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CONCENTRATION, COMPETITION AND EFFICIENCY OF COMPANIES IN THE MILK AND DAIRY PRODUCTS MARKET IN BOSNIA AND HERZEGOVINA

Abstract: This paper analyzes the milk and dairy products market in Bosnia and Herzegovina. It provides an overview of the current state of the market from the aspect of processing, production and foreign trade of Bosnia and Herzegovina with its important partners. The aim and subject of the paper is to determine the degree of concentration, as well as the impact of the degree of concentration on the efficiency and competition of companies in the milk and dairy products market in Bosnia and Herzegovina. The CRn index and the Herfindahl – Hirschman index were used to calculate the level of concentration in this market. The basic hypothesis in this research is that a low degree of concentration in the milk and dairy products market has a positive effect on the efficiency of the operations of companies in the milk and dairy products market in BiH. In order to more easily confirm or reject the main hypothesis, a subsidiary hypothesis was set: A low degree of concentration has a positive effect on the growth of competitive activities of companies and product differentiation. After conducting an analysis and measuring the level of concentration, it was determined that there has been a moderate level of concentration in recent years and that this contributes to greater competitiveness and efficiency of business operations of companies in the milk and dairy products market in BiH.
Keywords: production, efficiency, competition, concentration, milk market

1. INTRODUCTION

Market structures represent a key component of economic analysis, as they shape the way markets function and influence efficiency, competition and innovation within industries. Understanding the different forms of market structures, from perfect competition to monopolies and oligopolies, is of essential importance for evaluating market competitiveness, determining policies for the protection of competition and applying antitrust laws. In addition, the measurement of market concentration, which is used to assess the dominance of firms in certain industries, is a key tool in analyzing market efficiency and identifying potential threats from monopolies and cartels. Considering the importance of market structures, this paper focuses on the analysis of the market of milk and milk products in Bosnia and Herzegovina. The milk market is specific because different forms of competition and concentration occur on it, which enables a detailed analysis of market structures and the application of appropriate antimonopoly policies.

The research problem relates to the market of milk and dairy products in Bosnia and Herzegovina, which faces challenges related to high competition and concentration, which can affect the efficiency of companies. The lack of clear data on the level of market concentration, competitive strategies and their impact on business results makes it difficult to understand the dynamics of this sector and adopt effective policies for its improvement. Market concentration is a dynamic concept that describes different forms of linkages between firms and helps to understand how these linkages change in the market. The industry includes companies that are interconnected in some way, and its

significance is particularly evident in the study of competitiveness. Measuring industrial concentration is important not only for business entities, but also for government, economists and scientific research.

The market of milk and dairy products in Bosnia and Herzegovina is characterized by specific challenges related to the market structure, such as different levels of concentration and intensity of competition. Understanding how these factors affect the efficiency of companies is essential for making quality business and regulatory decisions that can improve the overall competitiveness of the sector, stimulate growth and preserve market stability. The main goal of this work and research is to analyze the degree of market concentration and the level of competition on the market of milk and dairy products in Bosnia and Herzegovina, and to examine their impact on the efficiency of business operations of companies, in order to provide guidelines for improving competitiveness and efficiency in this sector. In order to investigate the problem and the subject of the research, two basic and auxiliary hypotheses were set. H1: The low degree of concentration in the market of milk and milk products has a positive effect on the efficiency of business operations of companies in the market of milk and milk products in Bosnia and Herzegovina. H2: A low level of concentration has a positive effect on the growth of competitive activities of companies and product differentiation. The industry is constantly changing and developing, and it is affected by various factors that can increase or decrease market concentration. Through the available literature and research, we will try to show how concentrated the market of milk and dairy products is and what impact this concentration has on the competitiveness and efficiency of companies in Bosnia and Herzegovina.

2. LITERATURE REVIEW

Perfect competition represents an idealized market model in the economy in which all market participants (producers and consumers) have complete information, and the products offered are homogeneous, i.e. identical. This model enables the optimal allocation of resources and makes the most of the advantages of competition, however, in the real world perfect competition almost never exists. Nevertheless, the analysis of perfect competition allows economists to better understand market behavior and competition dynamics (Samuelson & Nordhaus, 2010, Mankiw, 2014 & Varian, 2014). According to Samuelson, demand curves in imperfectly competitive markets have a negative slope, which means that firms act as price makers rather than price takers. In addition, imperfect competition has certain characteristics such as supply and demand imbalance, market asymmetry, lack of complete transparency and unequal value of money for buyers and sellers. Imperfect competition includes monopoly, monopolistic competition and oligopoly. (Samuelson & Nordhaus, 2010, Mankiw, 2014).

There are various types of monopolies, pure and partial monopolies, we also have a division according to the way of their creation into natural, legal economic, octopod (Pindyck & Rubinfeld, 2017). According to Posner (1969), unlike a classic monopoly, a natural monopoly does not depend only on the number of bidders, but also on the relationship between demand and production technology. In a situation of natural monopoly, competition is not sustainable, because additional companies would consume more resources than necessary, which can lead to mergers or the disappearance of competition (Posner, 1969).

Since competitors can react in many different ways, there is not a single, but several oligopoly models, which are based on the reaction of competitors to the actions of others. Because of this, decision-making in oligopolies is much more complex than in other forms of market structure. Depending on whether the oligopolists agree or not, we have non-agreed and consensual oligopoly (Bakalar, 2009). Since competitors can react in many different ways, there is not a single, but several oligopoly models, which are based on the reaction of competitors to the actions of others. Oligopolies can enter into agreements in different ways: publicly, secretly or tacitly. In many countries, agreements on prices and market sharing are prohibited. In addition, there are international cartels that set uniform prices, share the market and agree on production quotas. To avoid fierce competition and price wars, oligopolies often enter into secret agreements, and in countries where this is not prohibited, they may publicly agree on prices, production quotas, market sharing and profits. This type of organization of oligopolistic firms is called a cartel (Bakalar, 2009).

Anti-monopoly policy is a tool that enables the market to function smoothly and efficiently, as well as to suppress any form of monopolistic and anti-competitive behavior. The goal is to ensure economic efficiency, thereby contributing to the maximization of social well-being. The anti-monopoly policy takes place in two directions: it prohibits certain types of business behavior, such as, for example, agreeing on prices; preventing the creation and strengthening of market structures such as trusts, cartels or other forms of monopoly (Petković & Kostić, 2014).

Market concentration represents one of the most significant measures of the competitiveness of the economy, which shows how market shares are distributed among companies operating in a certain market. According to the definition of the Organization for Economic Cooperation and Development (OECD), market concentration is a quantitative instrument of market structure analysis that is used to assess the possible effects of business behavior and company mergers, as well as to assess the degree and effectiveness of market competition in preserving competitive conditions at

the level of the entire economy (OECD, 2018). A number of authors emphasize the importance of market concentration as a key factor in explaining variations in efficiency among different industries. The basic forms of the industrial structure are determined by the number of companies and their size distribution, while by including the consumer structure we get a complete picture of the market structure. The author Tipurić and others single out two key factors that determine the level of concentration. The first factor that determines the level of concentration is the absolute number of companies on the market, and the second is the size of companies or firms on the market (Tipurić, Kolaković & Dumičić, 2003). On the other hand, author Tirol in his book analyzes market concentration and its influence on market concentration. According to him, Market concentration is a measure that shows the extent to which a small number of firms dominate the market (Tirole, 1988).

Contemporary literature emphasizes the complex relationship between market concentration, competition intensity and company efficiency. Research such as that conducted by De Loecker and Eeckhout (2020) indicates an increase in market concentration and margins, which may be related to a reduction in competitive pressure and a decline in allocative efficiency. Similarly, Gutiérrez and Philippon (2019) find that increased concentration in certain sectors leads to weaker investment activity and lower productivity, which confirms the hypothesis of negative effects of market power. Also, Aghion et al. (2021) emphasize that competition has a non-linear effect on innovation and efficiency, whereby a moderate level of competition encourages technological progress, while too much or too little competition can have the opposite effect. These findings indicate that the relationship between concentration, competition and efficiency is not unambiguous, but depends on the structure of the market, the institutional environment and the technological characteristics of the industry.

The growth of market concentration in modern economies is often associated with the emergence of the so-called "superstar companies", which, thanks to higher productivity and technological advantage, achieve dominant market positions, thereby further strengthening their market power (Autor et al., 2020). At the same time, empirical research shows that the increase in margins and concentration does not have to have unequivocal negative effects, but their impact depends on the specific sectoral and institutional context, as well as the dynamics of competition within the industry (Berry et al., 2019; Syverson, 2019). In addition, long-term analyzes indicate a pronounced trend of industrial concentration growth in developed economies, especially in technology-intensive sectors, which further complicates the relationship between market structure and economic efficiency (Bajgar et al., 2020; Grullon et al., 2019).

Given that maintaining a low level of concentration is an important prerequisite for its efficient functioning. Therefore, the analysis of concentration levels, as well as the study and improvement of methods and techniques that enable the measurement of concentration levels on the market, is a very important task. High concentration can reduce competition, which can lead to higher prices and lower quality of services and products. On the other hand, lower concentration usually indicates more competition, which can be beneficial for consumers. Market concentration is an important indicator when analyzing the market power of firms. If a few firms control a large part of the market, this can lead to monopolistic behavior, which negatively affects consumers and the economy. On the other hand, in some cases, concentration can contribute to more efficient operations and greater innovation (Tomaš, 2013). At the same time, empirical evidence for the United States of America shows that the long-term growth of concentration in certain industries is accompanied by a decrease in the dynamics of the entry of new firms and a strengthening of the market power of dominant companies (Covarrubias et al., 2020). In addition, macroeconomic analysis indicates that the growth of differences between firms and the strengthening of market power can have wider consequences for productivity and income distribution in the economy (Van Reenen, 2018). Together, these findings confirm that the effects of market concentration must be viewed in the broader context of industrial dynamics and competition policy.

3. RESEARCH METHODOLOGY

When researching market concentration, various sources were used, including professional literature, the Internet, reports and professional magazines, in order to gather important information for the subject of the research. To obtain accurate and reliable results, various methods were applied that ensure objectivity, reliability, systematicity and general applicability. The paper used data from the field of market concentration, market structure and microeconomics, as well as statistical data on dairy operations in Bosnia and Herzegovina. Concentration indices were used for the analysis. The methods of scientific and research work that have been applied include comparative, analytical, inductive and deductive methods, as well as statistical and mathematical methods, and the method of data compilation.

The measurement of market concentration represents one of the key aspects in the analysis of the market and market structure. Market concentration shows how much the market is controlled by a few dominant companies. High concentration indicates a smaller number of large players who hold the majority of the market share, while low concentration indicates that the market is more competitive and fragmented. There are different methods for measuring market concentration, and the most commonly used indicators are (Podrug, 2011):

- Big Four Index (CRn) – It is calculated as the sum of the market shares of the most important companies on the market. CR3 or CR4 is most often used, which indicates the concentration of 3 or 4 largest companies. This ratio gives a simple picture of the dominance of the leading companies.
- Herfindahl-Hirschman index (HHI) – It is calculated as the sum of the squares of the market shares of all companies on the market. This index better reflects market distribution and is more sensitive to changes in market shares, especially in the case of large firms.

The concentration index CRn is the so-called index of the big four and it shows us how much production in the industry is accounted for by the four largest companies. The closer the coefficient is to one, the higher the concentration in the branch, the closer to zero the lower the level of concentration in the branch:

$$CR_n = \sum_{i=1}^{N} S_i / S_t ;$$

The level of concentration in the market can be low, medium and high. The interval in which the concentration level of C4 moves is from 0 to 100. When the concentration level is 0, then the market is extremely competitive, while on the other hand, we have a situation where the market concentration level is 100, which shows that it is a monopoly. We use the Herfindahl-Hirschman index (HHI) to calculate the level of market concentration. According to the formula, the Herfinadahl – Hirschmsn index represents the sum of the squares of the company's market share:

$$HHI = \sum_{i=1}^{N} S_i^2 ;$$

Si represents the market share of the company, while N represents the total number of companies in the given industry. The value of this index cannot theoretically be less than zero. We can interpret the index values as follows:

- from 0 to 1.000 => low concentrated market,
- over 1.000 to 1.800 => moderate concentrated market,
- over 1.800 to 10.000 => high concentrated market.

We took the data that was not suitable for the calculation of these indices from the dairy's financial statements (income statement and balance sheet). The data sources used in this work are the Agency for Statistics of BiH, the Institute for Statistics of the RS, Company Wall pages, the Federal Institute for Statistics, the Agency for Intermediary, IT and Financial Affairs of the Republic of Srpska and the Financial and IT Agency of the Federation of Bosnia and Herzegovina.

4. RESEARCH RESULTS AND DISCUSSIONS

Table 1 gives an overview of sales of dairies on the market of milk and milk products in Bosnia and Herzegovina for a period of 5 years.

Table 1: Revenues from the sale of dairies on the market of milk and milk products in BIH for the period from 2019 to 2023

Name		SALES REVENUE				
		2019.	**2020.**	**2021.**	**2022.**	**2023.**
1.	Mlijekoprodukt „Kozarska Dubica“	122.185.576,00	104.856.625,00	92.541.854,00	116.571.190,00	143.539.944,00
2.	Meggle „Posušje“	90.171.635,00	91.194.915,00	97.507.367,00	114.108.357,00	129.846.942,00
3.	Meggle Bihać		66.283.227,00	75.220.384,00	87.870.508,00	96.782.422,00
4.	INMER	45.235.897,00	48.054.216,00	50.096.136,00	60.382.439,00	66.613.500,00
5.	Mi 99 Grdačac	40.662.162,00	44.011.632,00	42.245.341,00	48.476.043,00	60.812.076,00
6.	"MilkoS" d.o.o. Sarajevo	24.273.020,00	21.810.822,00	17.418.184,00	15.046.578,00	13.937.294,00
7.	Pađeni Bileća	17.586.733,00	17.632.941,00	18.341.170,00	24.637.568,00	28.231.302,00
8.	Zim Zenica	10.402.692,00	9.475.361,00	8.797.368,00	9.256.163,00	9.775.309,00
9.	Mljekara Livno	6.957.673,00	6.963.208,00	7.623.269,00	8.591.519,00	11.877.682,00
10.	Eko sir Puđa Livno	5.666.734,00	5.093.585,00		6.818.479,00	8.079.879,00
11.	D.o.o. "MLJEKARA DULE" Srednji Dragaljevac	5.649.449,00	5.919.398,00	6.512.772,00	5.167.525,00	7.692.256,00
12.	Mljekara Laktaši	10.000,00	0,00	0,00	2.911.256,00	0,00
13.	Tena				4.251,00	13.089,00
14.	"MLJEKARA SUŠA" d.o.o. Megdan Livno	164.594,00	126.182,00	123.685,00	146.379,00	131.862,00
	Total	**368.966.165,00**	**421.422.112,00**	**416.427.530,00**	**499.988.255,00**	**577.333.557,00**

Source: Processing by the author, according to the financial reports of APIF, AFIA and Company Wall 2024

According to the data presented in table 1, we see that the dairy Mlijekoprodukt from Kozarska Dubica has achieved the highest business income from sales in a period of 5 years. Right behind her is Meggle from Posušje, and then Meggle from Bihać. On the other hand, we note that the dairies Laktaši, Tena and Suša had the lowest income from sales. Table 2 shows the market share of dairy products according to sales revenue for various dairies in the period from 2019 to 2023. Market share represents the percentage of the total market on which each dairy generates its revenues.

Table 2: Market share of dairies according to sales revenue

	Name	Market share in %				
		2019	**2020**	**2021**	**2022**	**2023**
1.	Mlijekoprodukt „ Kozarska Dubica“	33,11	24,88	22,22	23,31	24,87
2.	Meggle „Posušje“	24,44	21,64	23,41	22,82	22,49
3.	Meggle Bihać		15,73	18,06	17,57	16,76
4.	INMER	12,26	11,4	12,02	12,08	11,54
5.	Mi 99 Grdačac	11,02	10,44	10,14	9,7	10,53
6.	MilkoS d.o.o. Sarajevo	6,58	5,18	4,18	3,01	2,41
7.	Pađeni Bileća	4,77	4,19	4,40	4,93	4,89
8.	Zim Zenica	2,82	2,25	2,11	1,85	1,69
9.	Mljekara Livno	1,89	1,65	1,83	1,72	2,06
10.	Eko sir Puđa Livno	1,54	1,21	0	1,36	1,4
11.	D.o.o. "MLJEKARA DULE" Srednji Dragaljevac	1,53	1,4	1,56	1,03	1,33
12.	Mljekara Laktaši	0	0	0	0,58	0
13.	Tena	0	0	0	0	0
14.	"MLJEKARA SUŠA" d.o.o. Megdan Livno	0,04	0,03	0,04	0,04	0,03
	Total	**100**	**100**	**100**	**100**	**100**

Source: Author's calculation

From the given review of market shares of dairies on the milk market and dairy data in BiH, we see that the largest dominance is held by the dairy Mlijekoprodukt "Kozarska Dubica". This dairy dominated the market in almost all years and its market share fell from 33.11% in 2019 to 24.87% in 2023. Meggle "Posušje" is also stable in second place, with slight oscillations, ending 2023 with a share of 22.49%, while on the other hand, Meggle Bihać did not have data for 2019, but from 2020 to 2023 it holds the third position, with slightly lower shares in the last two years. INMER and Mi 99 Gradačac alternate in 4th and 5th place, with relatively stable market shares, while Milkos d.o.o. Sarajevo records a constant decline from year to year, from 6.58% in 2019 to only 2.41% in 2023. Padjeni Bileća and Mljekara Livno have slight oscillations, but a stable share, while Zim Zenica is gradually losing its market share. Smaller producers such as Eko sir Puđa, Mljekara Dula, Mljekara Laktaši and others have a minimal market share, mostly below 2%.

The CRn index (market concentration) is an indicator that measures market concentration, i.e. the extent to which the market is dominated by a few large firms. The CRn index is calculated as the sum of the squares of the market shares of the n largest companies on the market. In this case, the CRn index for each year represents market concentration in the dairy sector, where n is the number of the largest dairies (the largest by market share).

Table 3: Big Four CRn Index for the period 2019 – 2023.

CRn index	**2019**	**2020**	**2021**	**2022**	**2023**
	69,81	73,65	75,73	75,79	75,66

Source: Author's calculation

The CRn index in 2019 was 69.81%. This index indicates that the market was more moderately concentrated in 2019. There were larger differences in market shares, but the largest dairies still held a significant share of the market. In 2020, the market has become somewhat more concentrated than the previous year. This growth may indicate that a few leading dairies have increased their market share, while smaller producers may have seen a decline. From 2021 to 2022, the Big Four index shows further market concentration. The market is becoming even more dominated by a few large dairies, while smaller producers have a smaller share. In 2023, the index decreased slightly compared to the previous year, which indicates a slight decrease in market concentration. This may mean that the market shares of some larger dairies have decreased, while smaller producers may have been able to improve their market share. The Herfindahl-Hirschman Index (HHI) is another key indicator used to measure market concentration. The HHI is calculated as the sum of the squares of the market shares of all firms in the market.

Table 4: Herfindal-Hirschman Index (HHI) index for the period from 2019 to 2023

HHI indeks	2019	2020	2021	2022	2023
	2047,62	4418,07	1662,29	1655,82	1689,65

Source: Author's calculation

According to the data in Table 4, this index indicates that the market had moderate concentration in 2019. The market was not too concentrated, but it was not completely competitive either. In this period, there were dominant companies that held a significant market share, but the market still allowed for competition. In the following year, there will be a significant jump in the value of this index. This significant jump in the HHI value indicates high market concentration. The market has become significantly less competitive, with a few large firms taking over. This may be a consequence of the growth of the market shares of the largest dairies, while the smaller producers could fall in share or even disappear from the market. The decline in 2021 compared to 2020 indicates a less concentrated market in 2021, but the market is still moderately concentrated. This may indicate an improvement in competition, with a smaller decrease in the market shares of the largest firms, but the market is still largely dominated by a few large manufacturers. An additional drop in the HHI value indicates a further decrease in market concentration and an increase in competition in 2022. The market has become moderately competitive, meaning that smaller producers may have gained market shares or new competitors have emerged, and a few large dairies have not been as dominant as before. Although there was a slight increase in 2023 compared to 2022, the market is still moderately competitive. The market remained relatively balanced, without drastic changes compared to the previous year. Smaller producers still have a chance to compete, and the market is not too concentrated.

5. CONCLUSION

Changes in market share occurred at several major dairies such as Mlijekoprodukt "Kozarska Dubica" and Meggle "Posušje", which had the largest market share. Many dairies had a stable market share, while some smaller producers had fluctuations or declining market share, such as Milkos d.o.o. Sarajevo and Zim Zenica. In 2019, the market was moderately concentrated (CRn = 69.81), but later there was an increase in market concentration in 2020 (CRn = 73.65), which showed that the market became less competitive. In 2021, the market was further concentrated (CRn = 75.73), and by 2023, market concentration remained at a high level (CRn = 75.66), although there were small fluctuations. This indicates the dominance of a few large dairy farmers, while smaller producers do not have a significant market share. The Herfindahl-Hirschman Index (HHI) index had significant changes during the analyzed period. In 2020, the HHI was high (4418.07), which indicates a high concentration of the market, i.e. the dominance of a few large firms, with very little competition. Later, the HHI decreased (2021 HHI = 1662.29, 2022 HHI = 1655.82, 2023 HHI = 1689.65), indicating a decrease in market concentration and an increase in competition. The market has become moderately competitive (with HHI values between 1,500 and 2,500), which is a sign that smaller producers are managing to improve their market shares and that there is room for competition.

Market efficiency can be seen through competition and balance on the market. If the market becomes too concentrated, this can lead to less competition, which could reduce efficiency (eg higher prices and less innovation). In 2020, with high market concentration (HHI = 4418.07 and CRn = 73.65), the market had less competition, which could negatively affect efficiency in terms of prices and product quality. If only a few firms dominate, there is less opportunity for price competition and innovation, which can reduce consumer welfare and market efficiency. However, in 2021-2023. In 2008, with the decline of the HHI and CRn indices, the market became moderately competitive, which may indicate an increase in competition and the possibility of price reductions, better quality and greater choice for consumers. These changes can increase market efficiency, as competition leads to better conditions for consumers and encourages companies to improve their products.

Large dairies continue to dominate the market, which means that they have larger capacities, better distribution and greater influence on market prices. However, high market concentration can lead to market consolidation problems, which means that it could be difficult for new players to enter the market, thus reducing the dynamics of competition. On the other hand, the market shares of smaller producers in 2020 indicated their marginalization, the decline in market concentration in the following years (2021-2023) indicates an increase in competition from smaller producers. These producers can become more efficient, especially if they have the possibility of specialization, product quality or lower prices, in order to compete with the big players.

So, here we can conclude that the CRn index shows that the market is becoming more concentrated, which is the opposite of the hypothesis, while the HHI index shows a decline in market concentration in the last two years, which partially supports the hypothesis. However, considering that the market still has a high concentration, it is difficult to conclude that a low degree of concentration has a positive effect on the efficiency of the company's operations. Also, it will be necessary to analyze other factors that affect the efficiency of the company's operations, such as competition, innovations, imports, costs and other economic variables. Based on current data and calculation results, the hypothesis

can be considered partially rejected, because the market still shows significant concentration, although there is a trend of decreasing concentration in recent years.

If the level of concentration in the milk and milk products market in Bosnia and Herzegovina (BiH) continues to grow, there are several recommendations that could help reduce concentration and preserve competition. First, *encouraging competition through regulatory measures*. The BiH Competition Council should carefully monitor and regulate all cases of mergers and acquisitions between companies in the milk and milk products industry. If mergers of larger firms are proposed, which could increase market concentration and reduce competition, such processes should be subject to stricter supervision. If it is estimated that the merger would have a negative impact on competition and consumers, it should be prohibited. Introducing or strengthening laws that prevent monopolistic practices can help maintain market balance. This includes legislative measures that would facilitate the initiation of proceedings against excessive concentration and unfair business practices. Second, *maintenance and strengthening of small and medium enterprises*. The state can provide financial and technical support to small producers of milk and milk products, which would increase competition on the market. Subsidy programs or facilitation of access to capital can help small businesses to expand and become more competitive in the market. Organizational and business moments, as well as training for small and medium producers, can help these companies to improve their production and efficiency. This can enable them to become more competitive against the large firms that dominate the market. Third, *increasing market transparency*. Reducing market concentration can be facilitated by increasing the transparency of prices and product information. Consumers and competitors should have easily accessible information about offers, which increases competition and reduces the possibility of market manipulation. Public procurement and other forms of public tender procedures can be aimed at strengthening competition, encouraging balance and reducing the dominance of large players. Fourth, *export promotion and internationalization*. Encouraging small and medium-sized producers to export their products to foreign markets can help them diversify their business, increase production volume and become more competitive. Through export, domestic companies can achieve greater efficiency and innovation. Fifth, *improvement of market conditions.* Through regulations and policies, authorities can encourage competitive practices such as reducing barriers to entry for new firms in the market, better conditions for small producers, and encouraging innovation in the production and distribution of dairy products. Sixth, *the role of the BiH Competition Council*. If the level of market concentration continues to grow, the BiH Competition Council should become more active in monitoring the milk and milk products market. This advice should monitor changes in concentration and identify potential anti-competitive practices and prevent them, in order to ensure adequate regulation of the market. Also, if it is noticed that large companies are using their market share to stifle competition (eg through aggressive price reduction or exclusive contracts with distributors), the BiH Competition Council can initiate investigations and take appropriate legal measures. The BiH Competition Council can also provide advice to companies on competition rules and provide education on how to avoid monopolistic practices and how to maintain competition in the industry. Its role would be crucial in preserving competition, protecting small and medium-sized companies, as well as in preventive action to prevent the negative consequences of excessive concentration. Also, regulations that support innovation, facilitate the entry of new companies into the market and enable a balance between large and small producers and can significantly contribute to healthy competition on the market.

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