EE481: Industrial Economics

Competition Case: Eggs in Thailand

Dr. Wanwiphang Manachotphong

Department of Economics, Thammasat University

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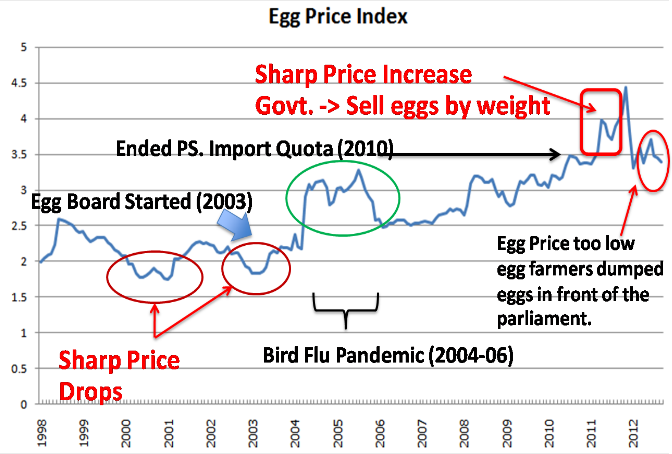
The Big Picture 1

Table 1: Price of eggs and income in Thailand and the UK, 2012.

	Egg Price (30 eggs)	Income (monthly)	$\frac{30Egg}{Income} \times 100$ (% of income)
Thailand			
UK			

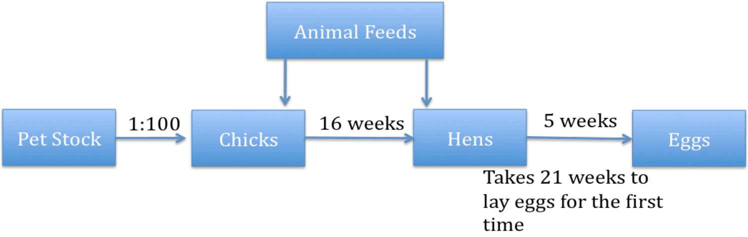
- When adjusted by income, eggs in Thailand (in 2012) were... than eggs in the UK.
- Why?

The Big Picture 2



Source: Bureau of Trade and Economics Indices, Thailand.

How do we produce eggs?



Source: Kridikorn 2554 (2011 BC)

1. The farmers raise Perent Stocks (PS) to hatch laying chicks. Each PS can produce around 100 chicks.
2. The chicks are then raised for 21 weeks until they are able to produce eggs.

Pre-2003

- Before 2003, anyone can import parent stocks (PS).
- There were 9 firms + 1 govt. co-op (a group of dominant firms) who produced/imported PS but there was no obvious barrier to entry.
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- There were many small fringe firms who buy PS from the big 10 companies and produce eggs.
- *In 2001 and 2003, the market price of eggs dropped below cost!*

2003 - 2010

- In 2003, the government wanted to help egg farmers. However, they thought the cause of price fall was too much production of eggs, not predatory pricing by big firms.
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- The quotas were given to old PS importers (all the big firms). No other firms was granted the import license.
- The organization who regulates the import is called the "Eggs Board".
- Although such quotas stopped price from falling, it did not benefit the small egg producers. Why?

2003 - 2010

- The import quota allows only the 9 big firms + 1 govt. co-op to import or produce PS.
- The big firms then sell laying chicks (produced by PS) to small farmers.
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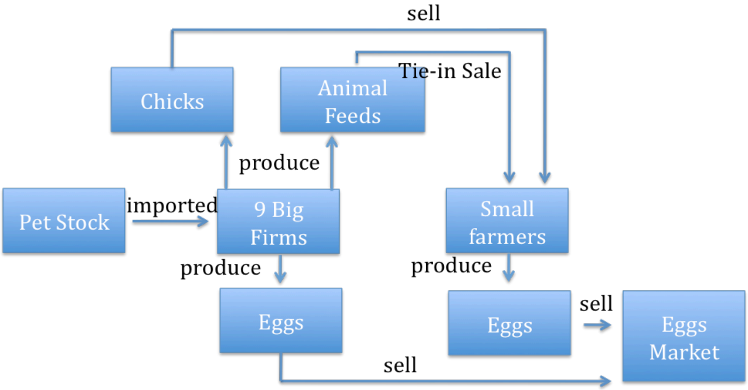
- At the same time the big firms compete with ...

- The PS import quota gives big firms advantages over small farmers.
  - lower cost (chicks and hens) and greater capacity
  - ability to raise rivals' cost, etc.

2003 - 2010 (diagram)



Source: Kridikorn 2554 (2011 BC)

Farmers' Margin

Item/year	2007	2008	2009	2010
Quantity	8,990	9,426	9,618	9,757
MC	1.93	2.27	2.20	2.45
Price at Farm	1.92	2.23	2.27	2.80
Retail Price	2.32	2.65	2.73	3.15

Note: Quantity is in million eggs/year. MC and prices are in THB/egg.
Source: Kridikorn 2554 (2011 BC)

2010 - now

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- It also gives obvious competitive advantage to the 9 big firms.
- This still did not help fringe firms nor the consumers
  - Fringe firms did not earn a higher profit.
  - Consumers still had to buy expensive eggs.
- On July 13th 2010, ...
- A few years after 2010, the price of eggs didn't go down.... why?

2010 - now (cont.)

- Right after the import quota was abolished, the 9 big firms .....

Reference and Further Reading I

- Kridikorn Padermkuakulpong. The Competition Act 2542 (1999 BC) and monopolization in the agricultural sector: The case of eggs industry. Openworlds Publisher, 2554 (2011 BC).
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