



DETERMINATION OF MERGER NOTIFICATION M/11/023 - Greencore/Uniq

Section 21 of the Competition Act 2002

Proposed acquisition by Greencore Foods Limited of Uniq plc

Dated 24 August 2011

Introduction

1. On 26 July 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 Greencore Foods Limited ("Greencore"), a wholly-owned subsidiary of Greencore Group plc, would acquire sole control of Uniq plc ("Uniq").

The Undertakings Involved

Greencore

2. Greencore has two divisions: Convenience Foods and Ingredients & Related Property. The Convenience Foods division manufactures and supplies a range of products including "Food to Go" ("FtG") (i.e., sandwiches, meal salads, and sushi), and chilled ready meals ("CRM"), (i.e., chilled soups and sauces, ambient sauces and pickles, cakes and desserts, and Yorkshire puddings) to many of the major retailers in the United Kingdom.
3. Greencore's range of FtG and CRM products, which are manufactured in the UK, are sold into the State through two channels: through a distributor, Brennan Convenience Foods Limited t/a Food Partners, which buys the products and re-sells them to independent retailers, and through retailers in the United Kingdom who distribute the products to their own outlets in the State.
4. Greencore's Ingredients & Related Property division comprises Trilby Trading, Premier Molasses and a team dedicated to managing Greencore's legacy property assets. Greencore also has an associate holding in United Molasses (Ireland). Trilby Trading is an importer and distributor of bulk vegetable oils to the food industry in the State.
5. Premier Molasses and United Molasses (Ireland) are suppliers of imported liquid feed ingredients in the State with storage facilities at Foynes, Ringaskiddy and Belfast. Molasses is blended and mixed at each storage facility to meet the specific requirements of customers in the animal feed compound industry.
6. For the year ending 24 September 2010, Greencore's worldwide turnover was €856 million. Greencore's turnover in the State for the same period was €[...].

Uniq

7. Uniq has two divisions: FtG and Desserts. The FtG division manufactures sandwiches and meal salads which it sells to the United Kingdom's largest retailers. The Desserts division manufactures premium desserts, Cadbury chocolate desserts, differentiated yoghurt and every day desserts which it also sells to the United Kingdom's largest retailers. Uniq has only one retail customer in the State.
8. For the year ending 31 December 2010, Uniq's worldwide turnover was £312 million (€374 million)¹. Uniq's turnover in the State for the same period was almost £[...] (€[...]).

Third Party Submissions

9. No submissions were received.

Analysis

10. There is no vertical overlap between the parties in the State. However, the parties overlap horizontally in the supply of meal salads, chilled desserts and manufactured sandwiches to retailers in the State.

The supply of Meal Salads and Chilled Desserts to Retailers in the State

11. The Authority considers that the proposed acquisition raises no competition concerns in relation to the supply of either meal salads or chilled desserts to retailers in the State.
12. There is a *de minimis* horizontal overlap between the parties in relation to the supply of meal salads and chilled desserts to retailers in the State. The parties estimate that they have a combined market share of around 1% by value of the supply of meal salads to retailers in the State.
13. In the case of chilled desserts, the parties estimate that while Uniq has a market share of 10%, Greencore has a market share of less than 1% in the State. There are a number of alternative suppliers of chilled desserts including Muller, Nestle, Butlers and Yoplait.

The supply of Manufactured Sandwiches to Retailers in the State

14. The parties also overlap horizontally in the supply of manufactured sandwiches to retailers in the State.

Relevant Product and Geographic Market

Views of the Undertakings Involved

15. The parties state that the product market for sandwiches includes manufactured sandwiches and sandwiches prepared in-store at the point of purchase. The parties state that these products are substitutable from the perspective of the end consumer. The parties state, however, that the narrowest possible product market definition is the supply of manufactured sandwiches in the State.

¹ Based on average annual exchange rate of £1 sterling = €1.2 euro for 2010.

16. The parties submit that the relevant geographic market is no narrower than the State. The parties further submit that the geographic scope may extend to the United Kingdom as manufactured sandwiches can be supplied to stores in the State within the requisite timeframe. The parties submit that Tesco Ireland, Marks & Spencer and Boots in the State stock manufactured sandwiches that are produced by suppliers based in the United Kingdom, including Greencore and Uniq.

Views of the Competition Authority

17. In its determination in M/11/001 – Greencore/Northern Foods, the Authority examined the competitive impact of that transaction in the market for the supply of manufactured sandwiches to retailers in the State. The Authority, however, did not come to a definitive view in its determination on the precise relevant product and geographic market for manufactured sandwiches. Similarly, for the purposes of assessing the proposed transaction, the Authority does not consider it necessary to reach a definitive conclusion on the relevant product and geographic market.
18. However, the Authority’s analysis will examine the likely competitive effects of the proposed transaction in the supply of manufactured sandwiches to retailers in the State. This is the narrowest product and geographic market in which the proposed transaction is likely to raise a competition concern.

Competitive Assessment

Views of the Undertakings Involved

19. Table 1 below provides estimated market share data for the manufactured sandwich market in the State for 2010. It also details each manufacturer’s key customers in the State.

Table 1: Percentage Market Shares (by Value) in the Sale of Manufactured Sandwiches in the State, 2010

Manufacturer	2010 (%)	Key Customers
Greencore	14	Boots, Dunnes, Spar, Topaz
Uniq	4	Marks & Spencer
Kerry Foods (Freshways)	44	Tesco, Dunnes, Musgraves, Superquinn
Samworth	1	Tesco
Northern Foods	4	Tesco, Marks & Spencer
Bite	10	Tesco, Musgraves, Spar
Buckingham Foods	1	Boots
Cuisine Express	4	Food Service
Deli Lites	4	Food Service
Bellini and Blake	1	Food Service
Around Noon	1	Food Service
Local Producers	12	Food Service
Total	100	

Source: The Parties

20. The parties submit that the market for manufactured sandwiches is characterised by:
- a large proportion of own label products, making it easy for retailers to switch suppliers;
 - the presence of credible alternative suppliers with sufficient spare capacity to expand;
 - customers who possess sufficient buyer power to exert pressure on suppliers;
 - the absence of customer overlap between the parties²;
 - low barriers to entry which facilitate credible entry and expansion by manufacturers; and,
 - the ability of customers to punish the conduct of suppliers within and across segments.
21. The parties state that the merged entity will have a market share of 18% by value, with its competitors accounting for the remaining 82% of the total manufactured sandwich market in the State. The parties state that the proposed transaction raises no competition concerns since there are a number of other suppliers present in the market in the State including Kerry Foods, Northern Foods, Samworth, Buckingham Foods, and Bite. The parties state that these suppliers will present a credible and significant competitive constraint on the merged entity. The parties also state that large customers have the ability to switch supplier easily and quickly.

Views of the Competition Authority

22. In its review of the proposed transaction, the Authority has not found any evidence contradicting the views of the parties as described in paragraph 20 above.
23. As Table 1 above indicates, the merged entity is likely to account for 18% of the sandwiches market in the State post-transaction. The change in market share following the proposed transaction will be 4%. This is unlikely to result in the merged entity having the ability to permanently raise its manufactured sandwiches prices post-transaction.
24. Uniq has only one customer in the State. The Authority contacted this customer seeking its views on the impact of the proposed transaction. This retailer currently uses [...] suppliers of manufactured sandwiches. The retailer expressed no competition concerns stating that the proposed transaction will have no impact on its negotiating strength with sandwich suppliers. It also stated that it considers [...] as a credible alternative supplier of manufactured sandwiches.
25. In the light of the above, the Authority considers that the proposed transaction raises no competition concerns in the supply of manufactured sandwiches to the retail sector in the State.

² As shown in Table 1 above, Uniq has one customer in the State: Marks & Spencer, which does not source supplies of manufactured sandwiches from Greencore.

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 transaction whereby Greencore Foods Limited, a wholly-owned subsidiary of Greencore Group plc, would acquire sole control of Uniq plc 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

Noreen Mackey

Member of the Competition Authority

Director, Mergers Division