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THEE - The Competition Commission - Wheat milling cartel referred for prosecution

Press Release

15 March 2010

Wheat milling cartel referred for prosecution

The Competition Commission, subsequent to its investigation into collusion in the wheat milling market, has referred its findings to the Competition Tribunal against Pioneer Foods (Pty) Limited ('Pioneer'), Foodcorp (Pty) Limited trading as Ruto Mills ('Foodcorp'), Godrich Milling (Pty) Limited ('Godrich'), Premier Foods (Pty) Ltd ('Premier Foods') and Tiger Brands Ltd ('Tiger Brands').

The case was initiated following revelations by Premier Foods during the bread cartel investigation that the cartel, which involved largely the same companies, also covered their milling operations. Premier Foods and Tiger Brands were subsequently granted conditional immunity from prosecution by the Commission provided that they fully co-operate in the Commission's investigation and prosecution of this case.

In its investigation the Commission found that the respondents contravened the Competition Act by engaging in price fixing and dividing markets by allocating customers. This was facilitated through secret meetings and telephone calls between the employees of these firms. Arrangements seem to have been designed to, amongst other things, prevent price wars and discounting in the industry. The meetings were held at various venues, including churches, stadia and hotels.

Premier Foods, Tiger Brands, Foodcorp and Pioneer Foods control more than 90 percent of the wheat flour market. All four mill their own wheat into flour and use it to supply both their own bakeries and independent parties such as chain stores and smaller bakeries. Only Godrich does not have significant baking operations of its own. Premier Foods, Tiger Brands and Pioneer Foods have mills throughout the country, while Foodcorp and Godrich have mills in Gauteng. Flour is the main ingredient in the production of bread.

The Commission has asked the Tribunal to impose an administrative penalty of 10 percent of annual turnover for the 2009 financial year on each of the firms involved, except Premier Foods and Tiger Brands which have been granted conditional immunity.

'In addition to the negative effect of this conduct on consumers, it has also inhibited small bakeries from being effective competitors,' says Commissioner Shan Ramburuth.

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Further Info:

Keitumetse Letebele, HOD: Communications

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