b. Average price of green fodder;
 - c. Average price of concentrated feed;
 - d. Per day cost of animal;
 - e. Average price of buffalo;
 - f. Labour charges;
 - g. Utility charges and
 - h. Other miscellaneous charges and profits.
32. At the wholesale level the following indicators are evaluated:
- a. Travelling cost;
 - b. Cost of vehicle;
 - c. Cost of running vehicle;
 - d. Labour charges; and
 - e. Other miscellaneous costs and profits.
33. Retail price of fresh milk is based on:
- a. Shop rent;
 - b. Labour charges;
 - c. Utility charges; and

d. Other miscellaneous costs and profits.

34. The Commissioner Karachi vide notification dated 29.03.2018 notified the following prices for milk in Karachi Division:

- a. Dairy Farmer: Rs. 85 per litre;
- b. Wholesalers: Rs. 88.75 per litre and
- c. Retailers: Rs. 94 per litre.

The prices notified are maximum prices and there is no bar placed on selling milk below these prices. The abovementioned notification was the last to be issued on milk prices and no fresh revisions have been made to date. Although the prices of milk may be notified at each level however, the enquiry committee observes that on the ground, these prices are not being followed. Price data from PBS reveals that the average retail price of milk in Karachi was above Rs. 94 per litre as notified by the Commissioner in March 2018 and towards the end of 2020, milk was selling at Rs. 120 (refer to table 5 below). The Commissioner's office between 01.01.2020 and 16.08.2020, have imposed fines totaling Rs. 7,335,000 against 1,157 entities for not selling at the notified prices.

Month	2018	2019	2020	2021
Jan	85	94.19	108.74	120
Feb	85	94.19	108.74	120
Mar	85	94.19	108.89	126.8
Apr*	94.19	94.58	93.92	128
May	94.19	94.87	107.26	128.43
Jun	94.19	94.88	108.89	
Jul	94.19	95	111.64	
Aug	94.19	96.45	118.82	
Sep	94.19	103.61	119.84	
Oct	94.19	107.69	120	
Nov	94.19	108.08	120	
Dec	94.19	108.08	120	

Source: PBS

*Prices in Karachi April 2020 saw a dip as a strict Covid-19 related lockdown was imposed

35. In the minutes of meeting to determine milk prices dated 14.03.2018, para 13 states:

“The chair noted with dismay that all tiers of dairy production and supply have increased price of milk on their own in complete disregard of the directions of Hon’ble High Court of Sindh and warned that any violation of notified price will be dealt with strictly in accordance with law”.

36. Attention of the enquiry committee was also drawn to various press clippings and a petition filed in the Hon’ble Sindh High Court regarding certain entities who do not follow the government’s directions and fix their own rates without the consent of the Commissioner. Based on the response received from the Commissioner’s office, various complaints mentioned above and newspaper articles it appears that the notified milk prices are not adhered to and certain elements fix prices of milk on their own accord. The fact that the notified retail price of Rs. 94 per litre is not followed, is also borne out through the average retail prices of milk as per PBS cited above.
37. Based on the foregoing, although the government notifies milk prices these price are not adhered to due to the role of various associations involved in the milk supply chain. The sections below will discuss the role of associations in the fixation of milk prices in Karachi.

Identifying role of any Association in fixing of prices; Any forum for deliberation on and fixing of such pricing. Acquiring any minutes of meeting to that effect; Seek out through all necessary means provided for in the Act, evidence of any communication/agreements/decisions for the purpose of fixing of any prices;

38. Section 4 of the Act defines the prohibited agreement as follows:

“Prohibited agreements — (1) No undertaking or association of undertakings shall enter into any agreement or, in the case of an association of undertakings, shall make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market unless exempted under section 5.

(2) Such agreements include but are not limited to-

- a) fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision of any service;*

- b) *dividing or sharing of markets for the goods or services, whether by territories, by volume of sales or purchases, by type of goods or services sold or by any other means;*
- c) *fixing or setting the quantity of production, distribution or sale with regard to any goods or the manner or means of providing any services;”*

39. The Act prohibits any agreement between undertakings which may have the object and effect of restricting, distorting or preventing competition within the relevant market and in terms of the non-exhaustive list of provisions provided for under Section 4 (2) of the Act. The term “agreement” is defined in Section (1)(b) of the Act as including:

“any arrangement, understanding or practice, whether or not it is in writing or intended to be legally enforceable”.

The application of Section 4 of the Act is therefore, not limited to formal legal contracts, but also includes agreements cooperation and/or arrangements achieved through informal agreements, understandings, circulars or practices. Before proceeding further it is important to define undertaking in terms of the Act.

Undertakings:

40. Section 2(1)(q) of the Act defines an undertaking as:

“Any natural or legal person, governmental body including a regulatory authority, body corporate, partnership, association, trust or other entity in any way engaged, directly or indirectly, in the production, supply, distribution of goods or provision or control of services and shall include an association or undertakings;”

41. Information submitted by the Commissioner’s office Karachi identified the following associations related to the supply chain of milk in Karachi:

- a. **Dairy Farmer Association, Karachi** is an association of dairy farmers involved in the production and sale of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
- b. **Karachi Dairy Farmers Association** is an association representing dairy farmers involved in the production and sales of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.

- c. **Dairy & Cattle Farmers Association Karachi** is an association representing dairy and cattle farmers involved in the production and sale of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
 - d. **All Karachi Fresh Milk Wholesalers Welfare Association** is an association of wholesalers involved in the distribution of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
 - e. **All Karachi Milk Retailers Welfare Association** is an association of retailers involved in the sale of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
 - f. **United Milk Retailers Welfare Association, Karachi** is an association of retailers involved in the sale of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
 - g. **Super United Milk Retailers Welfare Association** is an association of retailers involved in the sale of fresh milk in the relevant market and therefore an undertaking in terms of Section 2(1) (q) of the Act.
42. The abovementioned associations have informed the enquiry committee that they are welfare associations and not trade associations however, for provisions of the Act to be applicable, substance is more important than form. Regardless of whether an association is a trade or welfare association if it indulges in any price fixing or anti-competitive conduct provisions of the Act will be attracted. It is also observed that due to the informal nature of the sector, there is no formal participation of individual undertakings in decision making of the association.

Role of Association in determining prices/whether there is any forum for deliberation of prices

43. As mentioned above, due to the informal nature of the sector the enquiry committee in order to gather further information, with regards to role of associations in price deliberation, recorded statements of office bearers of the associations under Section 33 of the Act. For ease of reference, Section 33 is reproduced below:

“33. Powers of the Commission in relation to a proceeding or enquiry.-
(1) The Commission shall, for the purpose of a proceeding or enquiry under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (Act V of 1908), while trying a suit, in respect of the following matters, namely:
(a) summoning and enforcing the attendance of any witness and examining him on oath; (b) discovery and production of any document or other material object producible as evidence;
(c) accept evidence on affidavits;
(d) requisitioning of any public record from any court or office; and
(e) issuing of a commission for the examination of any witness, document or both”

The Commission’s powers under Section 33 have been delegated to the enquiry committee in its second meeting for the year 2020 held on 30th July 2020.

44. Information received by the enquiry committee from the Commissioner’s office, at least two representatives from each association were called for recording of statements under Section 33 of the Act vide letters dated 6th November 2020 (**Annex ‘F’**). The interviews were conducted from 16th to 17th November 2020 in a local hotel in Karachi. List of persons called and participation status is produced herein below. For sake of confidentiality the identities of the persons have been redacted:

Table 6: Interviews u/s 33 of the Act			
Sr. No	Name of Representative	Name of Association	Attendance Status
1.	Mr. Shoukat Mukhtar,	Dairy Farmers Association, Karachi	Appeared 16.11.2020
2.	Mr. Haji Akhter Gujjar,	Dairy Farmers Association, Karachi	Did not appear informed vide letter citing health reasons. Stated that Mr. Shoukat Mukhtar would represent him and the association
3.	Haji Sikandar Nagori,	Karachi Dairy Farmers Association, Karachi	Appeared 16.11.2020
4.	Mr. Shakir Umer Gujjar,	Dairy & Cattle Farmers Association, Karachi	Did not appear. Did not inform of his refusal to appear. Upon telephonic contact by enquiry committee stated that he will not appear.

5.	Mr. Asif Khan	Dairy & Cattle Farmers Association, Karachi	Did not appear
6.	[REDACTED]	[REDACTED]	Appeared 16.11.2020
7.	[REDACTED]	All Karachi Fresh Milk Wholesalers, Welfare Association	Appeared 16.11.2020
8.	[REDACTED]	All Karachi Fresh Milk Wholesalers, Welfare Association	Appeared 16.11.2020
9.	[REDACTED]	Retailers Representative	Did not appear
10.	[REDACTED]	Retailers Representative	Appeared 17.11.2020
11.	[REDACTED],	Retailers Representative	Appeared 17.11.2020
12.	[REDACTED]	Retailers Representative	Appeared 17.11.2020
13.	[REDACTED]	Retailers Representative	Did not appear
14.	[REDACTED],	Retailers Representative	Appeared along with 2 other representatives of [REDACTED]
15.	[REDACTED]	Retailers Representative	Did not appear
16.	[REDACTED]	Retailers Representative	Appeared 17.11.2020

45. The purpose of recording these statements was to understand the supply chain of milk, and what associations were involved in the fixing of prices if any. A total of 12 individuals belonging to various associations (Dairy farmer, wholesalers and retailers) recorded their statements. The statements of representatives of each association are reproduced herein below :

Dairy Farmers Representatives

Representative of Dairy Farmers Association Karachi (Date: 16th November 2020) (similar pattern for all representatives)

46. Mr. **** a dairy farmer based in Cattle Colony Karachi represented the Dairy Farmers Association Karachi. Upon a query regarding the increase in prices of milk he stated that milk price in Karachi was rising due to an increase in cost of production factors the breakdown of which is as follows:

- a. Cost of buffalo had increased. Buffaloes are reared mostly in Punjab and are sold in various cattle *mandis*.
- b. Feeding of buffalo;
- c. Management costs.

47. He submitted a breakup of costs which was also submitted by the association to the commissioner Karachi on 19th October 2020 which is reproduced below:

A. Cost of Buffalo	Amount (Rs.)
Cost of fresh buffalo with transportation, market fee and labour	200,000
Resale after milking 270 days (50%)	100,000
Mortality (4%)	8,000
Depreciation of buffalo in 270 days	108,000
Depreciation per day	400

B. Feed Ingredients	Cost / kg	Consumption/kg	Amount (Rs)
Compound feed	40	8	320
Wheat straw	13	8	104
Green Grass	7.5	6	45
Total			469

C. Management Charges	Amount (Rs)
Labour with watchman/supervisor	62
Electricity with Generator	10
Water	4
Medicine Allopathic	11
Medicine Herbal	3
Farm Rent	30
Hardware with Electrical Equipment	5
Animal Keeping Fee	2
Total	127

A. Cost of buffalo (capital)	400
B. Feeding charges	469
C. Management Charges	127
Total (A+B+C)	996

48. Based on the abovementioned calculations the total cost of milk, according to the association, is Rs. 124.5 per litre (Rs. 996/8 litres). The costs of inputs has risen however, the current official price of milk i.e. Rs. 94/litre was fixed by the district administration in Karachi on March 2018 which required an upward revision in light of increase in costs of production. Mr. Shoukat stated that whereas, the government was fixing the final price of milk it was not fixing the cost of inputs. After the last meeting held on March 2018 only one or two meetings were held to review prices after which the price was left unchanged. He was of the opinion that prices should be reviewed after every four months.
49. He stated that most of the dairy farmers in Karachi were based in Cattle Colony which was currently housing approximately 350,000 animals. Shed size in the colony ranged from 25 to 500 per shed. The Dairy Farmers Association is a welfare association and not a trade association.
50. The enquiry committee was informed that there was currently a *mandi* for milk, at the wholesale level, in Lee (Bolton) market. Milk arrives at the *mandi* twice once in the morning and then in the evening. Just like in any other *mandi*, parties bid for the milk in lots. He stated that milk is a perishable commodity and cannot be hoarded and the average time for milk to reach the consumer, in Karachi, is just four hours which is amongst the shortest in the world.
51. When asked what measures should be taken to control the price of milk he noted that it should be left to market forces. He further stated that because of the controlled price of milk, investors were discouraged from investing in the sector since they had no incentive to do so.

Representative: Karachi Dairy Farmers Association (Date: 16th November 2020)

52. Farmers sell milk to retailers through an agreement which is known as 'bandhi' which is a form of verbal agreement between the two parties wherein the retailer agrees to buy a predetermined quantity of milk from the wholesaler. The duration of the bandhi is one year with contracts renegotiated in March of each year. The rate of bandhi i.e. the rate at which milk will be supplied is set by the dairy farmers association and can change throughout the year. In this regard coordination between the farmers is ongoing throughout the year.
53. The retailer is bound to buy at the contract price and in the event of refusal on part of the retailer to adhere to any price, his supply of milk is stopped and the milk is sold in Lee market i.e. mandi. He stated that the association had recently increased the rate of bandhi in July. There are three associations in Karachi but the main association is Dairy Farmers Association led by Haji Akhter. It is this association that sets the rate for milk. The rate determined by the association is the rate that prevails in the market. At present the association has set the retail rate at Rs. 120 per kg as opposed to Rs. 94 per kg set by the district administration. The de facto rate for milk is the one that is set by the association. The rate announced by the association is verbal and no rate list is issued as such.
54. The association also fixes the farm rate i.e. the rate to be received by the farmer i.e. Rs. 106/kg. The rate for the farmer is actually set in terms of *mand* which is roughly 37.5 litres. He noted that at the current rate provided by the association i.e. Rs 120/kg, the farmers are incurring a loss or if not a loss then they are getting a very small rate of return. The official rate has remained the same for 03 years.

Representative: Karachi Dairy Farmers Association (Date: 16th November 2020)

55. Rate of milk is set twice in day in Lee market *mandi* in Karachi. The rate in the mandi is determined by the forces of demand and supply. The Commissioner Karachi has not fixed the rate of milk since March 2018 and there is a need for an upwards revision in light of a rise in costs of production including price of buffalo, feed and water charges.
56. He stated that the cost of production of the dairy farmer alone comes to Rs. 120 per litre. The main cost heads were enumerated as follows:

- a. Compound feed: requirement of animal is 8 kgs per day and this feed previously cost Rs 38 per kg but is now Rs. 42 per kg. The cost of grain fodder has also increased from Rs. 6 to Rs. 8 per kg.
 - b. Palm oil cake which is being imported has also become expensive. He was of the opinion that the import of palm kernel was the monopoly of an individual who supplied to the whole of Pakistan.
 - c. Wheat bran had also become more expensive. The rise in production costs has weakened farmers financially.
 - d. Water is also expensive in Karachi and farmers have to pay Rs. 11 per animal per day on account of water charges.
57. Sindh Food Authority is also implementing new standards which will further increase costs. Such standards include the requirement of cans used for milk transportation to be food grade.
58. The major cattle centres in Karachi are:
- c. Bhains colony;
 - d. Nagori Cooperative Dairy Farms (Super highway);
 - e. Surjani town; and
 - f. Bilal (Korangi)
59. These colonies have approximately 7,000 farmers and 10 lakh animals. The land in these societies belongs to the government and has been allocated for the purpose of dairy farming. Our association is a welfare association and we are run like a cooperative to facilitate farmers. The milk market went down during the coronavirus lockdown i.e. from 21st March to 15th April 2020. He stated that his society has shut down its office.

Statements by Wholesalers Representatives

2 representatives of Wholesalers Association

60. The rate of milk was last determined in March 2018 and since then the rate has not been revised. Since 2002 Bureau of Supply and Price Sindh has been sidelined and prices are being determined by the Commissioner Karachi, who has been notified as the Controller General of Prices. Copies of notified milk prices for Karachi were presented which showed

that over the last 22 years milk prices were determined only 10 times. The Bureau of Supply and Prices is best placed to determine prices since it has offices in every district of Sindh. At present fodder purchased by dairy farmers in Karachi comes from other areas including Punjab and there is no check and balance on these input prices.

61. What is the grievance of the wholesalers? The wholesalers' association is a welfare association and not a trade body. Wholesalers buy milk from a farmer on a contract basis and sells to retailer on contract basis. It was stated that the contract between the farmer and wholesaler was based on quantity and not price. There is also a mandi in Lee market where milk is sold however, the final consumer does not purchase from there since the minimum quantity traded is a can of 40 litres. Milk is delivered to the mandi by farmers as well as wholesalers. Just like in any other mandi, there are brokers who determine the starting bid price based on quality of the milk. The average price of the bids are calculated to reach the market rate. The rate in the mandi depends on demand and supply. The demand of milk is seasonal for example, it is higher in summer months and Muharram and lower in the winters. Not all the milk in the mandi is sold sometimes there is unsold milk which goes to waste. He also stated that the mandi rate is the market rate. On the supply side the fresh buffalo (after giving birth) starts to arrive in the market from July to December and cows from January to February therefore, there is a lean season for supply in the intervening months.
62. He stated that rate of milk in Karachi is uniform i.e. the official rate. However, when the enquiry committee noted that as per reports, milk is being sold at rates higher than the officially fixed rate of Rs. 94 he noted that since rates haven't been fixed in over three years selling at the official rate will not be feasible. The wholesalers had also threatened a strike outside the Commissioner's office over determination of new official rate however, despite promises there was no revision in the rate.
63. On the farmers side it was stated that the buffaloes were only yielding 8 litres of milk which was very low when compared with developed countries where the yield of cows was over 35 to 55 litres. The milk business in Karachi operates mostly on credit basis. The wholesaler or aarthi's function in the milk supply chain is that of an investor. The wholesaler gives cash advance to the farmer for purchasing cattle at the main *mandis*. These *mandis* take place at various locations with the biggest mandi taking place in Okara on the

9/10th of every month in Okara (and others take place in Arifwala and Chichawatni at different dates throughout the month). Farmers have to purchase cattle from there on a cash basis therefore, the wholesaler gives the farmer cash advance for the purpose. Similarly, retailers make payments to wholesalers depending on their business cycles. Normally retailers make payments to wholesalers after every 5 days, some pay in advance, some pay on a daily basis. Wholesalers are also involved in the transportation of milk from farm to the retailers. In a 2004 case in the Sindh High Court a legal status was given to the wholesaler.

64. The wholesalers association is a welfare association and not a trade body and the agenda of their meetings is mostly issues w,r,t payments from farmers etc. The farmers' association is also involved in these discussions. The rate of milk should be fixed throughout the milk supply chain (including inputs) this will benefit the farmer as well since there will be price certainty in the market.

Statements by Retailers Representatives

(Date: 17th November 2020)

65. The enquiry committee was informed that there were currently 2-3 cases pending in the Sindh High Court with regards to milk prices in Karachi (did not provide details of the case). Fresh milk is sold in Karachi through mandi and an agreement/contract (bandhi). The agreement is for quantity of milk only and payment is settled on the 1st of every month. In the mandi however, there is a new rate every 12 hours since milk is delivered to the mandi twice a day i.e. once in the morning and then in the evening.
66. Retailers are making a loss of Rs. 20 per litre as the wholesale rate is currently Rs. 114 to Rs 115 per litre. Majority retailers buy from wholesalers and are allowed credit of 10 days by the latter. Currently the price of milk is fixed but the price of inputs is not fixed.
67. In terms of input costs, a letter, dated 26th January 2018, addressed to the Commissioner Karachi by the association was submitted to the enquiry committee. It shows the various costs incurred by retailers which can be divided into the following categories:

- a. Packing material: Milk bag, shopping bag and rubber band; Sub-total Rs. 2.55 per litre.
 - b. Variable expenses: Ice, electricity, diesel generator, shop rent, labour charges, miscellaneous expenses, depreciation, loss (wastage), detergents for cleaning utensils. Sub-total Rs. 10.57 per litre.
 - c. The total expenses incurred are Rs. 13.12 per litre.
 - d. They stated that on top of these expenses the retailers were allowed a profit margin of at least Rs. 2 per litre.
68. They also informed that the Sindh Food Authority had introduced new SOPs such as the use of food grade cans for transportation, temperature requirements etc which would further increase their costs.

[REDACTED]
[REDACTED] (Date: 17th November 2020)

69. The Dairy Farmers Association and wholesalers association collude to fix the rate of milk in Karachi. The key person is Haji Akhter Ali Gujjar of the Dairy Farmers Association who controls the milk market in Karachi. The rate in the Lee market mandi is also controlled by this individual as he sets the rate at which the *boli* (bids) will start. The same associations also fix the rate of *bandhi*, which is then the rate that prevails in the market. These individuals also create an artificial shortage of milk by hoarding it in ice factories and then selling that milk in interior Sindh.
70. They stated that the enquiry committee was incorrectly informed that *bandhi* only involved the fixation of quantity. On the 1st of every January the price of *bandhi* was announced in the market by Haji Akhter. The purpose of the *mandi* is to manipulate milk prices. When the association wants to increase the rate of *bandhi* it artificially increases the rate at the *mandi* and then compels retailers to buy milk at higher rates. If they refuse then they have no other option since the rate at the *mandi* is high. Retailers don't deal directly with farmers but only with wholesalers.
71. The Dairy Farmers Association focal person Haji Akhter Ali Gujjar announces the increase in rates. The President of the Wholesalers Association Mr. Jamil also supports with Haji Akhter when he announces the rate increase. There are 100 to 150 milk wholesalers in

Karachi and all have to follow the decisions of the Dairy Farmers and Wholesalers Association. This is because whoever goes against their decisions the dairy farmer does not supply milk to him. The other mafia is Jamil President of the Wholesalers Association whose brother is from the Dairy Farmers Association – Shakir Umer Gujjar. These associations have meetings to fix the rates of milk. All Karachi Retailers Association are also hand in glove with the wholesalers and dairy farmers and collectively determine rates for milk. Most of this retail association's members are either wholesalers or dairy farmers. 3 key persons in the dairy associations include: Sikander Nagori, Haji Akhtar and Shakir Umer Gujjar. President of the wholesalers association is Jamil Umer (the brother of Shakir Umer).

72. The wholesaler and farmers association threaten retailers if they speak against their practices of fixing milk rates. They provide milk to the retailers for Rs. 114-115 per litre. The average cost of the retailer is Rs. 12/ litre and Rs. 5 per litre is the profit margin. Then it is not possible for them to sell at below Rs. 120 even as they cannot cover their costs. If retailers refuse to purchase milk at the rate given then they threaten to stop their supply. Retailers are not a position to refuse purchasing milk at high price because they have no other source of supply.
73. The Dairy Farmers Association also manipulates the *mandi* by artificially increasing the opening prices of bids. They also create artificial shortage of milk by storing it in ice factories.
74. When asked whether there was any evidence available of the Dairy Association fixing the price of milk they replied that there were TV interviews of Haji Akhter wherein he has stated that the price was increased. Other than that they stated that all the decisions to increase prices was made verbally with no written agreements. Meetings of the Dairy Farmers Association are held at cattle colony.
75. Only retailers are pursued by the Commissioner for violation of price lists and no action is taken against the farmers. Farmers' costs have increased since 2018. In 2018 the prices were fixed after examining input costs.

- [REDACTED]
76. He stated that the maximum cost to the farmer for producing one litre of milk is Rs. 90 with the cost of cattle feed Rs. 30 per litre. He challenged that dairy farmers were not feeding cattle palm kernel (which is expensive). There is a mafia involved in the milk trade in Karachi. Wholesalers sell milk to retailers at Rs.4250 per 37.5 litre. If any retailer complains of the high price or says anything against the mafia his supply of milk is stopped. A lot of black money is involved in the milk trade. All Karachi Retailers Association office bearers are farmers and not retailers.
77. The alleged mafia comprises of the Dairy Farmers, Wholesalers and All Karachi Retailers Association. An artificial shortage for milk is created to ensure the rate of milk is stabilized. This is done by storing milk in ice factories which is then sold in interior Sindh. He has submitted a petition in the Sindh High Court in this regard. The associations have also coordinated their statements in front of the enquiry committee.
78. The purpose of creating a *mandi* is to manipulate the market and blackmail the farmers. If a retailer refuses to adhere to the *bandhi* rate his milk supply is stopped and he is then forced to buy from the *mandi* where the rates are higher. The association opens the bids of the *mandi* as well. Retailers are penalized by the district administration whereas they are not at fault since milk is being sold at a higher rate by the wholesalers and farmers to them. He named Haji Akhter and Umer Shakir (of the Dairy Farmers Association) of fixing the price of milk in Karachi which is Rs.120 at present in Karachi. Retailers are getting milk at the rate of 114-115 per litre. Retailers pay for milk one month in advance. Most retailers are buying milk through *bandhi* and if it is not acceptable his supply is stopped and his share of milk is sold in the *mandi*. The rates in the *mandi* are more expensive than in the shops for example, the *mandi* rate during summers is Rs. 6000 per *mand* which is Rs. 160 per litre and is therefore, not viable for the retailer. All over Pakistan fruits and vegetables are cheaper in the *mandi* however, in Lee market milk is expensive.
79. Majority of the retailers in Karachi do business of 10-15-20 *mand* of milk. 1 *mand* equals 37.5 litres. The larger shops who do business of 50 *mand* are owned by farmers and wholesalers.

80. The association has an office in Cattle colony and have a Whatsapp group. In order to gather proof he suggested that a survey of retailers may be conducted to ascertain the rate of *bandhi* which is uniform throughout Karachi.

81. The notified price of milk in Karachi is Rs. 94 per litre. It is important to ask the question of who is benefitting by bringing into dispute the price of milk in Karachi. The answer is that only the dairy farmers and wholesalers are benefitting from this whereas retailers are suffering.

82. The District Administration is collecting fines of Rs. 30,000 to 35,000 from retailers. The price of milk fixed in Lahore at Rs 120 per litre, Islamabad at Rs. 130 to 140 and Quetta at Rs. 120 per litre. In these cities cattle feed is transported from nearby areas even breeding and cattle production is cheaper in Punjab. Whereas in Karachi the cost of production is higher because feed has to be transported from Punjab, even water has to be paid for in Karachi. Therefore, overall cost of production is higher in Karachi.

83. He stated that he used to supply milk to hotels which has now ended due to corona and his association is not active at present. He purchased milk through *bandhi* which is a contract for one year. Due to rising inflation and costs of production, the dairy farmer increases the rate of *bandhi* and does not adhere to the notified rate. Dairy farmers have repeatedly approached the Commissioner time and again to increase notified prices but to no heed. The current rate of *bandhi* is Rs. 114 to 116 which is uniform throughout Karachi. *Bandhi* is a contract for quantity as well as price. Only Rs. 1 or Rs 2 variation exists due to transportation charges depending on the distance from the *bara*. When quizzed as to who was behind determination of the *bandhi* rate he replied that the President of the Dairy Farmers Association Haji Akhter and his 'cabinet' were behind this rate which is based on their cost of production. They then call the Wholesalers Association and inform them of the situation and new rates.

84. The rates of poultry and eggs for example, is determined on a daily basis and for milk there is a notified price which is not based on demand and supply. He stated that in 2019 the dairy farmers decided to increase the rates however, he opposed the move and said that they should approach the courts for relief in the matter.

85. He said that a new price of milk should be calculated based on cost of production of dairy farmers and a new notification should be issued and this practice should be repeated after every 04 months.

Summary of statements:

86. The dairy farmers associations have mainly agitated the rates of milk were last notified in March 2018 which are currently not feasible on account of rising input costs.

87. The retailers' associations (except for All Karachi Milk Welfare Retailers Association) have stated that the following individuals and associations are involved in the collective fixation of the rate of *bandhi* and the rates fixed by them is the one that prevails in the market:

- a. Haji Akhtar Gujjar of the Dairy Farmers Association Karachi ('DFAK') and;
- b. Shakir Umer Gujjar of the Dairy & Cattle Farmers Association Karachi ('DCFAK');
- c. Haji Sikandar Nagori of the Karachi Dairy Farmers Association ('KDFA')
- d. Mr. Jameel All Karachi Fresh Milk Wholesalers Welfare Association who is the brother of Shakir Umer Gujjar.
- e. All Karachi Milk Welfare Retailers Association are also complicit in the alleged collusive activities.

88. The above mentioned associations fix the farmgate price, wholesale prices and retail prices as well. If a retailer refuses to purchase milk at the fixed rate of *bandhi*, the association threatens to stop supply of milk to him and sell that milk in the *mandi* located at Lee Market.

89. As per the enquiry committee's understanding based on the statements made by retailers and prices observed in Karachi, the following rates were fixed by the association in Karachi from November 2020 to January 2021:

- a. Farmgate rate: Rs.106
- b. Wholesale rate: Rs. 114-115 per litre
- c. Retail rate: Rs. 120 per litre.

90. Statements made have also confirmed that rate of *bandhi* is uniform throughout Karachi and retailers are buying at Rs. 114-115 per litre. The enquiry committee observes that although milk is a relatively homogenous commodity, its rates should differ from farm to

farm according to the quality of the milk i.e. its fat content, adulteration if any and the quality of the animal's fodder etc. However, in the case of Karachi, uniform prices of bandhi are observed which indicates that there is a prima facie collective decision on milk prices. The statements by the milk retailers representatives are also echoed by statement of a farmer who is member of one of the dairy farmers association (Date: 16th November 2020).

91. The enquiry committee finds that the statements made by the retailers under Section 33 of the Act are corroborated by following video footages which show Shakir Umer Gujjar from DCFAK announcing revised milk rates which are discussed in further detail below.

Video Footage & voice clips of rate announcement by associations

92. Video 1 and 2 and voice clip have been provided to the enquiry committee by one of the complainants via WhatsApp dated 04th February, 2021:

93. **Video 1:** A video clip in which the chairman of Dairy & Cattle Farmers Association, Karachi Mr. Shakir Omer Gujjar circa 03rd February, 2021. In the video Mr. Gujjar can be seen sitting in the office of the DCFAK and is apparently addressing the Commissioner Karachi asking him to issue a fresh notification for milk prices or else the farmer would set the prices themselves based on the cost of production. He states:

"Sir survive krna mushkil hogaya hai aap nay jo notification kia tha 2018 aus mein ap nay likh dia tha 6% ka doodh farmer faraham krein gay jab kay food law kay mutabiq doodh ka fat percent 5% hai is ko madinazar rakhein".

Translation: *"Sir it has become difficult to survive. Your 2018 notification had stated that farmers will supply milk with 6% fat content however, as per the food laws the fat content of milk is 5%. Keep this in consideration".*

"Qanoon say na ap mutasadim ho saktay ho na hum. Jo food law mein lekha aus kay mutabiq doodh ki qimatoon ka notification jari krein or aus ko 5% fat ka lekhein. Mein ap say mudabana guzarish kerta hoon kay doodh ki qeematon ka notification jare krein basorte degar farmer doodh ki qeematin mukarar kernay kay liye apni cost of production leny kay liye haq mujanib hoga".

Translation: *"Neither you nor we can be in divergence with the law. Issue a notification according to what is written in the food law and state 5% in it. My kind request to you is that issue a new notification for milk price or else the farmer will be justified in determining milk prices based on his cost of production"*.

94. **Video 2:** Video of Shakir Umer Gujjar in cattle colony announcing revised rates of milk: The video clip circa 03rd February 2020 is from cattle colony where Shakir Umer Gujjar is present on a stage and an associate of his is announcing the revised rates of milk in front of a gathering of farmers as can be seen in the photos below.

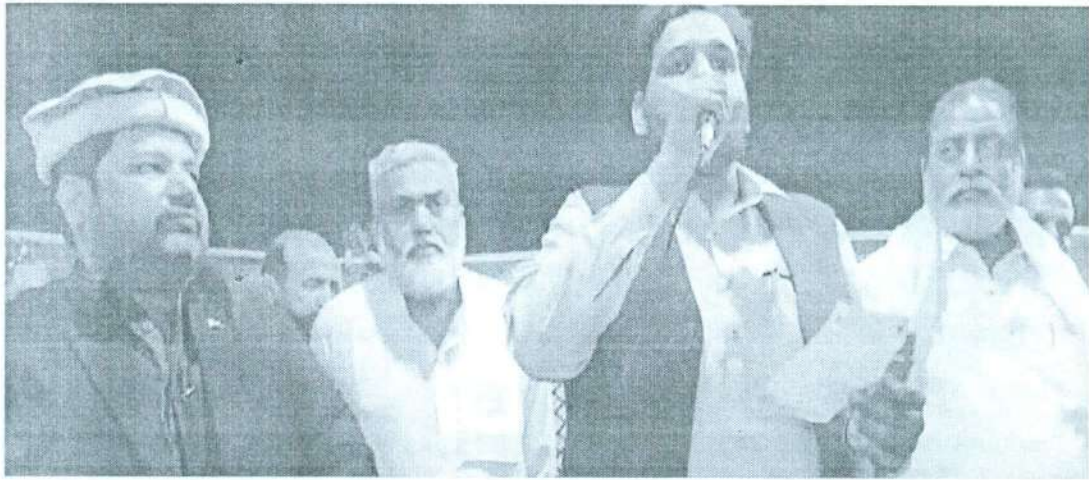


Photo 1: IL Shakir Umer Gujjar, on stage with his associate who is announcing rates.



Photo2: Dairy Farmers listening to the conversation

95. The relevant excerpts from the announcements are reproduced below:

Associate of Shakir Umer Gujjar: *"Shehr mein jo doodh biky ga Rs.140 litre biky ga jis mein izafa hoa hai Rs 750. Dukandar ki majbore daikhtay huwe, mutafaqa faisly mein Rs. 160 dukandar ko die gaye hain qyun kay kuch jurmany bhartayy hain or wo b humary sath karobar mein shareek hain aus kay baad peokar hazrat kay lie bhi kyun kay unn kay bhi paisay lagay huwe hain or wo bhi karobar kar rahy hain or munafay kay haqdar hain to humara jo bandhi kay doodh pay karaya tha Rs. 120 aus ko barha kay Rs. 140 kar diya hai"*.

Translation: *"The milk that will be sold in the city (Karachi) will be at Rs. 140 per litre which has been increased by Rs. 750. Seeing the difficult situation of retailers, in the collective decision Rs. 160 has been given to retailers because they have to pay fines and are involved with us in the business. After that are the wholesalers who have invested money and they are also doing business and are therefore entitled to a profit. Therefore, the 'rent' on the bandhi milk which was Rs. 120 has been increased to Rs. 140"*.

"Jo dukandar hazrat bandhi kay doodh pay Rs.120 daitay thay wo ab Rs.140 dein gay. Total mila kay jo ex farm dairy farmer ko melein gay Rs. 4430. Ap log is pay mutafiq hain? Har mamlat mein DCFA ka sath dene kay liye tayyar hain? Inshallah pehlay hum baad ap. 10 tareekh say yay bhao lain gay".

Shakir Umer Gujjar takes the microphone and adds *"Ummeed kerta hoon kay Inshallah ye bhao ap apnay peokar say lein gay aur jatay hee apnay peokarr ko bata dein gay kay ye rate ho ga 10 tareekh say"*.

Translation: *"The retailers who were giving Rs. 120 on bandhi milk will be giving Rs. 140. Total ex farm payable to dairy farmer will be Rs. 4430. Do you people agree to this? Are you ready to support DCFA in all affairs? Inshallah first we then you will take this rate from the 10th"*.

Shakir Umer Gujjar takes the microphone and adds: “I hope that Inshallah you will take this rate from your wholesaler and will go immediately to your wholesaler and inform him that from the 10th this will be the rate”.

96. As the above mentioned video clip shows, an announcement of rates from the platform of the DCFK is being made where ex-farm, wholesale and retail rates are announced by the association and farmers present express their agreement. Farmers are then asked to demand these new revised rates from the wholesalers from 10th February 2021. From the announcement the following rates are set:

- a. Ex-farm: Rs. 118/litre.(Rs. 4430 announced is for a *mand* which roughly equates to 37.5 litres).
- b. Retail rate: Rs. 140 per litre.

97. **Video 3:** Samaa TV show ‘Naya Din’ aired on 03rd February 2021: Shakir Umer Gujjar Appears on the show’s studio in person.



Photo 3: Shakir Umer Gujjar on Samaa Tv Show Naya Din 03.02.2021

98. The host notes while alluding to the announcement of milk rates states: “ailan kaisay hota hai aur ailan kaun karta hai?” Translation: “how is an announcement made and who

makes it?" He then refers to a message by Shakir Gujjar where the latter has made a calculation that based on the cost of production, milk in Karachi should be sold at Rs. 170. Shakir Gujjar goes on to state that price of milk increases due to rise in cost of production.

The host then asks:

Host: *"Sir aik jumlay mein bata dain, kya 11 February say humain doodh Rs. 120 mein nahin milay ga?"*

Shakir Umer Gujjar: *Nahin Milay ga. Daikhain hum doodh band ker dain gay jo humaray rate pay doodh nahin day ga".*

Translation - Host: *"Sir tell us in one sentence whether after 11 February (2020) we will not get milk at Rs. 120?"*

Shakir Umer Gujjar: *No you will not. We will stop the supply of milk to anyone who does not give milk at our rate".*

99. This statement of Shakir Umer Gujjar made on behalf of DCFAK also matches with those of retailers recorded by the enquiry committee under Section 33 of the Act, where they had stated that the dairy farmers associations threaten to stop their supply of milk if they do not agree to the rates of *bandhi* fixed by them. The enquiry committee notes that this statement on behalf of the association constitutes a *prima facie* violation of Section 4 of the Act is not only increasing the rate at which milk is supplied to the retailer but is also threatening to stop supply which is a collective refusal to deal on the part of an association.
100. **Video 4:** Shakir Umer Gujjar via telephone on a news bulletin on Channel 24 News HD aired on 23.02.2021¹⁸

¹⁸ <https://www.youtube.com/watch?v=3EZKGA8vYdo>



Photo 4: Shakir Umer Gujjar on 24 News HD talking about increase in milk prices 23.02.2021.

The host poses a question of whether the rate increase of Rs. 10 was unfair for the people of Karachi. To which Shakir Umer Gujjar replies:

"ap apni correction farma lain yay izafa kiya nai jaa raha yay 11 February say ho chukka hai. Iss mein say farmer ka jo izafa hai wo Rs 15.75 per litre ka hai jo kay 11 February say hum nay wasooliyan ker li hain apnay wholesalers say"

Translation: please correct your self the increase is not being made but it has already been made since 11 February. Out of this increase the farmers increase is Rs. 15.75 per litre which has been implemented since 11 February and we have taken payments from our wholesalers."

101. In addition, during the same period of these footages, the enquiry committee has also found press reports containing statements made by Shakir Umer Gujjar regarding hike in prices some of these are reproduced below:

"Dairy farmers in the metropolitan have Monday in an unparalleled bid announced an Rs20 per litre raise in milk prices on their own which has yet to be responded by official authorities, ARY News reported. In the retail prices of milk, the Rs20 hike will mean Rs140 a litre, as announced by Dairy and Cattle Farmers

Association President Shakir Umar Gujjar. For the wholesale rates, Gujjar said, Rs16 have been increased¹⁹. (ARY dated: 01st February, 2021)

“One of dairy farmers’ cartels in the city hiked the milk price by Rs46 per litre late on Monday....According to Karachi Dairy and Cattle Farmers Association President Shakir Umer Gujjar, hike in the retail prices of milk by Rs20 hike means it would be sold at Rs140 per litre to the end consumer. For the wholesale rates, Umer said, Rs16 had been increased....Umar Gujjar said that if retailers did not want to accept the hike in milk prices, they should not buy milk from their farms.”²⁰. (The News, 03rd February, 2021)

“Dairy farmers in Karachi have increased the price of milk by Rs. 20 per liter in an overnight price revision that was made without the approval of the administration. The new price for the retail customers will be Rs. 140 per liter, as announced by the Dairy and Cattle Farmers Association President, Shakir Umar Gujjar. An additional increment of Rs. 16 has also been made to the wholesale rates”²¹. (ProPakistan, February, 2021)

102. Voice clip 1: this is a voice clip with the voice of Mr. Abdul Waheed Gaddi from All Karachi Milk Welfare Retailers Association²² and it is accompanied by a calculation:

“Daikhain yay calculation main nay aaj hee pages pay dali hai. Aur kal say daikhye ga iss pay baqaida behas ka aghaz ho ga. Iss mein Rs5. Dukandar ko bhi apna laalach nazar aye ga. Aur jab pressure barhay ga tau DFA kya DFA kay log bhi khud ba khud rabta karain gay Inshallah”.

Translation: *“Refer to the calculation I have posted on (social media) pages. You will see from tomorrow discussion will commence on this. The retailer would see a*

¹⁹ Karachi dairy farmers hike milk price by Rs20/litre overnight, retailers unaware, ARY 01.02.2021
<https://arynews.tv/en/milk-dairy-farmers-karachi-price/>

²⁰ Action ordered against retailers, farmers charging higher milk price, The News, 03.02.2021,
<https://www.thenews.com.pk/print/784025-action-ordered-against-retailers-farmers-charging-higher-milk-price>

²¹ Karachi Dairy Farmers Increase Milk Price by Rs. 20 Per Liter, ProPakistani ,
<https://propakistani.pk/2021/02/02/karachi-dairy-farmers-increase-milk-price-by-rs-20-per-liter/>

²² The enquiry committee confirms that this is the voice of Mr. Abdul Waheed Gaddi as it matches with the voice of the individual in question recorded during his statement provided under Section 33 of the Act.

Rs. 5 incentive in this and when pressure increases the DFA¹ and its members will automatically contact Inshallah". Following calculation is referred to in the voice clip:



103. To give context to the matter, it appears that the DFAK refused to accept the rate announced by Shakir Umer Gujjar's DCF²³ on 03rd February 2021. However, in this voice clip Mr. Abdul Waheed Gaddi from All Karachi Milk Welfare Retailers Association appears to support the stance on new rates announced by the DCF²³. The calculation shows that the new rate for the farmer will be Rs. 120, margin for wholesaler and retailer Rs. 15 and Rs. 5 respectively with one litre of milk retailing for Rs. 140. In a news item appearing in the Dawn on 28.02.2021 the same individual announces the retail price of milk at Rs. 130:

"Press secretary of All Karachi Milk Retailers and Welfare Association (AKMRWA) Waheed Gaddi, while trying to defend the price rise, said milk rate of Rs130 per litre is being charged by 30-40 per cent wholesalers in the city and not by the retailers. He said dairy farmers had announced the rate of Rs140 per litre which the AKMRWA had rejected. Later on Feb 22, wholesalers had increased the rate by Rs10 per litre to Rs126-128 per litre which was also rejected by the retailers' body. Waheed said the retailers, who depend on

²³ Samaa Tv program Naya Din' aired on 03rd February 2021 where the host tells Shakir Umer Gujjar that the DCF²³ has denounced the rate announced by the former's association DCF²³.

wholesale rates, could not hold the wholesale price hike of Rs10 per litre and retailers would have to pass on to the consumers from the first week of March by charging Rs130 per litre on fresh milk²⁴. (Dawn, 28.02.2021)

104. The other farmers association i.e. Dairy Farmer Association Karachi President Haji Muhammad Akhtar Gujjar, rejected the price hike and said although they also wanted to increase the price of milk, but the recent increase had nothing to do with their association²⁵. However, price data from PBS shows that immediately after the rate announcements by the association DCFK of Shakir Umer Gujjar, the average retail prices of milk in Karachi went up from Rs. 120 per litre to Rs.128 per litre which is close to the Rs. 130 announced by the retailers association. (Refer to Table below) which shows that there is a convergence between the various dairy farmers associations.

Milk prices in Karachi & Lahore (Rs/litre)		
	Khi	Lahore
Feb-21	120	98
Mar-21	126.8	96.07
Apr-21	128	96.07
May-21	128.43	96.07

Source: PBS

105. News reports and independent information available with the enquiry committee show that milk is retailing in Karachi for Rs. 130²⁶. The enquiry committee observes that this hike in milk prices was the result of collective actions by all three dairy farmers associations since retail prices rose in Karachi subsequent to the announcements by DCFK and All Karachi Milk Welfare Retailers Association. Had the announcement of DCFK not been followed by other dairy farmers associations, then the price of milk would not rise as there would be competition between farmers of the two associations with retailers purchasing from the farmers that would be selling at the lower rate.

²⁴ Prices of food items begin to climb up further ahead of Ramazan, Dawn, 28.02.2021
<https://www.dawn.com/news/1609756>

²⁵ See Footnote 13.

²⁶ Hum News footage dated 06.03.2021 showing signs outside milk shops stating Rs. 130 per litre as the new rate
<https://www.youtube.com/watch?v=zr1DXrfLlg>.

Enquiry committee took rates from retailers association and milk shops.

106. Based on the foregoing evidence which includes: video clips of Shakir Umer Gujjar, statements recorded under Section 33 which are also supported by press reports it appears that the DCFK as an association announces and fixes the rates of milk in Karachi in prima facie violation of Section 4(1) read with 4(2)(a) of the Act.
107. Rate announcements or even recommendations by associations to fix price of milk are decisions by an association in *prima facie* violation of Section 4(1) read with Section 4(2)(a) of the Act. This rate acts as a benchmark and the product would be priced at or near this level. This is exactly what we see is happening in Karachi in the previous year as well. News reports inform of rate hikes by dairy farmers associations:
“Dairy and Cattle Farmers Association Pakistan President Shakir Umar Gujjar has said that per litre price of milk in Karachi will be raised by Rs10 from July 11. He maintained that fresh milk will be sold at Rs120 per litre in the metropolis from Saturday²⁷”. ARY (08th July 2020)
108. Video clip 5: A statement made by Shakir Umer Gujjar shown in a news report on the Channel 92 on 13th July 2020 after the prices of milk were increased by the association by Rs. 10 per litre to retail at Rs. 120 instead of Rs. 110 per litre.



Photo 5: Shakir Umer Gujjar on 92 News HD saying that his association will not take back the rate hike in milk

²⁷ <https://arynews.tv/en/karachi-farmers-increase-milk-price/>

The statement reads as follows²⁸:

“doodh ka yay rate wapis nai lain gay nai lain gay. Yay khwa dukanain seal ker dain aur agar Commissioner sb hum say baat kerain gay tau kahin na kahin cheezain darmyan mein hum ker lain gay. Basoorat-e-deegar hum mazeed Rs15 ka izafa kerain gay aglay maheenay aur aap humara kuch bhi nai ker sakain gay”.

Translation: *“We will not take this rate back. Even though they may seal shops and if the Commissioner talks to us then we can find a middle ground. Otherwise we will make a further increase of Rs.15 from next month and you will be able to do nothing to us”.*

Shakir Umer Gujjar in his statement is referring to the Rs. 10 hike in per litre price of milk which is announced by his association. He went on to threaten that they would block the main highways if the Commissioner Karachi put undue pressure on them.

109. **Video Clip 6:** Aired on Samaa TV dated 08th July 2020 in which Shakir Umer Gujjar states that since no government department responded to the farmers’ plight, they established an action committee and made an announcement as to the increase in the rates of milk²⁹.
110. Price data from PBS confirms that prices of milk in Karachi rose from Rs.108 in June 2020 to Rs. 120 in July 2020³⁰ which shows that the increases announced the associations were implemented. These rate announcements by the association are also in prima facie violation of Section 4 of the Act.
111. The comparison between milk prices in Karachi, Lahore and Islamabad is interesting. Whereas the enquiry committee observes that the retail rate of milk in Karachi at present is Rs. 130 per litre for average quality of milk is uniform throughout the city³¹. Whereas, retail prices of milk vary in Lahore selling for: Rs. 90, Rs. 95, Rs. 105, Rs. 120 and Rs. 130. Same is the case with Islamabad and Rawalpindi with variations ranging from Rs. 110, Rs. 120, Rs.130, Rs. 140. This uniformity in rates appears to be the result of abovementioned rate announcements by the associations. Similarly, PBS data shows that the price of milk in Lahore as of May 2021 was Rs. 96 and was Rs. 128.43 in

²⁸ <https://www.youtube.com/watch?v=n9Xkuyk6py4>

²⁹ <https://www.youtube.com/watch?v=XINCndO1dbc>

³⁰ Table 1 above.

³¹ There are some isolated instances where milk is being sold at a lower price however, it is reported to be of substandard quality and adulterated.

Karachi³². Given the fact that the dynamics of the market in Lahore and Punjab are different but still it does not explain the Rs. 32.43 per litre differential between the two major urban centres.

112. The enquiry committee after taking into account: (i) statements of retailers' representatives and a dairy farmer, and various video footages reaches the conclusion that in July 2020 and February 2021, it appears that decisions to fix the prices in the relevant market were primarily taken by DCFK. It also appears that the other two dairy farmers associations-DFK and KDFA followed suit as the prices of milk in the relevant market rose immediately after the announcement of new rates by DCFK. It is observed that the rate rise in the relevant market could not have been possible without the collusion of all three dairy associations. Once the rate of bandhi was increased by the dairy farmers it would have an impact on prices at all other levels of the supply chain including wholesalers and retailers. Therefore, these decisions to fix the rate of bandhi in the relevant market is a prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.
113. Whereas, statements recorded also alleged the involvement of wholesalers and a retail association enquiry committee could not find any further evidence in this regard.

V. CONCLUSION

114. Without prejudice to the generality of the foregoing and the findings of the enquiry report, briefly the conclusions are as follows:
115. Based on the findings of paragraphs 25 to 28 above, the relevant market appears to be that of production, supply and sale of fresh milk in Karachi Division and adjacent areas including but not limited to Hub and as far as Gwadar in Balochistan. In addition, milk by virtue of it being an essential food item is a key ingredient in a number of other food products such as desi ghee, butter, and a number of bakery and confectionary products (*khoya, barfi, halwa*, traditional sweets and biscuits). Milk is also used in various other products such as cosmetics (soaps, lotions) and pharmaceutical products which are

³² https://www.pbs.gov.pk/sites/default/files//cpi_annexure_intercity_prices_spi_may_2021.pdf

supplied throughout the territory of Pakistan. Therefore, there is a spillover effect of any increase in price of milk beyond the provincial boundaries.

116. Based on the findings of paragraphs 30 to 37, the Commissioner Karachi Division notifies the prices at all tiers of the milk supply chain and the last such notification was issued on 14th March, 2018 fixing the following prices per litre: Dairy Farmer: Rs. 85 per litre; Wholesalers: Rs. 88.75 per litre and Retailers: Rs. 94 per litre. However, price data shows that the notified prices are not adhered to due to the role of various associations involved in the milk supply chain.
117. Based on the findings of paragraphs 40 to 41 above the following are associations of undertakings in terms of Section 2(1)(q) of the Act and operate in the relevant market:
- i. Dairy Farmer Association, Karachi
 - ii. Karachi Dairy Farmer Association
 - iii. Dairy & Cattle Farmers Association Karachi
 - iv. All Karachi Fresh Milk Wholesalers Welfare Association
 - v. All Karachi Milk Retailers Welfare Association
 - vi. United Milk Retailers Welfare Association, Karachi
 - vii. Super United Milk Retailers Welfare Association
118. Based on the findings of paragraphs 43-113 above, the associations are involved in prima facie fixation of prices in the relevant market which is a violation of Section 4(1) read with 4(2)(a) of the Act:
- a. Dairy Farmer Association Karachi
 - b. Karachi Dairy Farmer Association
 - c. Dairy & Cattle Farmers Association Karachi

VI. RECOMMENDATIONS


119. Fresh milk is an important item in the consumer basket of goods accounting for a 23 percent share in overall food expenditure of an average urban household and 7 percent share in the overall expenditure of a household. Milk is a major source of Calcium, Vitamins and Minerals for children and is an essential component of their diet. Knowing that demand for milk is relatively inelastic, associations active in the relevant market


have colluded to fixing the its prices and are controlling its supply by threatening milk retailers to abide by their set rates or risk having their supplies cut off. (as seen in the video clips appended with this enquiry report). The last two years, have seen rate announcements by dairy associations leading to a rise in per litre prices by Rs. 20. If the minimum estimated demand for milk in the relevant market is taken at 5 million litres daily, it means that even a Rs. 1 rise in its price would lead to a loss for the consumer of Rs. 5 million daily. Since the price set by the government is Rs 94/liter and the association through their collusion/collective decision making are selling at Rs 120/liters resulting in daily liability passed on to consumers to the tune of approximately Rs 130 Million and annual impact of approximately Rs 47 billion to the consumer /customers of Karachi and its adjacent areas. The market is distorted as there is no competition on prices and consumers are subjected pay unfair prices irrespective of quality of milk. The incentive to compete based on better quality product is also eroded. The rise in milk prices through prima facie anti-competitive conduct also has spillover effects in various other ways in other parts of Pakistan as well since milk is used in various other products such as foods, cosmetics and pharmaceuticals.

120. Therefore, in the public interest, the Enquiry Committee recommends that the Commission may consider initiating proceedings under Section 30 of the Act against the following:

- a. Dairy Farmer Association Karachi
- b. Karachi Dairy Farmer Association; and
- c. Dairy & Cattle Farmers Association Karachi


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