

Market participants continue to merge actively

 Published more than 5 years ago

Published: 25.02.2020.

Having assessed the number of merger notifications submitted in the previous four years, the Competition Council of Latvia (the CC) has concluded that market participants become increasingly active in terms of forming mergers. In the period 2018 – 2019, the authority has received by 63% more merger notifications than in the period 2016 – 2017.

Last year, the CC received 18 merger notifications on planned consolidation of companies in 21 sectors of the national economy, including fuel and beer markets. In the last four years, in general, pronounced activity of market participants is observed on the fuel market – the authority has received in total ten merger notifications. Some of transactions have been concluded between a wholesaler and a retailer, which shows that also vertical integration is implemented on the fuel market. For example, in the transaction implemented last year, where SIA "Latvijas propāna gāze" acquired six autogas filling stations in Riga and Jurmala, the CC assessed in-depth both the horizontally affected autogas market, and the vertical cooperation between SIA "Latvijas propāna gāze" and its customers.

Also, one of the most significant transactions in 2019, where the CC carried out an in-depth analysis, was a merger of two beer manufacturers - SIA "Lāčplēša alus" (Cido grupa) and SIA "Bauskas alus". To obtain comprehensive information, the CC commenced surveillance of the beer market in 2019, during which the authority assessed the general market trends in Latvia and the competition condition in the HoReCa or also knows as hotels, restaurants and public catering segment. Additionally the CC conducted a consumer survey on beer consumption habits in general. The CC concluded that separate shortcomings exist on the market, which have to be solved, for example, Latvian consumers do not receive information on the place of origin of beer on labels of beer bottles; as a result, consumers may have a misconception that beer is a domestic product, not imported.

To prevent increase of market concentration and decrease of competition pressure, the competition supervisor has to pay increased attention to merger transactions – especially horizontal mergers, where a merger is formed by mutually competing companies. During the last four years, experts of the competition law have carried out in-depth assessment of 15 horizontal transactions in Latvia. 40% of them were implemented on the consumption goods retail market; moreover, two transactions that were prohibited in this period, because they would cause significant harm to competition, took place exactly on this market.

An in-depth analysis was carried out in the last four years also on telecommunication and digital content services, insurance, health and agriculture markets.

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