Upstream Merger in a Successive Oligopoly: Who Pays the Price?

Abstract: This study develops and uses a successive oligopoly model, with an unobservable non-linear tariff between upstream and downstream firms, to analyze the possible anti-competitive effects of an upstream merger. We find that an upstream merger may lead to higher average prices paid by downstream firms, but that there is no change in the prices paid by consumers. The model is tested empirically on data for an upstream merger in the Norwegian food sector (specifically, the market for eggs). Consistent with the theoretical predictions of the model, we find that the merger had no effect on consumer prices, but led to higher average prices from the downstream to the upstream firm.

Link to the paper:
http://www.nhh.no/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiler%2finstitutter%2fsam%2fDiscussion+papers%2f2013%2f18.pdf