



***Competition Commission settles with milk cartel participant***

16 January 2009

The Competition Commission has negotiated a settlement agreement with one of the respondents – Lancewood (Pty) Ltd – in the milk cartel prosecution.

The other dairy processors involved are: Clover Industries Ltd, Clover SA (Pty) Ltd, Parmalat (Pty) Ltd, Ladismith Cheese (Pty) Ltd, Woodlands Dairy (Pty) Ltd, Nestle SA (Pty) Ltd and Milkwood Dairy (Pty) Ltd.

Lancewood admits that it was involved in price information exchanges as alleged by the Commission. In the Commission's view Lancewood's conduct amounted to a contravention of section 4(1)(b)(i) of the Competition Act and directly or indirectly fixed procurement prices of raw milk or other trading conditions. Lancewood faced only one count out of the six that were subject to the Commission's referral.

The company will pay an administrative penalty in the sum of R100 000 and has agreed to cooperate fully with the Commission in its prosecution of the remaining respondents.

"This is the first successful settlement negotiation we have concluded with one of the participants in the milk cartel," said the Commissioner Shan Ramburuth. "Technical legal points raised by other respondents have delayed the hearing into the merits of this case but will not deter us from prosecuting all companies colluding in this most basic of food products."

**Background**

The Commission initiated an investigation into anticompetitive behaviour in the milk industry in February 2005. Its investigation found evidence of price fixing for raw and processed milk and the manipulation of the market to restrict competition.

On 13 March 2006, the Commissioner initiated a complaint against Lancewood, Parmalat, Ladismith and Clover for alleged prohibited practices in contravention of section 4 of the Act. This complaint was referred to the Competition Tribunal on 07 December 2006.

Price information exchanges occurred directly via telephone or e-mail between employees of the respondents at management level. The respondent companies also exchanged pricing data on procurement prices on an ongoing basis by means of circulating certain "fictitious" and certain actual scenarios requesting each party to provide a price for the scenario sketched. The price movement requests related to past, current and in some instances future pricing.

ENDS

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