

## **The GVH has uncovered a cartel that affected the entire Hungarian artificial fertiliser market, resulting in a record-breaking fine**

**22 October 2021, Budapest – An investigation of the Hungarian Competition Authority (GVH) has established that Nitrogénművek Vegyipari Zrt. and its group of undertakings infringed the law by restricting competition for years in relation to its partners, resellers, as well as with regard to the import. In total, 11 Hungarian market players were subject to the proceeding, of which two admitted the infringement. The competition council of the GVH has imposed a fine amounting to a total of HUF 14.1 billion on the cartel members.**

The recently concluded investigation of the GVH has revealed that Nitrogénművek Vegyipari Zrt. and its artificial fertiliser manufacturing and distribution affiliates infringed the law by determining the resale prices of their products and even to which customers the resellers were permitted to sell them. Furthermore, in order to restrict imports from abroad, the group of undertakings required significant annual minimum quantities and exclusivity for its resellers.

Nitrogénművek Zrt. operates the only artificial fertiliser factory in Hungary; therefore, only imports are able to compete with it on the domestic market. The proceeding of the GVH revealed that the group of undertakings had developed a complex system of agreements with its strategic partners that was able to hinder the competition for customers. These agreements were aimed at restricting the pricing of the products manufactured by Nitrogénművek Zrt., while specifying expected order volumes under the threat of high penalties and applying exclusivity clauses were intended to limit the purchase and sale of substitute products. In addition, the undertaking and its distributors were attempting to share customers among each other as well.

Agreements aimed at price fixing or market sharing, also known as cartels, are considered as the most serious infringements of competition law as they result in significant harm to the society. In the case of this artificial fertiliser cartel, due to the restriction of price competition on the distribution side, Hungarian farmers had to face higher prices during the infringement compared to those that would have applied in fair competition. Since artificial fertiliser plays an essential role in replenishing nutrients in agricultural land, the effects of the infringement may have spilled over to the food industry as well through increasing the costs of producers, thus potentially harming Hungarian consumers.

A total of 11 Hungarian undertakings were subject to the competition supervision proceeding, of which two were proved to be innocent; therefore, the GVH terminated its proceedings against them. Of the nine undertakings participating in the cartel, two admitted the infringement and cooperated with the GVH. Pursuant to the law in force, the fine payable by one of the cooperating undertakings was granted full immunity from the imposition of a fine, while another received a fine reduction, thus in total eight

undertakings were fined for the infringement. When determining the amount of the fine, the competition council of the GVH, in accordance with its case law, took into account the revenue obtained through the sale of the products subject to the cartel. For these infringements, in view of the duration and extensivity, the competition council imposed a fine in total of HUF 14.1 billion on six undertakings of the Nitrogénművek Group, as well as Hőgyési Agrokémiai Kft. and Cargill Magyarország Zrt.

The official registration number of the case is: **VJ/41/2017.**

GVH Press Office