

EE481: Industrial Economics

Competition Case: Eggs in Thailand

Dr. Wanwiphang Manachotphong

Department of Economics, Thammasat University

14/10/2015

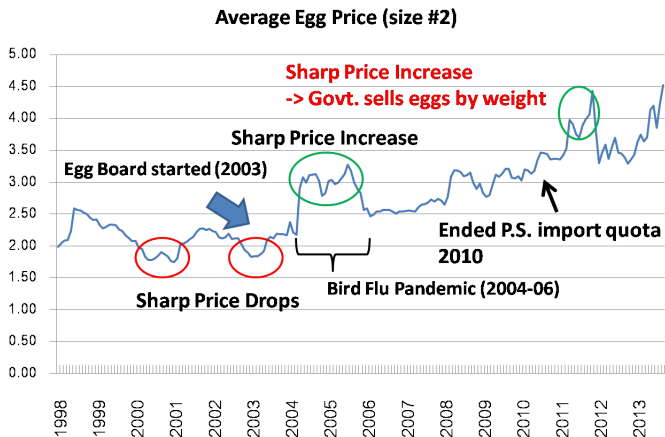
The Big Picture 1

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

	Egg Price (15 eggs)	Income (monthly)	$\frac{2 \times 15 \text{ Egg}}{\text{Income}} \times 100$ (% of income)
Thailand	75 THB	10,208 THB	
UK	1.25 GBP	2,233 GBP	

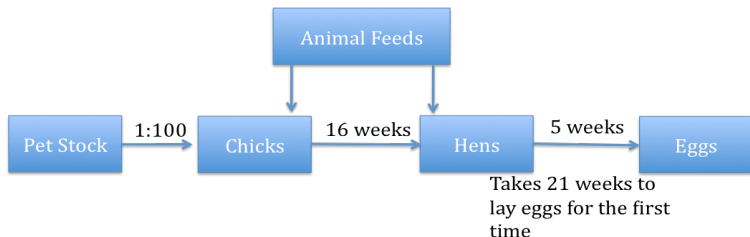
- When adjusted by income, eggs in Thailand are
- Why?

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 Parent 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.
- PS importers/producers are also those who sell animal feeds and eggs.
- 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!*

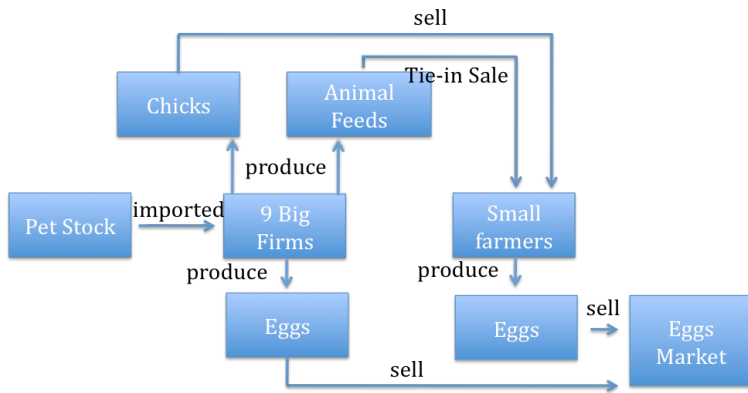
2003 - 2010

- 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.
- The government started the “PS import quota” to control the quantity of eggs produced in Thailand.
- 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.
- Sometimes the big firms tie-in the sales of their chicks with feeds.
- At the same time the big firms compete with small farmers in the eggs market.
- 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

- The import quota puts barriers to entry to this market.
- 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, the government abolished the P.S. import quota program.
- 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 LOWERED the price of P.S.
 - From 30 baht/chick to 25-27 baht/chick.
- Wasn't worth it for the new firms to import chicks anymore.
- As in 2015,

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).
-  Carlton, D.W. and J.M., Perloff.
Modern Industrial Organization. 4th Edition.
Pearson Addison Wesley Press, 2005.