MERGER ANTITRUST LAW

LAW 1469
Georgetown University Law Center
Fall 2025

Tuesdays and Thursdays, 3:30 pm – 5:30 pm
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CLASS 5 HOMEWORK ASSIGNMENT

Instructions

Submit by email no later than 3:30 pm on Tuesday, September 9
Send to wdc30@georgetown.edu
Subject line: Merger Antitrust Law: Assignment for Class 5

Solve the HMT problems. Feel free to work out the problems using pencil and paper and send me a photo of your work.

Assignment

Problem 0. Explain the mechanics of the HMT using the uniform SSNIP implementation.[1]

Problem 1. TreeTop and AppleWay together sell 60 million bottles of apple juice annually—35 million by TreeTop and 25 million by AppleWay—out of 100 million bottles sold across all apple juice brands. TreeTop and AppleWay both sell for $2.50 per bottle and earn a gross margin of 40%. If a hypothetical monopolist controlling all apple juice brands raised prices by 5% to $2.63 per bottle, 13 million bottles would divert to other fruit juices such as orange, cranberry, or grape juice, whose prices remain unchanged. Does the candidate market of all apple juice satisfy the HMT?

Problem 2. Kraft is considering acquiring Hershey's premium chocolate bar business. The merging parties argue that the relevant product market should include not only Kraft and Hershey but also other premium chocolate bar producers such as Lindt, Godiva, Ghirardelli, and Tony's Chocolonely. The FTC staff believes that Kraft and Hershey have been too aggressive in including these other producers, which the staff views as makers of superpremium chocolate bars with relatively low cross-elasticities with the products of the merging parties. The FTC wants to test a narrower candidate product market consisting of only Kraft and Hershey chocolate bars. The Kraft and Hershey brands both sell for $2.00 per bar, with a variable cost of $1.20, and together account for 50 million bars in annual sales. The superpremium brands are priced at $2.50, with a variable cost of $1.70, and collectively sell another 50 million bars. If a hypothetical monopolist controlling only Kraft and Hershey raised the price by 5% to $2.10 per bar, the hypothetical monopolist would lose 2.5 million bars, all to either superpremium or generic brands. Does the candidate market of Kraft and Hershey chocolate bars satisfy the HMT?

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[1] A *uniform SSNIP implementation* of the HMT is when the prices in the candidate market are all increased by the same percentage SSNIP. In Unit 5, we will examine the *one-product SSNIP implementation* of the HMT introduced in the 2010 Merger guidelines.

Problem 3. Fresco Farms is considering acquiring PureHarvest, one of its competitors in the refrigerated orange juice market. The two firms together sell 80 million gallons of orange juice annually—50 million by Fresco and 30 million by PureHarvest—out of 120 million gallons sold across all brands. The average price of refrigerated orange juice is $4.00 per gallon, and the average gross margin is 40%. Industry analysts estimate that the own-price elasticity of demand for refrigerated orange juice as a whole is –1.2. Would a hypothetical monopolist controlling all refrigerated orange juice brands find it profitable to impose a 5% price increase? Does refrigerated orange juice satisfy the HMT?

Problem 4. FreshMart is considering acquiring GreenValley, which also operates two full-service grocery stores in the town of Collegeville. The merged firm would control 4 of the 10 full-service supermarkets in Collegeville and account for approximately 40% of local grocery sales. Each store sells an average grocery basket for $100, with a gross margin of 50%. Total annual grocery sales in Collegeville are 1 million baskets. If a hypothetical monopolist controlling all 10 Collegeville stores raised prices by 5% to $105 per basket, 100,000 baskets would divert to stores in the nearby town of Fairfax, where prices remain unchanged. Does the candidate geographic market consisting of Collegeville alone satisfy the HMT?

Problem 5. Praxon Gas and Oxynex Supply, the only two suppliers of industrial gases located in the town of Ashford, propose to merge. Industrial gas suppliers deliver their products directly to the customer's location under contract. The merging parties argue that the relevant geographic market must include Brookfield, the nearest town with its own industrial gas supplier, located 25 miles away. The FTC disagrees and wants to test whether Ashford alone constitutes a relevant geographic market. Industrial gases are typically sold under long-term contracts for on-site delivery, with an average price in Ashford of $10,000 per customer per year and a gross margin of 40%. Praxon and Oxynex together serve 120 customers in Ashford. If a hypothetical monopolist controlling all industrial gas sales in Ashford raised prices by 5%, 20 customers would switch to Brookfield-based suppliers or adopt alternative gas-handling systems. Does the candidate geographic market consisting of Ashford alone satisfy the HMT?

If you have any questions, send me an email.