

COFECE warns the National Chamber of the Sugar and Alcohol Industry that increases in alcohol prices, alcohol products and other inputs for its production, may be caused by agreements between economic agents

- *Prices established by each producer of alcohol and the inputs required for its production must be individually determined.*
- *COFECE's Investigative Authority shall open an investigation if signs of agreements between competitors to manipulate prices are found.*

Mexico City, March 30, 2020.- The Mexican Federal Economic Competition Commission (COFECE or Commission) reports that the Investigative Authority, in its discretion, issued a warning to the National Chamber of the Sugar and Alcohol Industry (CNIAA per its initials in Spanish) and to several of its members, as it has learnt of possible increases in the prices of pure alcohol, alcohol products and some inputs required for its production, such as molasses. These increases could be the result of possible agreements between competitors to manipulate prices.

Currently, Mexico faces the COVID-19 epidemic caused by the SARS-CoV2 virus, defined by the National Health Council as a serious disease for priority attention. For the effective implementation of mitigation measures and controlling health risks, an important quantity of products containing pure alcohol is indispensable; thus it is relevant for the Commission to monitor that prices of these products which are deemed as a priority during this contingency, are not the result of conducts prohibited by the Federal Economic Competition Law (LFCE per its initials in Spanish).

In addition to the warning issued, COFECE urged the CNIAA to oversee and encourage its members to make strictly individual decisions in terms of commercialization, and in accordance with their business strategies; a mandatory behavior in a free-pricing context or even in a maximum retail price scenario. Furthermore, the Commission reaffirmed that coordination or information exchanges between competing economic agents with the



purpose of establishing prices are absolute monopolistic practices (collusive agreements or cartels), and these are subject to fines up to a 10% of the income of each participating economic agent, and even criminal liability to the individuals participating in the agreements, which will be sanctioned with 5 to 10 years in prison and with fines up to 10 thousand Units of Measure.

It is worth noting that in 2016 several sugar industrialists were sanctioned for absolute monopolistic practices in the sugar market. Specifically, the CNIAA was fined for contributing to this agreement, thus, pursuant the LFCE, it can be considered as a recidivist and may be sanctioned with a fine of two times the corresponding amount.

COFECE reiterates that economic agents who have participated in agreements that violate the LFCE can adhere to the Immunity Program and be granted with a reduction of fines, including criminal liability, in exchange of full and total cooperation with the investigation. In addition, for greater certainty regarding information exchanges that could potentially constitute an absolute monopolistic practice, the Commission recommends reading the *Guidelines on Information Exchange between Economic Agents*.

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The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of the markets. Through its work, it seeks better conditions for consumers, greater output and better services and a “level playing field” for companies

