



## **DETERMINATION OF MERGER NOTIFICATION M/11/015 -**

### **IFP/C&D Foods**

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#### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by IFP of C&D Foods (Ireland)**

**Dated 14 June 2011**

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#### **Introduction**

1. On 16 May 2011, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority (the "Authority") received a notification of a proposed transaction whereby IFP Holdings Unlimited ("IFP"), through its subsidiary AIBP, would acquire sole control of C&D Foods (Ireland) ("C&D Foods").
2. Presently, C&D Foods is jointly controlled by IFP and Philip Reynolds through a 50:50 shareholding agreement. Following completion of the proposed transaction, IFP will acquire sole control of C&D Foods by increasing its shareholdings in C&D Foods to [...]%. Philip Reynolds, who will remain as Group Managing Director of C&D Foods, will divest himself of joint control over C&D Foods by reducing his shareholding to [...]%.<sup>1</sup>

#### **The Undertakings Involved**

##### ***The Acquirer***

3. IFP and its subsidiaries are active in meat processing, supplying a broad range of chilled, frozen and other meat products to retail, wholesale and foodservices markets in Europe and worldwide. IFP is also active, through its subsidiary Agri Energy, in the provision of waste oil recycling and renewable energy services to food manufacturers, caterers, distributors and retailers in the United Kingdom ("U.K.") and the State. These services involve the collection and processing of organic waste for use in the production of bio fuel and the generation of energy.
4. AIBP is the Irish meat division of the IFP group and is active in the U.K. and the State in beef processing, de-boning and retail packing.
5. For the financial year ending 31 March 2010, IFP had a worldwide turnover of approximately €[...]. In the State, for the same financial period, IFP generated turnover of approximately €[...].

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<sup>1</sup>Previously, on 11 April 2008, the Authority cleared the transaction whereby IFP acquired joint control over C&D Foods with Philip Reynolds – decision M/08/010.

## **The Target Group**

6. C&D Foods is active in the manufacture of pet food products, primarily under private label contracts for major retail customers in the U.K. and in the State.<sup>2</sup> In particular, C&D Foods manufacture pet food products for cats and for dogs. These products can be categorised into wet and dry pet food products.<sup>3</sup> C&D Foods sources, from third party suppliers, a range of ingredients including pork, beef, lamb, fish, wheat, barley, maize and chicken to produce its pet food products.
7. C&D Foods owns and operates three manufacturing facilities. These are located at:
  - (i) Edgeworthstown, County Longford, where wet pet food products for cats and for dogs are manufactured;
  - (ii) Driffield, Yorkshire, U.K where dry pet food products for cats and for dogs are manufactured; and,
  - (iii) Ijmuiden, Netherlands where canned wet pet food products are manufactured.
8. C&D Foods also sell a minimal amount of pet food under its own brand "Pascoes" in the U.K. However, in the State, C&D Foods is only active in the manufacture of wet pet food products for cats and for dogs for its retail customers' own-brand labels.
9. For the financial year ending 31 December 2010, C&D Foods generated a worldwide turnover of approximately €[...]. In the State, for the same financial period, C&D Foods generated turnover of approximately €[...].

## **Third Party Submissions**

10. No submissions were received.

## **Analysis**

11. As stated earlier, the proposed transaction involves a change in control over C&D Foods from joint to sole control.
12. In the State there is no horizontal overlap in the activities of the parties. IFP is active in beef processing through its subsidiary AIBP and in waste recycling and renewable energy, through its subsidiary Agri Energy. C&D Foods is active in the manufacture of wet pet food products in the State.
13. In the State there is vertical overlap in the activities of the parties. C&D Foods uses beef products<sup>4</sup> as an ingredient in the manufacture of its wet pet food products for cats and for dogs. C&D Foods buys approximately [20-30]% of its beef ingredients from AIBP and

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<sup>2</sup> C&D Foods estimate that its share of supply of private label wet pet food products for cats and for dogs in the State is [10-20]% and [30-40]% respectively.

<sup>3</sup> C&D Foods also manufacture a small amount of pet food for fish, rabbits, guinea pigs and hedgehogs.

<sup>4</sup> These beef products consist of beef offal.

purchases the remainder from other beef processors active in the State. However, the Authority considers that this relationship between the parties does not raise competition concerns due to the following:

- IFP accounts for approximately [20-30]% of the beef processing sector in the State, with the remainder of the market accounted for by a number of other beef processors, including: Dawn Meats, Kepak, Liffey Meats, Kildare Chilling and Slaney Meats.<sup>5</sup>
  - C&D Foods estimates that, in the State, it accounts for approximately [0-10]% of the wet pet food product market for cats.<sup>6</sup> Other significant competitors in this market included, Master Foods ([50-60]%), Nestlé ([20-30]%), Mills/Irish Dogfood ([0-10]%) and Mackle Petfoods ([0-10]%).
  - C&D Foods estimates that, in the State, it accounts for 8% of the wet pet food product market for dogs.<sup>7</sup> Other significant players in this market include Master Foods ([50-60]%), Nestlé ([20-30]%), Mills/Irish Dogfood ([0-10]%) and Mackle Petfoods ([0-10]%).
14. In light of the above, the Authority considers that the proposed transaction would not give rise to any customer or input foreclosure, and therefore it does not raise any competition concerns in the State in relation to the supply of wet pet food products.

#### **Ancillary Restraint**

15. The Share Purchase Agreement between Philip Reynolds, AIBP and IFP imposes, at clause 5, non-compete and non-solicitation obligations on Philip Reynolds for a period of two years from the completion date of the proposed transaction. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.
16. The Authority also considered non-compete and non-solicitation obligations contained in clause 8 of the Shareholders Agreement between [...]. The Authority considers that these obligations are not directly related and necessary to the implementation of the proposed transaction.

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<sup>5</sup> AIBP's market share is calculated on internal cattle kill numbers as expressed as a percentage of the National Cattle Kill recorded by An Bord Bia for 2010. The Authority has also obtained data from the Central Statistics Office on the national cattle kill numbers for 2010. Using this data, AIBP's market share is calculated at an approximately [20-30]%.

<sup>6</sup> Based on volume data gathered by Kantar for C&D Foods.

<sup>7</sup> Based on volume data gathered by Kantar for C&D Foods.

## **DETERMINATION**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby IFP Holdings Unlimited, through its subsidiary AIBP, would acquire sole control of C&D Foods (Ireland) will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

**For the Competition Authority**

**Gerald FitzGerald**

**Member of the Competition Authority**

**Director, Mergers Division**