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GAIN Report

Global Agricultural Information Network

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Sausage cartel lifted in Germany

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Report Highlights:

The German Federal Cartel Office has imposed a fine for sausage price fixing in July 2014. The so-called "sausage cartel" has to pay a fine of 330 million Euro for illegal price fixing agreements that resulted in high sausage prices for German consumers.

Executive Summary:

Due to illegal price fixing agreements, the Federal Cartel Office inflicted an administrative fine of 330 Million Euro on 21 German sausage producers and 33 other involved individuals. According to the town council in Bonn, German companies such as Boeklunder, Zimbo, Herta, Meica, Ruegenwalder Muehle, and Wiesenhof have been involved in the incident. Additionally, several sources reported that the companies had a common understanding of exchanging their positions on price mark-ups on a regular basis. This led to an increase of sausage prices in the German retail market. For years German consumers paid too much for their daily sliced sausage.

General Information:**The Sausage Cartel**

Several well-known sausage producers were accused for illegal price fixing agreements by the Federal Cartel Office in July 2014. They are accused of meeting in the so-called “Atlantic Circle” – the Atlantic Hotel in Hamburg, Germany – over decades to discuss market developments and potential price increases. In 2003, the companies had made concrete agreements about mutual price mark-ups in retail trade via telephone communication. As their sausage products are quite similar, companies did not agree on a fixed price, but a price range in relation to the different types of products (sausage for boiling, ham, etc.).

The companies cooperating, also known as the “Sausage Cartel” (Wurstkartell), allegedly agreed on prices for the German discounter Aldi because it is decisive for setting prices in this line of business. If the discounter raised prices, the rest of the sausage industry usually tightened up soon afterwards. Consequently, there must have been agreements about when to raise prices. The Federal Cartel Office took notice of the incident after receiving an anonymous tip. After five years of investigation, eleven companies involved with the cartel cooperated with authorities, which led to a reduction of their fines.

The Federal Cartel Office’s executive board, Andreas Mundt, commented that the fine of 330 Million Euros seems very high at a first glance. However, the calculation of the fines is made up by various factors such as the duration and the gravity of the offence, the turnover reached by the deed, and the company’s total turnover. The mandatory legal frame for fines adds up to 10 percent of total turnover and the biggest part of the fine is allotted to the proportionally largest cartel members within the company. The total fine also accounts for the number of companies involved, the duration of the cartel, and millions worth of business. Some newspapers reported that Clemens Toennies and the Swiss Bell-group that owns companies such as Hoppe and Zimbo received the highest fine. Nevertheless, the Federal Cartel Office will not comment on the amount of single fines, which vary from one hundred thousand up to sums in the millions.

Companies may lodge an objection against the decision within two weeks. Companies, such as the “Zur-Muehlen-Gruppe” and “Nestle”, already announced that they will take legal action. The case is operated by the Higher Regional Court in Duesseldorf, Germany.