



## MERGER ANNOUNCEMENT

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### The Competition and Consumer Protection Commission has cleared the proposed acquisition of Dunbia by Dawn Meats Ireland

29 September 2017

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The Competition and Consumer Protection Commission (CCPC) has cleared the proposed transaction whereby Dawn Meats Ireland Unlimited Company would acquire sole control of each of Dunbia (Ireland) Limited and Dunbia (Slane) and the establishment by Dawn Holdings Limited and Mr. Jim Dobson of a joint venture company which will acquire the beef and lamb businesses in the United Kingdom (“UK”) of the Dunbia group of companies (“Dunbia”) and of the Dawn Meats group of companies (“Dawn Meats”).

On 16 June 2017, the proposed transaction was notified to the CCPC under section 18(1)(a) of the Competition Act 2002, as amended (the “Act”). In the course of an extended Phase 1 investigation, the CCPC consulted with a number of third parties, including competitors, customers, industry representative bodies and the Department of Agriculture, Food and the Marine. In addition, the CCPC carried out a detailed econometric analysis of the trend in the prices paid by slaughterhouses to farmers for live cattle for slaughter in the State over the period January 2011-September 2017. The CCPC also served a Requirement for Further Information on both Dawn Meats and Dunbia. Following this detailed assessment, the CCPC formed the view that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

In reaching this determination, the CCPC analysed the likely competitive impact of the proposed transaction in the following potential markets:

- The purchase of live cattle for slaughter within a 100km radius of Dunbia’s slaughtering facility in Slane, Co. Meath;
- The purchase of live cattle for slaughter in the State;
- The sale of fresh beef meat to grocery retailers in the State;
- The sale of fresh beef meat to industrial processors in the State;
- The purchase of live lambs and live sheep for slaughter in the island of Ireland; and
- The sale of fresh lamb meat to grocery retailers in the State.

The CCPC found no evidence of coordinated behaviour in the potential market for the purchase of live cattle for slaughter in the State. No third party provided information to suggest the existence of any form of coordination of prices for the purchase of live cattle for slaughter



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between competing beef processors in the State. The CCPC's analysis concluded that the proposed transaction will not, in itself, make it more likely that Dawn Meats and its competitors will engage in coordinated behaviour in the potential market for the purchase of live cattle for slaughter in the State. The CCPC's econometric analysis of prices paid by slaughterhouses to farmers for live cattle showed two central findings: (1) there is a seasonal variation in the prices paid by slaughterhouses for live cattle in the State with prices typically peaking in July and falling in the autumn months; and (2) the prices paid by slaughterhouses for live cattle in the State did not decline over the period January 2011-September 2017. There is no consistent identifiable trend in the prices paid by slaughterhouses for live cattle in the State over this time period.

In the course of its analysis, the CCPC also assessed whether the proposed transaction will, post-transaction, give Dawn Meats the ability and incentive to lower the prices it pays to farmers for live cattle for slaughter (or otherwise harm competition) in the State. The CCPC found that post-transaction, the increase in Dawn Meat's market share will be relatively small, and will not result in Dawn Meats having the ability and incentive to unilaterally lower the prices it will pay to farmers for live cattle for slaughter in the State. Additionally, the CCPC found no evidence to suggest that Dawn Meats and Dunbia are each other's closest competitor in the purchase of live cattle for slaughter in the State. The CCPC found that, post-transaction, Dawn Meats will continue to face competition from three multi-abattoir beef processors (ABP Food Group, Kepak Group Unlimited Company and Liffey Meats Unlimited Company) and a number of single-abattoir beef processors (e.g., Kildare Chilling Company, Moyvalley Meats, Foyle Food Group, etc.) currently active in the State. The CCPC found that all of these competing beef processors have existing spare capacity for slaughtering live cattle and processing beef in their facilities. The CCPC also found that farmers have the ability to switch easily between slaughterhouses.

With respect to the other four potential markets examined by the CCPC (i.e., the sale of fresh beef meat to grocery retailers in the State; the sale of fresh beef meat to industrial processors in the State; the purchase of live lambs and live sheep for slaughter in the island of Ireland; and the sale of fresh lamb meat to grocery retailers in the State) the CCPC has concluded that the proposed transaction will not substantially lessen competition in any of these four potential markets. In each of these four potential markets, there is a negligible horizontal overlap between Dawn Meats and Dunbia and, post-transaction, Dawn Meats will continue to face competition from a number of competitors currently active in the State.

The part of the proposed transaction pertaining to the establishment by Dawn Holdings Limited and Mr. Jim Dobson of a joint venture company which will acquire the beef and lamb businesses in the UK was notified to the UK Competition and Markets Authority ("CMA") on 10 August 2017. Separately, the proposed transaction whereby ABP Food Group and Fane Valley Co-operative Society Limited would acquire joint control of the Linden Food Group was notified to the European Commission on 25 August 2017. Linden Food Group is a meat processor located in Northern Ireland. During the extended Phase 1 investigation, the CCPC discussed, with both the CMA and the European Commission, possible theories of consumer harm resulting from the



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proposed transactions for the purchase of live cattle and live lambs and sheep for slaughter in the State and the sale of fresh beef meat and lamb meat in the State. The outcome of both the CMA's and European Commission's investigations did not affect the conclusions of the CCPC.

The CCPC will publish the reasons for its determination on its website no later than 60 working days after the date of the determination and after allowing the parties the opportunity to request that confidential information be removed from the published version.

### **Additional Information**

Dawn Meats is involved in a range of activities in the beef and lamb procurement and processing sectors in the State, the UK and Europe. Dawn Meats is involved in animal slaughtering, meat processing, trading in non-processed commodity products and rendering. Dawn Meats currently markets its products under a variety of Irish brands, including *Black Angus*, *Red Hereford*, *Charolais Gold*, *Nature's Meadow*, *West Cork Beef*, *Dawn Chef* and *the Premium Butcher*. Dawn Meats operates five fresh meat production facilities in the State.

Dunbia purchases and slaughters live cattle at its slaughtering plant at Slane, Co. Meath. Dunbia also operates a processing plant in Kilbeggan, Co. Westmeath which processes beef into fresh beef cuts. In the UK, Dunbia operates seven beef and lamb processing facilities and supplies beef and lamb products to the retail sector in the UK and for export.