

**COMPETITION COMMISSION OF PAKISTAN**

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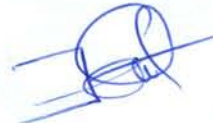
**ENQUIRY REPORT**

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

**IN THE MATTER OF ANTI-COMPETITIVE ACTIVITIES IN THE POULTRY  
FEED INDUSTRY**

**Maliha Quddus | Irfan ul Haq | Fahd Gauhar | Aziz Ullah**

**Dated: May 07, 2021**



## I. BACKGROUND & FACTS

1. This report has been prepared in pursuance of the enquiry authorized by the Competition Commission of Pakistan (the "Commission"), under Section 37 (1) of the Competition Act, 2010 (the "Act"), on 13<sup>th</sup> November 2020 against suspected anticompetitive conduct by feed manufacturers in Pakistan.
2. Numerous concerns were received through Pakistan Citizen Portal ('PCP') and the Commission's online complaint portal regarding a continuous and simultaneous rise in poultry feed prices by the feed manufacturers. It was noted in the complaints that poultry feed manufactures had increased their prices on the pretext of rising production costs however, increase is not proportionate to prices of Maize and Soybean (main ingredients in poultry feed) (Annex 'A1').
3. In order to probe the matter at hand, letters were written to 35 poultry feed manufacturers seeking the following information<sup>1</sup>:
  - a. Each instance of increase in price of poultry feed supplied in the last three years;
  - b. Reasons for each increase in price. (List of mills and sample letter placed at Annex 'A2')
4. Replies were received from 19 mills from which it was observed that during the last three years, price of poultry feed price increased by an average of Rs. 800-1000 per 50 kg bag with the major increase in FY 2019-20. Most of the feed mills cited similar and generic reasons for increase in price which are noted herein below:
  - a. Increase in raw material prices;
  - b. Currency devaluation;
  - c. Improvement in nutritional profiles;
  - d. General inflation;
  - e. Increase in electricity tariffs;
  - f. Increase in KIBOR rate; and
  - g. Increase in wages of skilled labour etc.
5. To gather further information, an informal survey of poultry sheds was undertaken by an officer of the Commission whereby it was learned that there was a simultaneous increase in the price of feed by poultry feed mills. During the course of the survey a feed dealer provided copies of official price lists issued by various feed mills. Although

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<sup>1</sup> Letters were written to 10 mills on 15.11.2019 and mills 25 on 02.07.2020

price lists for all the mills were not included, the lists available reveal the following trend:

- a. 24<sup>th</sup>/26<sup>th</sup> August, 2019: 11 feed mills increased their rates.
  - b. 07<sup>th</sup> /08<sup>th</sup> November, 2019: Official rate lists of 19 feed mills, are available which show that all of them increased their prices on these dates.
  - c. 13<sup>th</sup> /15<sup>th</sup> June 2020: 09 feed mills decreased their rates.
  - d. 02<sup>nd</sup> July, 2020: 08 mills decreased their rates.
  - e. As per information available, the average rate of change also appears to be the same.
6. The increase in price by 19 mills (that we are aware of through official rate lists) on the same date i.e. 8<sup>th</sup> November 2019 with a similar quantum coupled with similar reasons for price increase raised a strong suspicion of cartelization by poultry feed manufacturers.
  7. Furthermore, vide letter dated 27<sup>th</sup> August 2020 an official of a feed mill noted that decision to increase or decrease poultry prices was taken collectively by certain feed mills after reviewing the situation in the market. Pursuant to receipt of this letter, an official from the feed mill was contacted telephonically. When asked about the names of mills involved in the alleged cartel he stated that National Feeds, SB, Hi-tech and Asia were taking decisions regarding price increase. Their meetings were held in Rawalpindi offices of SB feeds or Hi-tech Feeds or at local hotels. Poultry Feed Mills do not have their own association, however, they are members of Pakistan Poultry Association (PPA).
  8. Furthermore, vide letter dated 15<sup>th</sup> October, 2020 the Livestock & Dairy Development (Government of Punjab) raised concerns that poultry feed prices had witnessed an increase which was not proportionate to the increase in cost of ingredients used in feed. A letter by Punjab Broiler Farmer's Association was also attached along with the letter wherein it was alleged that poultry feed manufacturers have formed a cartel to increase the per bag price of feed and mutually agree on prices via mobile messages. Over the last two years there has been a cumulative rise of Rs1050 per 50 kg bag of feed. The latest increase in prices in September and October 2020 was Rs.100 and Rs 175 respectively (A copy of the letter sent by Livestock & Dairy Development and Punjab Broiler Farmer's Association is attached as Annex 'A3').
  9. Based on the above, from at least August 2019 to July 2020 a pattern simultaneous price changes by poultry feed mills emerged and it also appeared that the quantum of price



change was similar for poultry feed mills. The stance of poultry feed manufacturers *vis a vis* the price changes also appeared to be similar with most citing generic reasons such as rising production and input costs as reasons for the price changes. In addition to this the information contained in the letter by Secretary Livestock and the abovementioned feed mill alleged that the price changes were the outcome of collusion by poultry feed mills. A working paper with these facts was presented to the Commission in its meeting held on 13<sup>th</sup> November, 2020 subsequent to which it authorized an enquiry under Section 37(1) of the Act. Pursuant to the powers contained in Section 28(2) of the Act, the Commission appointed Maliha Quddus, Joint Director (C&TA), Irfan ul Haq, Deputy Director (C&TA), Fahd Gauhar, Deputy Director (C&TA) and Aziz Ullah, Management Executive (C&TA) as enquiry officers (hereinafter collectively referred to as the (“Enquiry Committee”) to ascertain whether there has been any *prima facie* violation of Section 4 of the Act on part of the feed manufacturers and submit a report in the matter.

10. Subsequent to initiation of the enquiry further analysis of price changes by poultry feed companies showed that the pattern of similar price changes extended from August 2019 to December 2020. Keeping in view the available information price change from August 2019 to December 2020 for a select companies (for which data was available) are summarized in the table below:

<b>Table 1: Price Increase in Poultry Feed</b>				
	<b>24.08.2019</b>	<b>07.12.2020</b>	<b>Increase (Rs)</b>	<b>%age increase</b>
<b>Asia Poultry Feeds</b>				
Layer layer crumbs	2655	3205	550	21%
Broiler finisher crumbs	2968	3570	602	20%
Broiler starter mash	2962	3550	588	20%
<b>National Feeds</b>				
Layer crumbs	2690	3215	525	20%
Broiler finisher crumbs	3010	3585	575	19%
Broiler starter mash	2997	3572	575	19%
<b>Zubair (SB Feeds)</b>				
Layer starter crumbs	2800	3339	539	19%

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Broiler finisher cumbs	3030	3614	584	19%
Broiler starter	3030	3614	584	19%

*Calculations based on price lists*

Based on the above, it is observed that since August 2019 to December 2020, prices of broiler feed have increased on average by Rs. 584 per 50 kg bag. Similarly for layer feed the average increase for companies reviewed is Rs. 538 per 50 kg bag. Therefore, it appeared that the price increases have been simultaneous and the quantum appears to be similar as well.

11. Since poultry feed manufacturers had attributed the price increases to rising production and input costs, an analysis of cost was also undertaken (detailed analysis is presented in the subsequent sections of this enquiry report) which showed that maize a major constituent of poultry feed had witnessed a bumper crop in 2020.
12. Keeping in view the abovementioned facts, the enquiry committee, presented a working paper to the Commission for Enter & Search under Section 34 of the Act of the premises of certain poultry feed mills. In its meeting held on 30th December, 2020 the Commission authorized two teams of officers for inspection of the premises in use of M/s Sadiq Feeds Pvt. Limited located at 48 C, Satellite Town, Chandni Chowk, Iran Road, Rawalpindi, and M/s National Feeds Limited, 171 Shadman II, Lahore (collectively referred to as 'the Premises') under the power granted to it by Section 34 of the Act in order to collect any further evidence regarding the suspected violations of the Act.
13. On 03<sup>rd</sup> February 2021, duly authorized officers of the Commission undertook Enter & Search of the premises of M/s Sadiq Feeds and M/s National Feeds. The authorized officers impounded all the pertinent material including inter alia: smartphone devices, documents and other computer stored data. Copies of the respective authorizations, inspection reports and inventory lists are attached as (Annex A4).
14. To access information stored on impounded smartphone devices, the Commission sought assistance from the Federal Investigation Agency ("FIA"), under provisions of Section 53 of the Act, for digital forensic analysis to retrieve the digital evidences as per the requirement of the Enquiry Committee. Scope of the digital forensic analysis was to analyse evidentiary items relating to: phone calls made and received, SMS messages, messages/conversations including media on app based communication, email accounts, and retrieval of information with regard to key words (Annex A-5-1).

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FIA report attached as (Annex A-5-II) whereas the relevant evidence relied on by the enquiry committee is reproduced (and annexed) in the subsequent sections of this enquiry report.

15. On 05.03.2021 the enquiry committee wrote letters to 28 feed mills<sup>2</sup> asking them to provide the following information:

- a. Official price list issued by the company from December 2018 to date;
- b. Total installed production capacity for poultry feed;
- c. Month-wise production of poultry feed from 2018 to date;
- d. Month-wise sales in terms of number of bags and value for each type/blend of feed sold by your company from 2018 to date;
- e. What are the standards for manufacturing of poultry feed in Pakistan?
- f. What are the labelling requirements for poultry feed as per the law in Pakistan? (Sample letter along with list of companies attached as Annex A-6)

16. The information received from feed manufacturing companies and evidence gathered from “enter and search” form an integral part of this enquiry report.

## II. ISSUES

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

- a. Provide an overview of the 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. Whether poultry feed manufacturing companies have acted collusively in respect of fixing the price of poultry feed products in violation of Section 4 of the Act?

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<sup>2</sup> Letter to CP feeds was written on 22.03.2021

## A. Overview of the Poultry Feed Industry

18. The Enquiry Committee finds it pertinent to provide an overview of the industry to contextualize the TOR's of the enquiry of the report i.e. possible violation of Section 4 of the Act.

### Consumption, Composition & Cost Analysis of Poultry Feed In Pakistan

19. Schedule-VII under Section 4 of the Punjab Feedstuff and Compound Feed Act, 2016 ('Punjab Act') lays down the nutrient specifications for nineteen different classes of poultry. This essentially sets the standards of poultry feed depending on the requirement of the bird and is set in terms of the following parameters:

- a. Percentage of crude protein;
- b. Percentage of crude fibre;
- c. Percentage of crude fat;
- d. Percentage of ash;
- e. Percentage of moisture;
- f. ME/Kcal per kg (calorie requirement)

20. Poultry feed is prepared in line with nutritional requirements of birds depending on their type and age. Table below shows the total cycle of layers and broilers

<b>Layer</b>	<b>Starter</b>	<b>Grower</b>	<b>Pre-Layer</b>	<b>Egg Laying starts</b>	<b>Layer Till Peak</b>	<b>Layer Post Peak</b>
	8 Weeks	8-16 weeks	16-18 weeks	18 weeks	18-32 Weeks	After 32 weeks
<b>Broiler</b>	<b>Starter</b>	<b>Grower</b>	<b>Finisher</b>		<b>Total Cycle</b>	
	0-2 Weeks	2-4 Weeks	Last 10 Days		35-45 Days	

Source: <http://pacra.pk>

21. Broilers are chickens that are grown for consumption of meat and therefore, require good amount of feed to grow quickly. Layers on the other hand are reared to produce unfertilized eggs and grow at a slower rate and hence require comparatively lesser quantity of feed to produce good quality, heavy eggs. The table below shows the pattern of feed consumption by both broilers and layers according to their age.



Layer		Broiler	
Age	Feed Consumption(g/day)	Age	Feed Consumption(g/day)
Week 1-17	13-80	Week 1-5	10-100
Week 18 onwards	100-105	Week 5-9	100-200

Source: <http://pacra.pk>

22. The total consumption of poultry feed depends on the total flock of commercial broiler and layers multiplied by the average feed requirement. Pakistan Poultry Association's estimate of Pakistan's annual poultry feed consumption for 2019-20 is 6.6 million tons calculated as follows:

Broiler		
Granparent stock (GP)	375,000 x 100 kg	37,500 tons
Parent Stock (PS)	12.8 million x 64kg	820,000 tons
Broiler	1.52 billion x 3.5kg	4,032,000 tons
Total consumption broiler		4,889,500 tons
Layer		
Parent Stock (PS)	850,000 x 40kg	34,000 tons
Commercial layer	42,000,000 x 40kg	1,680,000 tons
Total consumption layer		1,714,000 tons
<b>Total poultry feed consumption</b>		<b>6,603,500 tons</b>

Source: *Pakistan Poultry Association - Overview of Pakistan Poultry Feed Industry 2019-20.*

23. Overall consumption of poultry feed has been declining annually from its peak of 9.76 million tons in 2015-16. There was also a sharp decline of 12% in consumption in the year preceding the Covid-19 pandemic declining from 9.07 million tons (in 2017-18) to just 7.99 million tons (2018-19). As the table below shows domestic consumption of feed fell from 7.99 million tons in 2018-19 to 6.6 million tons in 2019-20 which translated into a fall of 17%. The fall in poultry feed consumption may be attributed to the fall in poultry flock of the country<sup>3</sup>.

<sup>3</sup> The Economic Survey of Pakistan (2019-20) provides the following estimated: Commercial Broiler: 1279 million; Commercial Layer: 59.8 million; Breeding stock: 13.66 million. It is also noted that the official figures indicate that the overall poultry flock has increased between FY2018-19 and FY2019-20 from 1232 million to 1353 million. Table 2.24, Chapter 2 Agriculture, Economic Survey of Pakistan 2019-20

Therefore, going by the government's numbers the consumption of poultry feed should rise. The enquiry committee notes that information received from farmers, industry sources and available with PACRA, corroborates the figures presented by PPA.



Year	Feed Consumption (mln tons)	Change (%)
2015-16	9.46	-
2016-17	9.76	3
2017-18	9.07	(7)
2018-19	7.99	(12)
2019-20	6.6	(17)

Source: Calculations based on [http://pacra.pk/sector\\_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21\\_1611063023.pdf](http://pacra.pk/sector_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21_1611063023.pdf)

24. The Covid-19 pandemic related preventive measures taken by the government including curbing public gatherings, closure of marriage halls, restaurants, etc. has had a knock on effect on demand for poultry meat the table below shows that in FY 20 the consumption of poultry meat fell by 7% as compared to the previous year and egg consumption grew by 2% for the same period.

Year	Poultry meat consumption (kg mln)	Eggs consumption (Nos mln)
2015-16	1,428	15,284
2016-17	1,456	16,129
2017-18	1,484	17,030
2018-19	1,562	19,096
2019-20	1,459	19,448

Note: Eggs consumption is estimated on the previous years' average growth rate. [http://pacra.pk/sector\\_research/Poultry%20-%20PACRA%20Research%20-%20Jan'21\\_1611148534.pdf](http://pacra.pk/sector_research/Poultry%20-%20PACRA%20Research%20-%20Jan'21_1611148534.pdf)

25. All poultry feed manufacturers are required to be registered with the Livestock Department under the Punjab Act which also sets the standards for nutritional composition of compound feed as well as labelling and packaging requirements. Section 3 of the Punjab Act lists the following permissible ingredients for the manufacture of compound feed for poultry and livestock which are as follows:
- Roughages: green fodder, silages, hay, treated or untreated wheat straw.
  - Cereals or coarse grains: maize or corn, broken rice (toota), sorghum or milo, wheat, barley. It is noted that feed mills have been prohibited to procure and store wheat as of notification of Punjab Food Department dated 24.03.2020.
  - Vegetable protein sources: cotton seed meal or cake (khal banola), rapeseed or canola meal or cake, sunflower meal or cake, soybean meal, sesame cake, maize or corn oil cake, rice polishing, guar meal, naan or roti tukra etc.

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- d. Animal protein sources: fish meal, blood meal, meat meal, feather meal or poultry by-product meal, meat and bone scraps or byproducts.
- e. Industrial and agricultural products or by-products: molasses, fats and oils, limestone marble powder, bone meal, bagasse, hulls, cobs etc.
- f. Micro ingredients:
  - i. Vitamins: Vitamin A, Vitamin B3, Vitamin D3, Vitamin E, Vitamin K3, thiamine, riboflavin, pantothenic acid, niacin, pyridoxine, biotin, choline, folacin and Vitamin B12.
  - ii. Mineral compounds or salts: calcium, phosphorus, potassium, sodium, chlorine, copper, iodine, iron, magnesium, manganese, selenium, zinc, ferrous cobalt and amino acids.
  - iii. Feed additives: coccidiostats, antioxidants, enzymes, anti-fungal or anti-toxin. Live yeasts, premixes and drugs.

26. Poultry feed mills, while constituting their feed blends, use those permissible ingredients that are readily available in the market at an affordable cost. If cost of an ingredient is on the rise it is substituted with other easily available ones. In terms of physical composition the percentage of key ingredients is as follows:

<b>Table 7: Feed components</b>	
<b>Ingredient</b>	<b>Percentage usage</b>
Maize	55-60
Rice Polish	5-10
Sunflower meal	10
Soybean meal	20
Vitamins, minerals & other feed additives	Upto 5

*Source: Information provided by feed mills.*

27. In terms of cost, the main components of poultry feed are maize, soybean meal and other meals. The exact percentage of maize to total cost varies from mill to mill and ranges from 21 to 40 percent. The share of soybean meal ranges from 17 to 20 percent, canola meal 03-10 percent, sunflower meal 0.11 percent. Vitamins minerals and feed additives constitute between 2.5 to 07 percent of total costs<sup>4</sup>.
28. After wheat and rice, maize is the third important cereal crop in Pakistan. FY 2019-20 saw a bumper crop of maize i.e. 7.236 million tonnes over an area of 1,413 thousand hectares.<sup>5</sup> Production increased due to increase in area and availability of improved

<sup>4</sup> Calculations based on information compiled from 04 feed companies & Pacra.

<sup>5</sup> [http://www.finance.gov.pk/survey/chapter\\_20/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapter_20/02_Agriculture.pdf)



variety of seed as well as economic returns. Table below depicts the production of maize and area under cultivation from FY 2015-16 to FY 2019-20 and it can be seen that production has been on a rising trend and increased by 15 percent between FY2019-20 and FY2018-19. The bulk of the total maize production comes from two provinces i.e. Punjab (85 percent) and KPK (15 percent). Punjab's maize crop is harvested in May-June and KPK's crop comes to market in December. Feed mills rely on maize from Punjab as KPK's maize is mostly used for human consumption.

<b>Table 8: Maize-Production &amp; Area under Cultivation</b>		
<b>Fiscal Year</b>	<b>Production (000 Tonnes)</b>	<b>Area (000 Hectares)</b>
2015-16	5,271	1,191
2016-17	6,134	1,348
2017-18	5,902	1,251
2018-19	6,826	1,374
2019-20 P	7,236	1,413

Source: Pakistan Bureau of Statistics  
P: Provisional  
1 ha= 2.47 acres

29. From the information gathered it was noted that maize is purchased by feed mills when it is harvested and comes to the *mandi* in end-May, June and July (peak season) and when its price is low. The main *mandis* for maize are Okara, Chichawatni, Sahiwal and Depalpur. Like all other agriculture commodities the prices of maize are low when the crop comes to the market and experience a rising trend towards the end of the season. Large feed mills have silos where for storage of maize and maintain sufficient stocks at hand depending on their financial capacity. As per a feed mill owners of the financially strong mills can afford to lift and store larger quantities and maintain reserve stocks for over 02 months. Some mills rely on bank borrowings to finance their purchase of maize<sup>6</sup>. The feed mill owner reiterated concerns voiced by the Pakistan Poultry Association (PPA') regarding hoarding of maize by stockists which had driven up prices<sup>7</sup>.

<sup>6</sup> Jadeed Feed Mills

<sup>7</sup> 'Poultry Sector in Serious Crisis', Appeal to PM by Pakistan Poultry Association, The News, 9<sup>th</sup> December 2020

30. According to a maize farmer this year due to the bumper crop the average price at which feed mills purchased maize in season- 2020 was Rs.800-1100/40 kg (Rs. 20 to Rs. 27.5per kg)<sup>8</sup>. One of the complainants provided rate lists at which maize was purchased by mills (per 40kg)<sup>9</sup>.

Figure 1: Purchase Rates of Maize

Forwarded	Forwarded
Maize Rates 4.08.2020	Maize Rates 06.08.2020
Islamabad fd 1040	Islamabad fd 1070
Shabir feed 1050	Hatick lhr fd 1100
Shamim feed 980	Hatick swl fd 1100
Olampiya feed 1020	Shamim feed 980
Lahore feed 1000	Olampiya feed 1030
Multan feed 980	Lahore feed 1010
Shahzor feed 1020	Multan feed 980
Asia okara 1000	Shahzor feed 1020
Asia multan 980	Asia okara 1000
Chanab feed 1000	Asia multan 980
Hitech lahore 950	Chanab feed 1000
Hitech fd shl 950	Crystal Feed 980
Crystal Feed 980	Salwa feed 1040
Salwa feed 1010	Sadiq feed 1100
Sadiq feed 1050	Shabir feed 1050
Jadeed 980	Moisture 12 to 14
Moisture 12 to 14	Unloading 07.08.2020
Unloading 05.08.2020	From New Sindh C/Shop Kandhkot 0300.2181979
J M D BROKER	0333.7304779
03337300690	

<sup>8</sup> Telephonic conversation with a feed farmer based in District Okara

<sup>9</sup> The mentioned maize dealers were contacted by the enquiry committee as well.

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→ Forwarded  
 Maize Rates 01.09.2020  
 Jadeed feed 1100  
 Hitech lhr fd 1100  
 Hitech swl fd 1100  
 Sadiq feed 1100  
 Islamabad feed 1090  
 Shamim feed 1080  
 Olampiya feed  
 Lahore feed 1050  
 Multan feed 1050  
 Shahzor feed 1050  
 Asia okara 1000  
 Asia multan 1020  
 Chanab feed 1000  
 Crystal Feed 1050  
 Salwa feed 1070  
 Shabir feed 1050  
 Moisture 12 to 14  
 Unloading 02.09.2020  
 From New Sindh C/Shop Kandhkot 0300.2181979  
 0333.7304779

→ Forwarded  
 Maize Rates 07.09.2020  
 Hitech lhr fd 1150  
 Hitech swl fd 1150  
 Islamabad feed 1125  
 Shamim feed 1100  
 Lahore feed 1050  
 Multan feed 1100  
 Shahzor feed 1100  
 Asia okara 1000  
 Asia multan 1020  
 Chanab feed 1000  
 Crystal Feed 1050  
 Salwa feed 1100  
 Shabir feed 1070  
 Moisture 12 to 14  
 Unloading 08.09.2020  
 From Data com shop galla mandhi Allhabad  
 Abdul Rasheed  
 03027000824

31. From the above it can be observed that mills have been purchasing maize at different rates (depending upon the quantity lifted rates will be lower). It is also observed that in August 2020 mills were purchasing in the range of Rs. 950 to 1000 per 40 kg (Rs.23.75 to 26.25 per kg) and in September 2020 in the range of Rs. 1000 to 1150 per 40kg (Rs. 25 to 28.75 per kg). If the argument that price rises were made on account of rising costs then why was there an upward revision of poultry feed rates in September 2020 when maize price per kg. was lower than the average cost in the previous financial year and when mills were in all likelihood holding stock purchased in July and August (when prices were even lower). Comparison of maize prices from data received from feed mills on average cost of maize is as follows:

<b>Table 9: Year-wise price of maize</b>		
<b>Year (FY)</b>	<b>Maize Rs./kg</b>	<b>Change (%)</b>
2017-18	25.91	-
2018-19	31.52	22
2019-20	29.31	-7
<b>IQ FY21 (Average)</b>	<b>25.93</b>	<b>-12</b>

Source: IQ FY21 calculated from maize rates of dealers, information submitted by feed mill (4 mills provided the analysis we have taken the value of mill with higher rates).

32. In its appeal to the Prime Minister published by PPA on 8.12.2020 it had stated that the price of maize in the market was around Rs. 1800/40kg i.e. (Rs. 45 per kg) (Annex A7). In order to independently assess the assertion of PPA, the enquiry committee found rates of maize for the period January 2020 to April 2021 which shows that in December

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2020 rates of maize were Rs. 37 per kg. A pattern also emerges whereby rates are higher on or before harvest after which rates decline.

Month	Price/kg
January,2020	29
February,2020	30
March,2020	29
April,2020	34
May,2020	33
June,2020	26
July,2020	23
August,2020	24
September,2020	27
October,2020	29
November,2020	32
December,2020	37
January,2021	38
February,2021	37
March,2021	40
April,2021	41

<http://www.amis.pk/Reports/CityWiseComparison.aspx>

33. The other major ingredient for poultry feed comprises of various meals which are derived from oil seeds. Oil seeds are imported after which extraction plants extract edible oil from the same and the residue known as meal is used in poultry feed production. Most of the larger feed units are vertically integrated and own edible oil extraction plants as well. Commonly used meals for poultry feed production include: soybean, sunflower and canola. Data shows that prices of soybean meal have increased in the last two to three years

Year (FY)	Soybean meal Rs./kg	Change (%)
2017-18	55.10	-
2018-19	63	14
2019-20	78	24
1Q FY21 (Average)	78	

*Information submitted by feed mill (4 mills provided the analysis we have taken the value of mill with higher rates).*

34. The price of soybean meal has increased which impacts the input cost of poultry feed, however, it is also noted by the enquiry committee that most of the large feed mills have

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their own solvent extraction plants<sup>10</sup> and are therefore, able to create synergies in terms of costs sharing between edible oil and meal.

35. In terms of taxes and duties, the table below illustrates the breakup of applicable taxes on poultry feed, starting from raw material to final product:

<b>Table 12: Taxes and Duties- FY20</b>		
<b>Items</b>	<b>Customs Duty</b>	<b>Sales Tax</b>
Vegetable materials and vegetable waste, vegetable residues and by-products, whether or not in the form of pellets, of a kind used in animal feeding	11%	
Preparations of a kind used in animal feeding	20%	
Machinery for preparing animal feed stuff	0	
Soybean Meal	11%	17%
Sunflower Meal, Rapeseed meal & Canola Meal	11%	Exempt
Poultry Feed		Exempt
Minimum Tax	0.75%	
Source: Pacra.pk		

### Domestic Market Structure

36. Pakistan is ranked as the 11<sup>th</sup> largest poultry producer in the world and the current investment in poultry sector is more than PKR 700 billion<sup>11</sup>. Poultry sector generates employment and income for about 1.5 million people and over PKR. 190 billion worth of agriculture produce and by products of agriculture are being used in poultry feeds<sup>12</sup>. Annual production of poultry feed for the year 2019-20 stood at 6.6 million tons, while turnover of poultry feed was PKR 396 billion. There are about 350 poultry feed processing mills in Pakistan, amongst which about 150 mills are registered and remaining are small unregistered players<sup>13</sup>. In Punjab, 100 poultry feed mills are registered under the Punjab Animals Feed Stuff & Compound Feed Act-2016.<sup>14</sup> Although the exact number of feed mills in Sindh is not available with the Livestock Department, as there is no regulation for registration of feed mills<sup>15</sup>, however, as per

<sup>10</sup> National Feeds, Supreme Feeds and Seasons Edible oil are sister concerns, SS Feeds belongs to SS Group which owns edible oil extraction plants, Sadiq, SB, Zubair are a family owned group which includes a concern called Sadiq Oil. Jadeed Group of companies includes Jadeed Feeds and Jadeed Oil Extraction. Hi-tech group includes Hi-tech feeds and Hi-tech Edible Oil mills. All the information is as per the company's websites

<sup>11</sup> [http://www.finance.gov.pk/survey/chapter\\_20/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapter_20/02_Agriculture.pdf)

<sup>12</sup> Pakistan Poultry Association Annual Report 2019-20

<sup>13</sup> Poultry Feed Overview: [http://pacra.pk/sector\\_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21\\_1611063023.pdf](http://pacra.pk/sector_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21_1611063023.pdf)

<sup>14</sup> <https://poultry.punjab.gov.pk/system/files/Poultry%20Feed%20Mills%20in%20Punjab.pdf>

<sup>15</sup> Discussion with the officials of Livestock Departments of KP and Sindh.

the website of PPA there are 10 feed mills registered with it from Karachi and Hyderabad.

37. Predominantly, Punjab is the largest producer of poultry feed in the country and supplies poultry feed to KPK, Sindh and AJK as well. These 100 feeds operate in different regions such as Rawalpindi (8 feeds), Sahiwal (6 feeds), Okara (6 feeds), Gujranwala (7 feeds), Sheikhpura (7 feeds), Lahore (5 feeds), Sargodha (2 feeds), Kasur (9 feeds), Khanewal (2 feeds), Multan (21 feeds), Faisalabad (7 feeds), Chakwal (4 feeds), Rahim Yar Khan (1 feed), Bahawalpur (1 feed), Toba Tek Singh (4 feeds), Mianwali (2 feeds), Attock (1 feed), Pakpattan (3 feeds), Lodhran (1 feed), Jhang (1 feed), Vehari (2 feeds).
38. The table below shows the trends of different parameters during FY 19 and FY 20.

<b>Table 13: Major Attributes of the Poultry Industry</b>		
<b>Parameters</b>	<b>FY 19</b>	<b>FY 20</b>
Revenue	PKR 400 Bln	PKR 396 Bln
Contribution to Nominal GDP	1.1%	0.9%
Feed share in Poultry input cost	75-80%	75-80%
Registered Players	150	150
Unregistered Players	200	200
Installed annual capacity	8 million MTs	8 million MTs
Association	PPA*	PPA*
*Pakistan Poultry Association		
Source: <a href="http://pacra.pk">pacra.pk</a>		

39. Based on information gathered from companies and industry sources majority of industry demand is catered to by the following larger companies:
- Sadiq Feeds (Mandra Plant), SB Fajr (Mandra plant), Zubair Avian Feeds (Pakpattan plant) all three are under common ownership<sup>16</sup>.
  - Jadeed Feeds.
  - National Feeds (Shiekhupura plant) and its sister concern Supreme Feeds (Sahiwal plant). National Feeds claims on its website that it “enjoys the largest market share of broiler feeds due to its consistent high quality<sup>17</sup>”.

<sup>16</sup> Submitted by representative of company to the Enquiry Committee and from Poultry Research Institute- Licensed under the Punjab Animals Feedstuff and Compound Feed Act 2016.

<sup>17</sup> <https://www.nationalfeeds.com.pk/products/>



- d. Asia Feeds and Chenab Feeds.
- e. Sabir's Group: Multan Feeds and Shahzor Feeds.
- f. Hi-tech feeds.

40. As per available information, the total capacity of the poultry feed industry is 08 million<sup>18</sup> metric tons however, as per information received from feed mills the capacity appears to be much higher (refer to table below). It is noted that although capacity for production is available with the feed mills capacity utilization depend upon a number of factors including *inter alia* demand and availability of inputs. In terms of production capacity the share of the different mills is as follows:

Sr	Mill Name	Tons/month	Tons/annum
1	Jadeed	86400	1036800
2	Zubair Feeds Pakpattan	72000	864000
3	Hi tech	50400	604800
4	SB mandra	43200	518400
5	Islamabad	43200	518400
6	Multan	43200	518400
7	Shahzor	43200	518400
8	Sadiq Feeds mandra	40000	480000
9	Asia Feeds(Multan)	35000	420000
10	Asia Feeds (Chenab Feeds)	32500	390000
11	National Feeds	32000	384000
12	JSK	28800	345600
13	Supreme	28000	336000
14	Al-waris (Star Feeds)	21,600	259,200
15	Sharif Feeds (Okara)	21000	252000
16	Olympia	20000	240000
17	Shabbir feed	16333	195996
18	Mahmood Feeds	15000	180000
19	MB Feeds	15000	180000
20	Punjab	15000	180000
21	Qadir Feeds	10800	129600
22	Suncrop	8500	102000
23	Kausar	7500	90000
24	SS Feeds	6570	78840
25	Mukhtar	6000	72000

<sup>18</sup> PACRA

	Total	741203	8894436
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Source: Information submitted by the companies<sup>19</sup>

41. The larger poultry feed companies are vertically integrated with some having their own breeder farms, broiler farms, layer farms, hatcheries, selling day old chicks, importing and selling GP Stock, poultry pharmaceuticals and processed/packaged poultry based foods. It is observed that most of the large companies are also involved in allied businesses such as sale of cattle feed (wanda), edible oil extraction and rice processing. After edible oil is extracted from the oil seeds, the residue i.e. meal is used in poultry feed. The vertical integration allows these companies to create synergies along the supply chain. Poultry feed mills have on their premises silos for the storage of inputs particularly maize. These Silos are fully equipped with automatic pouring and receiving for grains, electronically controlled temperature monitoring system, automatic cleaning and aeration.
42. Poultry feed companies distribute their product through two channels: (i) through dealers and (ii) direct sales to poultry farmers and in both cases a trade discount or commission is provided the range of which depends on the company's sales policy or trade terms negotiated with the parties. As per information from a poultry feed company the trade discount can range anywhere between 8.5 to 12.5 percent<sup>20</sup>.

## **B. What is the relevant market in terms of section 2(1)(k) of the Act?**

### **Undertakings**

43. 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;"*

<sup>19</sup> Note for some companies installed capacity is provided in the form of tons per month or Tons per hour. To convert tons per hour into months per hour it is multiplied by 24 hours times 30 days.

<sup>20</sup> Meeting with CEO of Jadeed Feeds dated 15.04.2020.



44. As per the above definition, the following poultry feed manufacturing companies, registered under the Punjab Animals Feed Stuff & Compound Feed Act 2016, are engaged in production, supply and marketing of various kinds of poultry feed in Pakistan and are therefore undertakings in terms of Section 2(1) (q) of the Act for the purposes of this inquiry.

<b>Sr. No</b>	<b>Poultry Feed Manufacturing Companies/Mills</b>
1.	National Feeds Ltd.
2.	Supreme Feeds (Pvt.) Ltd.
3.	Asia Poultry Feeds (Pvt.) Ltd.
4.	Zubair Feeds (Pvt.) Ltd. (brand name Avian Feeds)
5.	SB Feeds (brand name Fajr Feeds)
6.	Sadiq Feeds (Pvt.) Ltd.
7.	Jadeed Feeds Industries (Pvt.) Ltd.
8.	Islamabad Feeds (Pvt.) Ltd.
9.	Mukhtar Poultry Feeds
10.	Hi-tech Feeds (Pvt.) Ltd.
11.	Sharif Feed Mills (Pvt.) Ltd.
12.	Multan Feeds ( Part of Sabir's Group)
13.	SS Feed Mills (Pvt.) Ltd.
14.	Mahmood Feed (Pvt.) Ltd.
15.	Kausar Feed Mills (Pvt.) Ltd.
16.	Qadir Angro Industries (Pvt.) Limited ( brand name Qadir Feeds)
17.	Suncrop Group ( Feed Division)
18.	Royal Feeds (Pvt.) Ltd.
19.	Al-Waris Industries (Pvt.) Ltd (Star Feeds)

45. If the total industry demand for feed as estimated by PPA is assumed to be 6.6 million tons above defined undertakings' share in total sales of the industry is estimated to be approximately 45.88 percent (please see table below for sales figures)

<b>Sr.</b>	<b>Company</b>	<b>Total(bags)</b>	<b>Total tons</b>
1	Jadeed	7107403	355370.2
2	Zubair	829670	41483.5
3	SB	2959569	147978.5
4	Multan	2144133	107206.7
5	National	6534889	326744.5
6	Saddiq	8794288	439714.4
7	Hi tech	3779180	188959

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8	Islamabad	4608151	230407.6
9	Mukhtar	2290033	114501.7
10	Suncrop	608415	30420.75
11	Sharif	1277263	63863.15
12	SS	1375001	68750.05
13	Kausar	1617159	80857.95
14	Supreme	3050921	152546.1
15	Mahmood	1768563	88428.15
16	Asia	11828172	591408.6
Total		60,572,810	3,028,641

Source: Information submitted by companies  
(Figures for Qadir and Star feeds are not available)

46. As mentioned above, the larger feed mills are vertically integrated with the following 11 undertakings also operational in the market for broiler meat and/or eggs:
- National Feeds and Supreme feeds are part of the Seasons Group of companies and have a sister concern by the name of Seasons Edible Oils and Seasons Foods which is involved in poultry slaughtering and processing selling ready to eat meals<sup>21</sup>.
  - Saddiq, SB and Zubair feeds: Breeder farms, broiler farms, layer farms (selling eggs under the brand name of SB), edible oil, poultry medicines<sup>22</sup>.
  - Hi-tech feeds: is part of Hi-tech group which is also in the business of commercial poultry, edible oil etc.<sup>23</sup>
  - Islamabad Feeds: is part of a group that also produces broiler meat, eggs and day old chicks<sup>24</sup>.
  - Multan Feeds: is part of Sabir's Group which also owns poultry farms and sells processed chicken<sup>25</sup> under the brand Sabroso.
  - Jadeed feed mills: As per the company's website Jadeed Feeds Industries (Pvt.) Limited is the single largest fully integrated poultry company of Pakistan with three business segments (a) Grand Parent Farms & Hatchery - Ross 308 Breed, (b) Parent Stock Farms & Hatcheries and (c) Feeds Mills.<sup>26</sup>
  - Kausar Feeds: According to the company's website it is currently ranked amongst the leading processors of Processed Rice, Cooking Oils, Vegetable

<sup>21</sup> <https://www.seasonsgroup.com.pk/>

<sup>22</sup> <https://www.sadiqgroup.com.pk/>

<sup>23</sup> <http://hitechgroup.pk/>

<sup>24</sup> <https://islamabadgroup.com/islamabad-feeds/>

<sup>25</sup> <https://sabirsgroup.com/>

<sup>26</sup> <https://www.jadeedgroup.com/>

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Meals and Fats, Banaspati Ghee, Laundry Soap, Poultry Feeds and Broiler Chicken across Pakistan.<sup>27</sup>

- h. Mahmood Feeds: Part of Mahmood Group which is also involved in the sale of eggs<sup>28</sup>.

### **Relevant Market**

47. For the purpose of defining relevant market under this enquiry, we refer to the relevant market as defined under Section 2(1)(k) of the Act.

*“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;*

48. As per Section 2(1)(k), a “relevant market” is comprised of a product market and a geographic market. In terms of the relevant product market, poultry feed in Pakistan is commonly intended for use in commercial poultry farming. Different poultry feed types have to be prepared in accordance with standards and specifications laid out in the Punjab Feedstuff and Compound Feed Act, 2016<sup>29</sup>. Feed compositions are specified, in this Act, depending on the nutritional requirements of the bird. Based on enquiry committee’s observations of poultry feed mills’ price lists, poultry feed manufactured in Pakistan may be divided into three broad categories with each category containing further sub-categories based on the age of the bird:

<sup>27</sup> <https://kausar.com.pk/business>

<sup>28</sup> <https://www.mahmoodgroup.com/division-food/>

<sup>29</sup> Although there are poultry feed mills in KPK and Sindh there is no regulation for registration of poultry feed mills in KPK and Sindh. Discussion with the officials of Livestock Departments of KP and Sindh.

- a. Layer Feed: Layer Starter, grower/pre-layer, layer, layer special etc.
- b. Broiler Feed: Starter, grower, finisher.
- c. Breeder Feed: Broiler breeder starter, broiler breeder layer, layer breeder starter, GP breeder starter etc.

49. Furthermore, feeds are prepared in the form of mash, crumbs or pellets all of which may be interchangeable depending on the preference or requirement of the farmer. Some of the larger feed mills are producing more specialized rations differentiating on the basis of whether the bird is kept in an open shed or control shed, typically the following feed types are produced:

<b>Table 17: Feed types</b>	
<b>Feed No*.</b>	<b>Feed Name</b>
<b>Commercial Layer</b>	
11	Layer Chicks Crumbs
12	Grower Crumbs
13	Layer Crumbs
13-A	Layer Crumbs Special
	Broiler Feed Open House
4	Broiler Starter Mash
5	Broiler Finisher Mash
14	Broiler Starter Crumbs
15	Broiler Finisher Crumbs
<b>Special Broiler Feed Control House</b>	
16-S	Super Broiler Crumbs
14-S	Broiler Starter Special
14-A	Broiler Grower Special
15-S	Broiler Finisher Special
<b>Special Broiler Feed High Density</b>	
14.H.D.1	Broiler Pre Starter Crumbs
14.H.D.2	Broiler Starter Crumbs
15.H.D.3	Broiler Finisher Crumbs
<b>Broiler Breeder Feeds</b>	
20	Breeder Starter Crumbs
21	Breeder Grower Crumbs
22	Breeder Layer Crumbs
23	Pre Breeder Crumbs
24	Breeder Male Crumbs



*\*Feed numbers vary of different mills. The above list is an example from Hi-tech feeds price list for illustrative purposes.*

50. The Punjab Feedstuff and Compound Feed Act, 2016 also provides for the permissible ingredients to be used for the manufacture of poultry feeds. The ingredients for the three abovementioned feed categories are more or less the same however, their proportions may vary as per the nutritional requirements stated in the law. This means that a feed mill is capable of preparing all the feed categories in the same plant. Some mills are producing all three categories: layer, broiler and breeder however, a few firms are producing just layer and broiler feeds. If a feed formulation is deficient in nutrition then it will not be able to meet the growth requirements of modern commercial poultry and although home-made feed rations can be made by farmers, using all the requisite ingredients and additives however, in Pakistan requirements of commercial poultry farming are met by poultry feed manufactured commercially.
51. In terms of pricing the undertakings prices for different feed types vary however, they are in a similar range to each other. The table below shows broiler and layer prices for a few select undertakings. It is observed that the prices of broiler feed #14 range from Rs.3550 to 3685 per bag with some companies also selling special broiler feed blends for a higher price. Similarly for layer feed prices range from Rs. 3184 to 3310. Therefore, since price levels of feed specifications are more or less in the same range, especially for the larger companies, the different types of feed can be considered as substitutable in terms of price.

<b>Undertaking</b>	<b>Broiler Starter #14 (Rs./bag)</b>	<b>Layer #13(Rs./bag)</b>
National	3590	3215
Hi-tech	3620	3184
SS Feeds	3685	3230
Supreme	3588	3209
Islamabad	3590	3225
Sadiq	3597	3202
SB	3614	3247
Mahmood	3597	3234
Jadeed	3650	3200
Asia	3550	3310
Zubair	3677	3232

*Source: Compiled from price lists of companies*

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52. Feed is sold in 50kg bags with the prescribed labelling requirements which includes name of the mill, nutritional composition, batch number and date of production. Therefore, the relevant product market comprises of all the different categories of commercial poultry feed.
53. In terms of the relevant geographic market it is observed that there are about 350 poultry feed processing mills in Pakistan, amongst which about 150 mills are registered and remaining are small unregistered players<sup>30</sup>. In Punjab, 100 poultry feed mills are registered under the Punjab Animals Feed Stuff & Compound Feed Act-2016.<sup>31</sup> Although the exact number of feed mills in Sindh is not available with the Livestock Department, as there is no regulation for registration of feed mills<sup>32</sup>, however, as per the website of PPA there are 10 feed mills registered with it from Karachi and Hyderabad<sup>33</sup>. The enquiry committee could not locate any feed mills operating in KPK however, there are 2674 poultry farms in the province<sup>34</sup> hence, in order to meet the industry's requirements feed is supplied from mills in Punjab.
54. Punjab is predominantly the largest producer of poultry feeds in Pakistan<sup>35</sup>, it appears due to the ample availability of maize, and the undertakings defined above, for the purposes of this enquiry, all have their plants in the territory of Punjab. However, these undertakings are supplying feed all over Pakistan to meet the requirements of poultry farms in Sindh and KPK as well. For example, National Feeds states on its website that it sells poultry feed nationwide and has sales offices in Peshawar and Karachi among other cities<sup>36</sup>. Zubair Feeds has offices in Mardan and Peshawar<sup>37</sup>. Price lists of companies are also issued separately for various regions including KPK, Sindh region and Karachi (sometimes with freight added). Moreover, feed is packed in polypropylene bags which renders it easily transportable within cities and provinces in this form. Therefore, it is observed that there is significant evidence to suggest that there is inter-provincial movement of poultry feed between Punjab and KPK and Punjab and

<sup>30</sup> Poultry Feed Overview: [http://pacra.pk/sector\\_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21\\_1611063023.pdf](http://pacra.pk/sector_research/Poultry%20feed%20-%20PACRA%20Research%20-%20Jan'21_1611063023.pdf)

<sup>31</sup> <https://poultry.punjab.gov.pk/system/files/Poultry%20Feed%20Mills%20in%20Punjab.pdf>

<sup>32</sup> Discussion with the officials of Livestock Departments of KP and Sindh.

<sup>33</sup> <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

<sup>34</sup> Pakistan Bureau of Statistics [https://www.pbs.gov.pk/sites/default/files/aco/publications/pakistan-livestock-cencus2006/special\\_report/Table%2017.pdf](https://www.pbs.gov.pk/sites/default/files/aco/publications/pakistan-livestock-cencus2006/special_report/Table%2017.pdf)

<sup>35</sup> refer to Table above for capacities

<sup>36</sup> <https://www.nationalfeeds.com.pk/products/>

<sup>37</sup> <https://www.zubairfeeds.com/contact.html>



Sindh and the requirement of spill-over effect stands served. Also, since the conditions of competition are sufficiently homogenous, the relevant geographic appears to be the whole of Pakistan. Based on the above, the relevant market is the market for different categories of commercial poultry feeds in Pakistan. All the undertakings defined above operate in the relevant market.

**C. Whether poultry feed manufacturing companies have acted collusively in respect of fixing the price of poultry feed products in violation of Section 4 of the Act?**

55. 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;”*

56. 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.

57. During the ‘enter and search’ of the premises of Sadiq feeds and National Feeds smartphone devices of official of Sadiq feeds and official of National feeds were impounded along with other documents. Forensic analysis of the computer stored

information of smartphone device belonging to official National feeds revealed the presence of a WhatsApp group with the name of 'All GMs Feeds Mills' that was created by him on 07<sup>th</sup> October, 2020. Participants of this group, as the name suggests, comprised of marketing managers of a number of feed mills. Relevant excerpts of the chat/posts/messages between the representatives of the poultry feed manufacturers is attached as (Annex B1). To verify details of the participants of the aforementioned Whatsapp group Pakistan Telecommunication Authority (PTA) was asked for confirmation (Annex B2-1). Confirmation from PTA received via letter dated 6<sup>th</sup> May, 2021 (Annex B2-2). Whereas the participants of the mentioned group represented the following undertakings:

<b>Table 19: WhatsApp Group 'All GMs Feeds Mills'</b>	
<b>Group creation date: 07<sup>th</sup> October 2020</b>	
<b>Sr.</b>	<b>Feed Mill Name</b>
1.	National Feeds (General Manager Marketing) Group creator
2.	Supreme Feeds
3.	Asia Poultry Feeds
4.	Zubair Feeds (brand name Avian Feeds)
5.	SB Feeds (brand name Fajr Feeds)
6.	Sadiq Feeds
7.	Jadeed Feeds (03 employees are members of group)
8.	Islamabad Feeds
9.	Mukhtar Feeds
10.	Hi-tech Feeds
11.	Sharif Feeds
12.	Sabir's Group (represented by Multan Feeds)
13.	SS Feeds
14.	Mahmood Feeds
15.	Kausar Feeds
16.	Qadir Feeds
17.	Suncrop
18.	Royal Feeds
19.	Al-waris Industries (Star Feeds)

*Kausar Feeds did not submit information for the period.*

*Star Feeds was identified later in the analysis and therefore, no letter was sent to it by enquiry committee*

58. This group is created on 07<sup>th</sup> October 2020 which is just one to two days after the undertakings (participating in the group) announced a round of price increases

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" [REDACTED] Gm Mukhtar Feed <923008662844>: 10/07/2020

Asslam o alakum

Good initiative sir

[REDACTED] Jadeed Feeds <923215155777> 10/07/2020

Sir please inform the purpose of the group

[REDACTED] National Feeds <923334093020> 10/07/2020

For information purpose if u like

[REDACTED] ed Feeds <923215155777> 10/07/2020

Good idea y not I would like to be well informed

[REDACTED] National Feeds <923334093020> 10/07/2020

Yes v can share each n everything

[REDACTED] Hi-tech Feeds <923008454542> 10/07/2020

Welcome sir, Good thinking sir

[REDACTED] Feed MM <923214502200> 10/07/2020

Masha Allah.

Sir, THANKS for this great productive initiative

[REDACTED] Sadiq Feeds <923215546644> 10/07/2020

Thanks Dr sab

It's very good act

[REDACTED] MM Fajar Feeds Rwp <923009142898> 10/07/2020

Would you all please introduce yourself so one can save cell numbers "

59. The initial exchanges are then followed by recommendations to include other participants in the group as well and based on the suggestions new participants are added to the group. The next exchange of messages pertains to price changes which takes place from 14<sup>th</sup> to 19<sup>th</sup> November 2020. On 14.11.2020, an official of Sadiq Feeds inquires about increase in rates to which official of Asia Feeds refutes the news appearing on Pakistan Poultry Updates regarding a rate increase of Rs. 200 per bag by his company. The next message in the group appears on 16.11.2020 with the announcement of a rate increase by Supreme Feeds with other feed companies following suit by announcing their respective price increases including the amount of

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increase. It is important to note here that the quantum by which rates are being increased are similar for all i.e. Rs. 150 per bag.

60. Furthermore, on 19.11.2020, Asia Feeds and Jadeed Feeds are asked to share their new price lists with apparent motive to ensure compliance with the agreed rate change. The companies that have deliberated on the changes regarding price include: Sadiq Feeds, Asia Feeds, Supreme Feeds, National Feeds, Jadeed Feeds, Islamabad Feeds, Kausar Feeds, and SS Feeds. Relevant excerpt of WhatsApp group conversation in this regard is reproduced below:

[REDACTED] Sadiq Feeds <923215546644> 11/14/2020

Asalamulakum

Dear friends what about feeds rates increase

[REDACTED] Asia Feeds <923008731332> 11/14/2020

ATTENTION PLEASE\*

Yesterday a news was spread through social media that \*Feeds Rates\* has been \*INCREASED\*

Rs. 200/bag.

It was just a rumors.

So, \*Feed's Rate\* has been \*NOT INCREASED\* by any Feed Mill so far.

& we are \*APOLOGIZED\* for the inconvenience.

Jazak Allah

[REDACTED]

\*Pakistan Poultry Updates\*

<https://www.facebook.com/pakistanpoultryupdates>

[REDACTED] Supreme Feeds <923334093001> 11/16/2020

Increased rupees

150 poultry

100 Vanda

Today implementation.



[REDACTED] National Feeds <923334093020> 11/16/2020

Rates of poultry feed increased Rs. 150 on all bags and Vanda Rs. 100 w.e.f. today  
16.11.2020

[REDACTED]  
GM National Feeds Ltd.

[REDACTED] Jadeed Feeds <923215155777> 11/16/2020

Is there any company who increases 200 per bag?

[REDACTED] <923008541983> Islamabad Feed Mills 11/16/2020

I think no

[REDACTED] Jadeed Feeds Multan <923025550873> 11/16/2020

Jadeed Feeds Industries (Pvt.) Ltd.

Feed Rates have been

\*increased Rs:150/- per bag\*

\*on all feed rations w.e.f Nov 16, 2020\*

Regards

[REDACTED]  
GM Sales (South)

[REDACTED] Feed MM <923004315261> 11/16/2020

AoA, It is intimated that Kausar Feed has increased Feed rates Rs 150 / bag on all  
rations

[REDACTED]  
GM Kausar Feed.

[REDACTED] Jadeed Feeds <923215155777> 11/16/2020

News of Asia Feeds please

[REDACTED] Jadeed Feeds Rwp <923025551045> 11/16/2020

Sir asia increase 200 on Saturday messages

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h

[REDACTED]

Azy

[REDACTED] Asia Feeds <923008731332> 11/16/2020  
150/ bag on all ration

[REDACTED] Jadeed Feeds Rwp <923025551045> 11/16/2020  
But yet not have recent update about asia feeds

[REDACTED] Asia Feeds <923008731332> 11/16/2020  
No my dear  
That was fake news

[REDACTED] SS Feeds <923228001000> 11/19/2020 (Recheck date from USB)  
Pl send  
Asia feed &  
Jadeed feed  
Price list

[REDACTED] Jadeed Feeds Multan <923025550873> 11/19/2020  
Sends Price list for Jadeed Feeds dated 16/11/2020

61. In another conversation thread taking place on 07<sup>th</sup> December 2020 official of Supreme feeds and official of National feeds posted increased rates of feed effective from 07.12.2021 after which several other manufacturers announced their revised rates i.e. increase by Rs.250 per bag. During the conversation assurance is made by official of Sharif Feeds that the rates would be increased by all manufacturers 'for sure' but he wants to know the timing of the increase. This points towards an understanding between the undertakings that price increases will be enacted. In reply an official of Supreme Feeds states that "the owners want immediately but seems from tomorrow". This indicates that the direction and decisions for rate increases come from the owners or CEOs of the undertakings. Other participants from Mukhtar Feeds and Asia Feeds then give the assurance that rates will be increased. The participants of the conversation include officials of Supreme Feeds, Jadeed Feeds, National Feeds, SS Feeds, Zubair Feeds, Sharif Feeds, Mukhtar Feeds, Kausar Feeds and Asia Feeds. The excerpts from WhatsApp Group conversation dated 07.12.2020 are reproduced below:



[REDACTED] Supreme Feeds <923334093001>12/07/2020

Poultry feed rate increased RS. 250 PER BAG on all rations.

[REDACTED]

Supreme feeds.

[REDACTED] Jadeed Feeds <923215155777>12/07/2020

[REDACTED]

Please update if there is any change in feed rate.

Regards

[REDACTED] National Feeds <923334093020>12/07/2020

\*Attention \*

Poultry Feeds Rate increased Rs.250/ per bag on all ration w.e.f 07/12/2020

[REDACTED]

GM (Marketing)

National Feeds Ltd

[REDACTED] SS Feeds <923228001000> 12/07/2020

Pl note

Poultry feed rate increased Rs.250/- per bag on all rations.

W.e.f 07.12.2020

[REDACTED]

Ss feed mill pvt Ltd.

[REDACTED] Avian Feeds Gojra (Zubair Feeds) <923008663512>12/07/2020

All feed rations increased by Rs:250/bags. Regrds: Dr. [REDACTED] Avian feeds( Zubair feeds). w.e.f 07-12-2020.

[REDACTED] Sharif Feed MM <923214502200>12/07/2020

Everyone would increase, for sure, but what's about exact effective date, please.

[REDACTED] Supreme Feeds <923334093001>12/07/2020

*Dear all owners want immediately but seems from tomorrow.*

*[Redacted] Gm Mukhtar Feed <923008662844> 12/07/2020*

*Dr sb surely w.e.f 07-12-2020*

*[Redacted] Kausar Feed MM <923004315261> 12/07/2020*

*Poultry feed rate increased RS. 250 PER BAG on all rations.*

*[Redacted] Dr Atiq ur Rehman Moya*

*GM Kausar Feed*

*[Redacted] Asia Feeds <923008731332> 12/07/2020*

*Surely from today”*

62. It is observed that the undertakings part of the WhatsApp group are competitors of each other who are discussing intended price changes amongst themselves. There appears to be an understanding between the undertakings that they will enact price changes in a coordinated manner as the conversations above show: “all mills will increase for sure but what about the timing and effective date”. Then a practice emerges whereby the undertakings announce their price changes i.e. Rs XX per bag to the others on the WhatsApp group. Section 4(2)(a) of the Act prohibits the following types of agreements between undertakings:

*“(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”;*

63. An understanding on the quantum of price change to be enacted is considered as fixing price in terms of the Section 4(2)(a) of the Act. In the instant matter competing undertakings have an understanding on a coordinated price change in the relevant market which is that of poultry feed in Pakistan. Any understanding and coordination on price changes between competitors is a prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.
64. Furthermore, official price lists submitted by feed mills provide evidence that the price changes discussed on the forum of the WhatsApp group were actually implemented simultaneously by the feed mills participating in the group. A pattern emerges whereby price changes by feed mill members of the WhatsApp group are synchronized occurring either on the same day or on the next day (Refer to Table below). The WhatsApp



discussion thread dated 14<sup>th</sup> to 19<sup>th</sup> November 2020 regarding price increases was implemented by the below mentioned companies either on 14<sup>th</sup> November or 16<sup>th</sup> November 2020. Similarly the price increases discussed on 07<sup>th</sup> December 2020 were implemented either on 07<sup>th</sup> or 8<sup>th</sup> December 2020.

Sr.	Mill Name	Date	Date	Date
1	Asia Poultry Feeds	05.10.2020	16.11.2020	07.12.2020
2	Zubair Feeds	05.10.2020	16.11.2020	07.12.2020
3	Fajr Feeds (SB Feeds)	05.10.2020	16.11.2020	07.12.2020
4	Islamabad Feed	06.10.2020	16.11.2020	08.12.2020
5	Jadeed Feed Industries	06.10.2020	16.11.2020	07.12.2020
6	National Feeds	05.10.2020	16.11.2020	07.12.2020
7	Sadiq Feeds	06.10.2020	16.11.2020	08.12.2020
8	Mukhtar Poultry Feeds	05.10.2020	16.11.2020	07.12.2020
9	SS Feed Mills	05.10.2020	14.11.2020	07.12.2020
10	Supreme Feeds	05.10.2020	16.11.2020	07.12.2020
11	Mahmood Feeds	05.10.2020	16.11.2020	18.12.2020
12	Sharif Feeds Mills*	Oct-20	Nov-20	Dec-20
13	Hi Tech Feeds**	02.10.2020	16.11.2020	07.12.2020
14	Qadir Feeds	05.10.2020	16.11.2020	07.12.2020
15	Suncrop Feeds	10.10.2020	24.11.2020	10.12.2020

\*Sharif feed mills have not provided their official price lists and vide letter dated 29.03.2021 have provided only the month when prices were changed.

\*\*Hi-tech prices are reduced marginally by Rs. 25 on 05.10.2020

65. Sabir's Group which includes Multan Feeds and Shahzor Feeds has submitted reply, on behalf of Multan Feeds, to the enquiry committee vide letter dated 15.03.2021 that it does not issue official price lists and provided the dates when it increased prices which are as follows:

- a. 01.10.2020;
- b. 10.10.2020;
- c. 12.11.2020;
- d. 25.11.2020;
- e. 10.12.2020; and
- f. 24.12.2020

<sup>38</sup> The other feed mills in the group i.e. Kausar provided pricing information only till June 2020, information from Royal Feeds was requested vide letter dated 19.04.2020 was not received to date. Al-waris Industries (Star Feeds) was identified later as a participant in the WhatsApp group and was not contacted by the enquiry committee

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66. It appears that not only is the timing of the price increase coordinated but the exact quantum of the increase is also coordinated. The price increase enacted, from 14<sup>th</sup> to 16<sup>th</sup> November 2020, companies increased prices across the board on all types of feed by Rs. 150 per 50kg bag. Similarly on 7<sup>th</sup> to 8<sup>th</sup> December 2020 prices were increased across the board on all feed types by Rs. 250 per 50kg bag (refer to Table below). Detailed calculations for each of the mills from October 2020 to December 2020 being voluminous have been attached as Annex B3-B20 of this report<sup>39</sup>. The annexures may be read as an integral part of this enquiry report.

Sr	Mill Name	Price increase Nov 2020 (Rs)/bag	Price Increase Dec 2020 (Rs)/bag
1.	Asia Poultry Feeds	150	250
2.	Zubair Feeds	150	250
3.	Fajr Feeds (SB Feeds)	150	250
4.	Islamabad Feed	150	250
5.	Jadeed Feed Industries	150	250
6.	National Feeds	150	250
7.	Sadiq Feeds	150	250
8.	Mukhtar Poultry Feeds	150	268*
9.	SS Feed Mills	150	250
10.	Supreme Feeds	150	250
11.	Mahmood Feeds	150	250
12.	Sharif Feeds Mills**	67	269
13.	Hi-tech Feeds	150	250
14.	Qadir Feeds	150 (Rs. 144 only on feed no.QF0)	250
15.	Suncrop	150	250

\*Mukhtar Average. On some blends the increase was Rs. 250 and on others Rs.270

\*\*Sharif Feed Mills did not provide detailed price list and the prices provided were average. Kausar feed mills did not provide data for the period

67. Multan Feeds enacted two price increase in November the first on 11.12.2020 where an average increase of Rs. 66.5 per bag was made and the second increase was made on 25.11.2020 average increase of Rs. 66.4. Therefore, average total increase by Multan Feeds in November was Rs. 133 per bag<sup>40</sup>. Similarly two price changes were made in December 2020 the first on 10.12.2020 average increase of Rs. 112 per bag and the

<sup>39</sup> The price lists for Saddiq Feeds and National Feeds were impounded from their respective premises during the Search & Inspection.

<sup>40</sup> Refer to Annex for Multan Feeds' Prices



next on 24.12.2020 average increase of Rs. 109 per bag. Therefore, total change in December 2020 was Rs.221 per bag.

68. Based on the above, the undertakings are found to be coordinating and implementing price increases from November 2020 to December 2020 in prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.

**Bilateral discussions of pricing intentions:**

69. There are also bilateral messages between official of National Feeds and other feed mills in which pricing intentions are communicated. In a private WhatsApp chat official of Islamabad Feeds (it may be noted that the phone number is saved in the smartphone as CP Feeds however, when the official was contacted by the enquiry committee he stated that he had moved to Islamabad Feeds 04 years ago) sends message to the official of National Feeds on 26.08.2019 to confirm if poultry feed rates have increased as there are rumors regarding the same. In response official of National feeds confirms that rate of poultry feed has been increased by Rs. 125 and is limited to the broiler feed only. The official of Islamabad Feeds in response states that his company will also increase price of broiler feed and not layer feed or breeder feeds. The relevant messages and transcribed voice clips are reproduced hereunder (also refer to Annex C1):

**[Redacted]** GM Islamabad Feeds sends voice clip via WhatsApp to official of National Feeds dated 26.08.2019:

*"Aoa Ustad-e-mohtarram kya haal chaal hain khairyat say hain? Sir jee yay parson say ap nay yay khabar phelai hai jo rate barha diye hain jo waqaye sach hain ya nahin kyunkay aj hum nay announce kerni hai. Tau bara-e mehrbani zara muje confirm ker dain".*

Translation: "Aoa Sir, hope you are fine. Sir since day before yesterday you have circulated this news about rise in rates. Is it really true or not? because we have to announce today. So kindly confirm to me".

**[Redacted]** National Feeds <923334093020> 08/26/2019

Voice clip

*"Yay 200% confirm hai. Rs. 125 rate barh gaya hai. Broiler feeds, sirf broiler feeds".*

Translation: "It is 200% confirmed. Rate has increased by Rs. 125 for only broiler feeds".

**[Redacted]** Gm cp <923246138888>08/26/2019

Voice clip: "Buhat shukriya Sir. Iska matlab sirf broiler feed barhatay hain hum. Layer ko ya breeder ko touch nai kerna assalamoalaikum".

Translation: "Thank you very much Sir. This means that we will only increase broiler feed. Layer and breeder will not be touched".

[REDACTED] National Feeds <923334093020> 08/26/2019

Yes u rite dear

[REDACTED] Gm cp <923246138888>08/26/2019

Ok sir.

70. Analysis of the price list issued by National Feeds shows that on 24.08.2019 the company increased the prices of broiler feed only by Rs. 125 per 50 kg bag. The price list for Islamabad Feeds shows that subsequent to the abovementioned WhatsApp conversation, the company revised its prices for AJK & KPK only on 26.08.2019 in which prices of broiler feed were increased by Rs. 125 per 50kg bag and there was no increase in prices of layer feed (Please refer to Annex B3-19 for detailed price comparison calculations of respective feed mills).
71. What is also interesting to note is the fact that the selective increase of Rs. 125 per bag for only rates of broiler feed on 24.08.2019 is implemented not only by National and Islamabad Feeds but also other poultry manufacturers as well. Other mills who have increased prices by Rs. 125 per bag for just broiler feeds are as follows<sup>41</sup>:

Mill	<u>24.08.2019</u> Increase (Rs./bag) broiler only
National	Broiler 125
Islamabad	125
Sadiq	125
Supreme	125
Hi-tech	125
SS Feeds	125
Mahmood	125
Jadeed	125
SB	125
Mukhtar	125

<sup>41</sup> Sharif Feed Mills has submitted a single average overall price so change for broiler only cannot be calculated. Zubair feeds was not operational during the period. Kausar feed mills did not provide price lists issued in the market. It provided month-wise information on prices without specifying the date of increase. Information from Suncrop not received.



Asia	125
Multan	70-72
Qadir	125
Suncrop	125 (31.08.2019)

*Kausar feed mills did not provide price lists issued in the market. It provided month-wise information on prices without specifying the date of increase. Kausar feed mills has increased prices for all feed types in August 2019 ranging from Rs. 6 to 46.*

72. Poultry mills have made submissions that the increase in prices has been due to increase in input costs and inflation. Even if this stance is believed to be correct, then it follows that any rise in costs would impact both layer and broiler feeds since ingredients used are identical and there is only a difference in composition. Hence the question arises as to why mills selectively increased prices of broiler rations only. There appears to be no explanation other than this selective price increase was made as a coordinated decision by poultry feed companies in prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.
73. In another WhatsApp chat between official of National Feeds and Islamabad feeds, dated 02.07.2020, the latter appears to be asking the former to share a picture of his company's price list. In response the former shares that his company has decreased the prices of feed per bag by Rs. 75 effective 02.07.2020. Analysis of price lists of both the companies shows that on 02.07.2020 both decreased prices of all poultry feed products by Rs. 75 per bag. The relevant messages are reproduced below:

" [REDACTED] Gm cp <923000928884> 07/02/2020  
Sir ,Plz share Pic ?when you received.

[REDACTED] National Feeds <923334093020>07/02/2020  
Breaking News  
Poultry Feeds Rates decreased  
Rs.75/= per bag w.e.f  
2,July 2020  
Regards  
[REDACTED]  
GM (Marketing)  
National Feeds Ltd"

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[Handwritten signature]

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74. Even in this instance it is noted that the implementation extends to other poultry feed mills as well who decreased rates by Rs. 75 per bag on all rations on 02.07.2020 as enumerated in the Table below:

<b>Mill</b>	<b><u>02.07.2020</u> Decrease (Rs./bag)</b>
National	75
Islamabad	75
Sadiq	75
Supreme	76
Hi-tech	75-76
SS Feeds	55-75
Mahmood	75
Jadeed	25-75
SB	75
Mukhtar	75
Asia	73-80
Multan	70-72
Sharif	97
Qadir	75
Suncrop	71 (08.07.2020)

75. Another WhatsApp chat between official of National Feeds and Islamabad feeds dated 02.10.2020, the latter shares a price list issued by another feed mill –Hi



Tech.Feeds (price list is dated 02.10.2020):



**Hi-Tech Feeds (Pvt.) Limited**  
 Head Office: 1-A, 1-C, Shadman Chowk, Jail Road, Lahore.  
 Ph: +92-42-111-111-110, E-mail: hiotechfeeds@rediffmail.com  
 Fax: 042-35320060 NTN: 1726096-0

**TO ALL DISTRIBUTORS & FARMERS**  
 The retail price list of Poultry feed has been revised w.e.f. 02/10/2020. However, Balochistan Province, Khyber Pakhtun Khwa Province and Azad Kashmir Zone No. 30, per bag will be Charged extra on account of excess freight.

The revised price list is as under:

Feed#	Label	Age	Price
<b>Commercial Layer</b>			
11	LAYER CHICKEN CRUMBS		2,982
13	LAYER CRUMBS		2,833
15	LAYER CRUMBS		2,899
15A	LAYER CRUMBS SPECIAL		2,544
<b>Breeder Feed Open House</b>			
4	BROILER STARTER CRUMBS		3,254
6	BROILER FINISHER CRUMBS		3,214
18	BROILER STARTER CRUMBS		3,249
19	BROILER FINISHER CRUMBS		3,214
<b>Special Breeder Feed Control House</b>			
14	BROILER STARTER SPECIAL	14-21 DAYS	3,274
14-S	BROILER FINISHER SPECIAL	21-42 DAYS	3,264
14-S	BROILER FINISHER SPECIAL	42-70 DAYS	2,274
<b>Special Breeder Feed High Density</b>			
14-S1	BROILER STARTER HIGH DENSITY	14-21 DAYS	3,294
14-S2	BROILER FINISHER HIGH DENSITY	21-42 DAYS	3,294
14-S3	BROILER FINISHER HIGH DENSITY	42-70 DAYS	3,294
<b>Breeder Breeder Feeds</b>			
20	BREEDER BREEDER STARTER CRUMBS		2,984
21	BREEDER BREEDER LAYER CRUMBS		2,984
22	BREEDER BREEDER STARTER CRUMBS		2,984
23	BREEDER BREEDER LAYER CRUMBS		2,984
24	BREEDER BREEDER CRUMBS		2,984
<b>Other</b>			
10	STARTER CRUMBS		3,174
10	STARTER CRUMBS		3,174

Providing best quality & services to our customers is our motto.  
 For: Hi-Tech Feeds (Pvt.) Ltd. **پاکستان پولٹری اینڈ فیسز**

Factory: 23-KM, Raiwind Road, Lahore. Ph: 042-35320060, Fax: 042-35320061

This is followed by a voice clip from official of Islamabad Feeds <923000928884>

10/03/2020

"Sir jee zara yay batana rate lagay hain kay nahin laga? Kyun kay ajeeb si afwaheen hain. Kuch keh rahay hain kay rate abhi bhi puranay chal rahay hain. Zara please apni situation bhi batana zara guide ker daina".

Translation: " Sir please inform whether new rates have been issued or not? Because there are rumours with some saying that the old rates are currently in force. Please inform regarding your situation and guide".

Subsequent to this a voice clip is sent by official of National Feeds however, the voice clip is empty. The enquiry committee notes that on 05.10.2020 National Feeds increased its prices by Rs. 125 per bag on layer and breeder feed and Rs.175 per bag on broiler rations. It is interesting to note that Islamabad Feeds follows this price increase and the next day (i.e. 06.10.2020) increases its prices by Rs. 125 per bag on layer and breeder feed and Rs.175 per bag on broiler rations. This shows coordination between two competing companies on price changes to be enacted where the pattern is that Islamabad Feeds follows the lead and direction of National Feeds.



76. Here to it is observed that other feed mills coordinated their price changes in a similar manner i.e. by increasing prices by Rs. 125 on layer and breeder feeds and Rs. 175 on broiler rations. Some companies like Jadeed Feeds has not increased prices of broiler feed by Rs. 175 (it has increased by Rs. 150) however, the pattern is the same: layer and breeder have a smaller increase and broiler feeds have a larger increase. The details are as follows:

<b>Table 24: Price change</b>	
<b>Mill</b>	<b>05.10.2020 Increase (Rs./bag)</b>
National	125 layer & breeder 175 broiler
Islamabad	125 layer & breeder 175 broiler
Sadiq	125 layer & breeder 175 broiler
Zubair Feeds	125 layer & breeder 175 broiler
Supreme	125 layer & breeder 175 broiler
Hi-tech	125 layer & breeder 175 broiler*
SS Feeds	125 layer & breeder 175 broiler
Mahmood	125 layer & breeder 175 broiler
Jadeed	125 layer & breeder 150 broiler
SB	125 layer & breeder 175 broiler
Mukhtar	100 layer & breeder 175 broiler
Asia	125 layer & breeder 175 broiler
Multan	108 layer and 170 broiler
Qadir	125 layer (does not sell breeder) 175 broiler
Suncrop	125 layer (does not sell breeder) 175 broiler (10.10.2020)

\*See footnote<sup>42</sup>

<sup>42</sup> Hi-tech feeds has made two increase one on 02.10.2020 and the other on 05.10.2020. On 02.10.2020 it increases layer by Rs. 150 and broiler by Rs. 200 but it revises the prices downwards on 05.10.2020 and so the net change is layer Rs. 125 and broiler Rs. 175 which is the same as other companies.



77. Further evidence also points towards a discussion and sharing of pricing intentions. In a WhatsApp chat between official of National Feeds and official of SB feeds on 30.07.2019, GM National Feeds shares price list of National Feeds (for KPK and Azad Kashmir) with SB Feeds:

ITEM NO.	DESCRIPTION	UNIT	PRICE (PKR)
1	STARTER	50 KG	2778.00
2	BREEDER	50 KG	3882.00
3	GROWER	50 KG	2678.00
4	STARTER	25 KG	1389.00
5	BREEDER	25 KG	1941.00
6	GROWER	25 KG	1339.00
7	STARTER	10 KG	555.60
8	BREEDER	10 KG	776.40
9	GROWER	10 KG	515.60
10	STARTER	5 KG	277.80
11	BREEDER	5 KG	388.20
12	GROWER	5 KG	267.80
13	STARTER	2.5 KG	138.90
14	BREEDER	2.5 KG	194.10
15	GROWER	2.5 KG	133.90
16	STARTER	1 KG	55.56
17	BREEDER	1 KG	77.64
18	GROWER	1 KG	51.56
19	STARTER	50 KG	2778.00
20	BREEDER	50 KG	3882.00
21	GROWER	50 KG	2678.00
22	MILK FLOW (NATIONAL SPECIAL)	50 KG	1704.00
23	MILK FLOW (SPECIAL)	50 KG	1611.00
24	MILK FLOW (SPECIAL)	50 KG	1611.00
25	MILK FLOW (SPECIAL)	50 KG	1611.00
26	MILK FLOW (SPECIAL)	50 KG	1611.00
27	MILK FLOW (SPECIAL)	50 KG	1611.00
28	MILK FLOW (SPECIAL)	50 KG	1611.00
29	MILK FLOW (SPECIAL)	50 KG	1611.00
30	MILK FLOW (SPECIAL)	50 KG	1611.00

[Redacted] Sb Feeds <923008556161> 07/30/2019

Rate increase?

[Redacted] National Feeds <923334093020> 07/30/2019

Yes brother we announced from yesterday

Only Kpk and Azad Kashmir

It is noted that as per information submitted from SB feeds, there was no increase in prices for KPK and AJK. (Annex C2 for excerpt of chat)

78. It appears that the abovementioned instances are part of a broader scheme of understanding between poultry feed manufacturers regarding coordination on prices which predates the formation of the WhatsApp group. This is also supported by a letter

*M* *l* *[Signature]* *A76*

received from official a poultry feed mill located in Punjab (not part of the WhatsApp group). The letter dated 27<sup>th</sup> August 2020 states:

*"the decision about prices of poultry feed, to increase or decrease, is not an individual act performed by any feed manufacturing unit. Some worthy feed units join hands to review the situation of the market and make decisions pertaining to pricing of feed. Inflation regarding raw materials and imported medicine has been observed in the previous years, which led to the increase of the prices of feed".* (Annex C3)

79. The abovementioned statement is reflected in the price trend of poultry feed which shows a coordinated movement by feed mills. Data collected by the enquiry committee shows that from at least December 2018 to December 2020 there have been 11 instances when feed prices were changed by feed mills in a coordinated manner often within a few days of each other as shown in table below.



**Table 25: Price change dates by Undertakings**

Sr.	Mill Name	Date ↑	Date ↑	Date ↑	Date ↑	Date ↑	Date ↓	Date ↓	Date ↓	Date ↓	Date ↓	Date ↑	Date ↑	Date ↑
1	Asia Poultry Feeds	12.12.2018	30.03.2019	31.05.2019	26.08.2019	08.11.2019	15.06.2020	02.07.2020	17.09.2020	05.10.2020	16.11.2020	07.12.2020		
2	Zubair Feeds		Started production in Sept 2019											
3	Fajr Feeds (SB Feeds)	12.12.2018	29.03.2019	30.05.2019	24.08.2019	08.11.2019	16.06.2020	02.07.2020	17.09.2020	05.10.2020	16.11.2020	07.12.2020		
4	Islamabad Feed Jadeed Feed Industries	12.12.2018	30.03.2019	31.05.2019	26.08.2019 (KPK & AJK only)	12.11.2019	15.06.2020	02.07.2020	18.09.2020	06.10.2020	16.11.2020	08.12.2020		
5	National Feeds	12.12.2018	29.03.2019	30.05.2019	24.08.2019	08.11.2019	15.06.2020	02.07.2020	18.09.2020	06.10.2020	16.11.2020	07.12.2020		
6	Sadiq Feeds	13.12.2018	30.03.2019	31.05.2019	24.08.2019	08.11.2019	15.06.2020	02.07.2020	17.09.2020	06.10.2020	16.11.2020	08.12.2020		
7	Mukhtar Poultry Feeds	12.12.2018	30.03.2019	30.05.2019	24.08.2019	08.11.2019	15.06.2020	02.07.2020	17.09.2020	05.10.2020	16.11.2020	07.12.2020		
8	SS Feed Mills	12.12.2018	29.03.2019	30.05.2019	24.08.2019	08.11.2019	15.06.2020	02.07.2020	16.09.2020	05.10.2020	14.11.2020	07.12.2020		
9	Supreme Feeds	12.12.2018	29.03.2019	30.05.2019	24.08.2019	08.11.2019	15.06.2020	02.07.2020	16.09.2020	05.10.2020	16.11.2020	07.12.2020		
10	Mahmood Feeds	12.12.2018	01.04.2019	01.06.2019	26.08.2019	08.11.2019	15.06.2020	02.07.2020	17.09.2020	05.10.2020	16.11.2020	18.12.2020		
11	Hi Tech Feeds	12.12.2018	29.03.2019	30.05.2019	24.08.2019	07.11.2019	15.06.2020	02.07.2020	16.09.2020	02.10.2020(inc) 05.10.2020 (decr)	16.11.2020	07.12.2020		
12	Qadir Feeds	13.12.2018	29.03.2019	30.05.2019	24.08.2019	01.04.2019	15.06.2020	02.07.2020	17.09.2020	05.10.2020	16.11.2020	07.12.2020		
13	Suncrop	17.12.2018	04.06.2019	-	31.08.2019	16.11.2019	20.06.2020	08.07.2020	26.09.2020	10.10.2020	24.11.2020	10.12.2020		

Source: Data collected from feed mills. \*Official price lists were not submitted by Multan Feeds (which does not issue them), Sharif and Kausar also did not submit official price lists but data sheets without specifying months. Sharif feeds only provided average overall prices.

Multan		Kausar Feeds		Sharif	
20.12.2018	11.06.2020	Dec-18	Oct-19	Dec-18	Dec-19
15.03.2019	09.07.2020	Jan-19	Nov-19	Jan-19	Jan-20
25.03.2019	10.09.2020	Feb-19	Dec-19	Feb-19	Feb-20
16.05.2019	25.09.2020	29.03.2019	Jan-20	Mar-19	Mar-20
27.05.2019	01.10.2020	Apr-19	Feb-20	Apr-19	Apr-20
12.08.2019	10.10.2020	May-19	Mar-20	May-19	May-20
29.08.2019	12.11.2020	Jun-19	Apr-20	Jun-19	Jun-20
01.11.2019	25.11.2020	Jul-19	May-20	Jul-19	Jul-20
15.11.2019	10.12.2020	Aug-19	Jun-20	Aug-19	Aug-20
06.05.2020	24.12.2020	Sep-19	02.07.2020	Sep-19	Sep-20
				Oct-19	Oct-20
				Nov-19	Nov-20
					Dec-20

80. Furthermore, an alignment in the amount of price changes as well can be observed especially for the calendar year 2020 as shown in the table below the price increases enacted in September 2020 were also same for the undertakings.

Mill	<u>16.09.2020/17.09.2020</u> Increase (Rs./bag)
National	100
Sadiq	100
Supreme	100
Islamabad	100
Hi-tech	100
SS Feeds	100
Mahmood	100
Jadeed	100
Zubair	100
SB	100
Mukhtar	100
Asia	98
Multan	95 avg.
Sharif	111 avg.
Qadir	100
Suncrop	100 (on 26.09.2020)

81. As a result of the *prima facie* collective action of the feed mills price of a bag of poultry feed in Pakistan increased on average by Rs. 435 in calendar year 2020 alone. Overall



since December 2018 to December 2020 the average cumulative increase in prices per bag is Rs. 836 which is a 33% increase(Refer to Table 27 below)

<b>Table 27: Cumulative average change in price of poultry feed</b>			
<b>Feed Mill</b>	<b>Calendar year 2020(Rs per 50kg bag)</b>	<b>Dec-2018 to Dec-2020(Rs per 50kg bag)</b>	<b>% Change Dec-2018 to Dec-2020</b>
National	444	840	32%
Saddiq	458	839	32%
Hi-tech	429	841	33%
Islamabad	453	744	28%
SS Feeds*	450	844	32%
Sharif	307	781	33%
Mukhtar	440	788	32%
Supreme	448	846	33%
Multan	392	777	35%
Fajr SB	472	854	33%
Zubair**	486	-	-
Asia	442	829	31%
Mahmood	442	884	33%
Jadeed	414	848	33%
Qadir	450	845	31%
Suncrop	454	819	33%
Kausar***	-	248	9%
Average (Excl. Kausar)	436	825	32%

\*SS Feeds data available from 30.05.2018 to 07.12.2020

\*\*Zubair started operations in September 2019

\*\*\*Kausar Feeds provided data till only June 2020

Source: Calculations based on information submitted by feed mills

82. As observed in paragraphs above, the actual prices of the undertakings are different (For broiler between Rs.3550 to 3685 per bag and for layer Rs. 3184 to 3310 per bag) however, the products are considered as substitutable in terms of price and intended usage. Moreover, provisions of will be attracted in the instant matter since any agreement or understanding on level of price increases is also considered as price fixing in terms of Section 4(2)(a) of the Act.
83. Feed mills had submitted that prices have been increased on account of rising input prices, inflation, currency devaluation and KIBOR level. From the cost analysis undertaken in the foregoing paragraphs of this enquiry report various observations are made:
- Maize, the major cost component of poultry feed was abundantly available as there was a bumper crop; If the argument that price rises were made on account of rising costs then why was there an upward revision of poultry feed rates in September 2020 when maize price per kg. was lower than the average cost in

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the previous financial year and when mills were in all likelihood holding stock purchased in July and August (when prices were even lower refer to table below).

Year (FY)	Maize Rs./kg	Change (%)
2017-18	25.91	-
2018-19	31.52	22
2019-20	29.31	-7
1Q FY21 (Average)	25.93	-12

Source: 1Q FY21 calculated from maize rates of dealers, information submitted by feed mill (4 mills provided the analysis we have taken the value of mill with higher rates).

- b. It is also observed that the prices of maize rise in the *mandis* towards the end of the season January-May however, feed mills try to hold enough stock to cushion them from the price rises. In any case data submitted in the foregoing section on cost shows that every mill purchases maize at different rates, higher quantities will mean lower rates. Furthermore, the amount of maize each mill holds will differ based on respective financial positions.
  - c. In terms of soybean meal, as the table in section on costs shows, prices have increased but it is observed that some feed mills are part of groups that also own solvent extraction plants and hence can generate synergies in terms of costs.
  - d. It is also noted that on some instances feed mills have increased prices of broiler feed only and not layer feed. If the argument that input costs have risen is accepted then an increase in input prices should effect both layer and broiler since both utilize the same ingredients. It can be inferred from this fact that the change was coordinated by the feed mills.
84. The point to emphasize here is that every undertaking has a different business model and varying cost structure and the decision on amount of price increase to be passed on to consumers, on account of increase in input cost, rests solely with the concerned business itself. Some mills will have stock at hand to cushion them from rising prices of inputs and may prefer to delay any increase. In the instant matter, feed mills are changing prices in the same day or within one day of each other and the amount of price change is also similar which would not be possible if the undertakings were competing with each other. In a competitive market, mill A would want to increase its sales by undercutting its rivals and hence a price increase by Mill B would result in it losing

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sales. The increase in prices are not merely coincidental based on rising input costs but appear to be the result of coordination between the undertakings.

85. Based on the findings of paragraphs 56 to 84 above it appears that the undertakings defined above have reached an understanding/arrangement amongst themselves whereby they will enact price changes in the relevant market in a coordinated manner. It is observed that since December 2018 to December 2020 there are 11 instance where the undertakings have increased prices on the same date or within a few days of each other. In following instances defined above the quantum of the price change also appears to either similar or in the same range:

- a. March, 2019
- b. May, 2019
- c. August 2019
- d. November, 2019
- e. June, 2020
- f. July 2020
- g. September 2020
- h. October 2020
- i. November 2020 and
- j. December 2020

These arrangements or understandings which fix the price of poultry feed constitute a prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.

### III. CONCLUSION

86. Without prejudice to the generality of the foregoing and the findings of the enquiry report, briefly the conclusions are as follows:

87. Based on the findings of paragraph 44 above, the below mentioned companies are defined as undertakings in terms of Section 2(1)(q) of the Act:

- a. National Feeds Ltd.
- b. Supreme Feeds (Pvt.) Ltd.
- c. Asia Poultry Feeds (Pvt.) Ltd.
- d. Zubair Feeds (Pvt.) Ltd. (brand name Avian Feeds)
- e. SB Feeds (brand name Fajr Feeds)
- f. Sadiq Feeds (Pvt.) Ltd.



- g. Jadeed Feeds Industries (Pvt.) Ltd.
- h. Islamabad Feeds (Pvt.) Ltd.
- i. Mukhtar Poultry Feeds
- j. Hi-tech Feeds (Pvt.) Ltd.
- k. Sharif Feed Mills (Pvt.) Ltd.
- l. Multan Feeds ( Part of Sabir's Group)
- m. SS Feed Mills (Pvt.) Ltd.
- n. Mahmood Feed (Pvt.) Ltd.
- o. Kausar Feed Mills (Pvt.) Ltd.
- p. Qadir Anglo Industries (Pvt.) Limited ( brand name Qadir Feeds)
- q. Suncrop Group ( Feed Division)
- r. Royal Feeds (Pvt.) Ltd.

88. In terms of the findings of paragraphs 47-54 above, the relevant market in terms of Section 2(1)(k) of the Act, comprises of all the different categories of commercial poultry feed in Pakistan. The above defined undertakings operate in the relevant market and are marketing and supplying poultry feed to all regions including Punjab, KPK and Sindh therefore, the requirement of spillover effect is adequately addressed.
89. Based on the findings of paragraphs 56-85 above, from December 2018 to December 2020 the undertakings have acted in a collective manner to fix the price of poultry feed which constitutes a prima facie violation of Section 4(1) read with Section 4(2)(a) of the Act.
90. The undertakings' argument that the increases were on account of rising input costs does not hold merit. Whereas, prices of some inputs may have increased, each mill has purchased these inputs at different rates and has stocks in hand different, cost structure, efficiencies and business model. Therefore, each would be pass on cost increases to customers at a different rate on a different rate. In any case there is no room under Section 4 of the Act, for any coordination of price changes between competing undertakings akin to what has taken place in the instant matter.



#### IV. RECOMMENDATION

91. In Pakistan, 40-45 % of meat consumption is being fulfilled by poultry products<sup>43</sup> and most Pakistanis rely on poultry for their primary protein intake. The prices of poultry meat and egg are dependent upon various factors such as demand and supply fluctuations, as well as input cost factors. Since poultry feed constitutes between 75-80% of the total cost of poultry meat and eggs, hence the rise in feed prices has had a knock-on effect on the prices of eggs and poultry meat. Covid-19 imposed restrictions and reduced demand (restrictions on weddings and dining); however, supply of poultry products was impacted as GP stock could not be imported which in turn impacted the parent stock and supply of chickens. In short, there are a number of factors at play which determine prices of poultry products. Price statistics from PBS (table below) show that when feed prices fell in June and July 2020, chicken prices fell; however, there was a rise in egg prices (explained due to supply chain issues). In September 2020, as compared to the previous month, prices of chicken rose by 18.31% and eggs by 5.2%<sup>44</sup> as a result of increase in feed prices. In October 2020, after another price increase by poultry feed mills, prices of chicken rose by 26.62% and eggs by 23.81% as compared to the previous month<sup>45</sup>. In November 2020 poultry feed prices rose by Rs. 150 per bag and in this month too prices of chicken and eggs rose by 20.76% and 5.23%<sup>46</sup>. In December another price increase in poultry feed by Rs.250 per bag caused prices of chicken and eggs to rise by 3.21% and 14.08% respectively<sup>47</sup>. In view of the above, we can see a correlation between poultry feed prices and prices of chicken and eggs.

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<sup>43</sup> AN OVERVIEW OF PAKISTAN POULTRY INDUSTRY YEAR 2019-2020, Pakistan Poultry Association.

<sup>44</sup> Monthly review on Price Indices

[https://www.pbs.gov.pk/sites/default/files//price\\_statistics/monthly\\_price\\_indices/nb/2020/cpi\\_monthly\\_review\\_september\\_2020\\_nb.pdf](https://www.pbs.gov.pk/sites/default/files//price_statistics/monthly_price_indices/nb/2020/cpi_monthly_review_september_2020_nb.pdf)

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[https://www.pbs.gov.pk/sites/default/files//price\\_statistics/monthly\\_price\\_indices/nb/2020/cpi\\_review\\_october\\_nb\\_2020\\_3.pdf](https://www.pbs.gov.pk/sites/default/files//price_statistics/monthly_price_indices/nb/2020/cpi_review_october_nb_2020_3.pdf)

<sup>46</sup>

[https://www.pbs.gov.pk/sites/default/files//price\\_statistics/monthly\\_price\\_indices/nb/2020/Monthly\\_Review\\_November\\_2020\\_0.pdf](https://www.pbs.gov.pk/sites/default/files//price_statistics/monthly_price_indices/nb/2020/Monthly_Review_November_2020_0.pdf)

<sup>47</sup>

[https://www.pbs.gov.pk/sites/default/files//price\\_statistics/monthly\\_price\\_indices/nb/2021/monthly\\_review\\_dec\\_2020\\_0.pdf](https://www.pbs.gov.pk/sites/default/files//price_statistics/monthly_price_indices/nb/2021/monthly_review_dec_2020_0.pdf)

**Table 29: Price Comparison of poultry feeds and poultry products**


Month	Broiler Feed prices (Avg Rs./bag)	Chicken (Rs./kg)	Layer Feed prices(Avg Rs./bag)	Eggs (Rs. Per dozen)
May-20		206		95
Jun-20	2975	203	2679	114
Jul-20	2893	188	2606	127
Aug-20	Same	135	Same	124
Sep-20	2993	150	2703	133
Oct-20	3157	184	2827	160
Nov-20	3305	223	2977	172
Dec-20	3557	225	3229	197

Source: Broiler and layer feed prices are averages based on information submitted by companies. Chicken and egg prices are based on PBS data

92. Therefore, in the public interest, the Enquiry Committee recommends that the Commission may consider initiating proceedings under Section 30 of the Act against the defined undertakings in terms of the findings of the enquiry report.

  
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Enquiry Officer

  
Irfan ul Haq  
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