DETERMINATION OF MERGER NOTIFICATION M/21/031– GLENNON BROS /BALCAS

Section 21 of the Competition Act 2002

The proposed acquisition by Glennon Bros. UK Holdings Ltd of sole control of Balcas Limited.

Dated 11 October 2021

Introduction

1. On 23 June 2021, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the "Act"), the Competition and Consumer Protection Commission (the "Commission") received a notification of a proposed acquisition whereby Glennon Bros. UK Holdings Limited ("Glennon Brothers") would acquire sole control of Balcas Limited ("Balcas") which is a subsidiary of SHV Energy (LPG) Holdings BV (the "SHV Energy") (the "Proposed Transaction").

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a share purchase agreement dated 17 May 2021 between Glennon Brothers and SHV Energy (the "SPA"). Pursuant to the SPA Glennon Brothers will acquire the entire issued share capital, and therefore sole control, of Balcas.

The Undertakings Involved

The Acquirer – Glennon Brothers

3. Glennon Brothers is a wholly owned subsidiary of Glennon Bros. Holdings Limited, which is incorporated in Ireland. Glennon Brothers is incorporated in Scotland. Glennon Brothers is active in the Irish timber processing industry with two timber processing facilities in Longford

and Fermoy, Co. Cork. It also has two timber processing facilities in Humbie and Troon in Scotland. Glennon Brothers supplies sawn timber products into a number of market sectors, including: the construction sector; the pallet & packaging case manufacturing sector; the fencing & landscaping sector; the timber frame homes manufacturing sector, as well as the residue sectors for sawmill co-products.

4. Glennon Brothers also provides timber frame homes and engineered roof trusses, through two timber frame home manufacturing facilities in Ireland and Scotland: Dempsey Timber Engineering, Arklow, Co. Wicklow, Ireland; and Alexanders Timber Design Limited, Troon, Scotland. Glennon Brothers also provides forestry management services and advice to forest growers.

5. For the financial year ending 31 December 2019 Glennon Brothers' worldwide turnover was €[…], of which €[…] was generated in the State.

The Target - Balcas

6. Balcas is a wholly owned subsidiary of the SHV Energy. Balcas is incorporated in Northern Ireland and is based in Enniskillen, Co. Fermanagh. Balcas operates in both the State and the UK. Balcas is split into two primary units, Balcas Timber and Balcas Energy, producing sawn timber products, wood pellets and generating green electricity & heat.

7. At its Enniskillen site, Balcas has its sawmilling operations and produces sawn timber products for the fencing & landscaping, construction, agricultural, and pallet & packaging sectors. In addition to the sawmill operation, Balcas operates two renewable energy plants at Enniskillen and Invergordon, Scotland, which incorporate combined heat and power plants and wood pellet plants producing pellets for a variety of end markets.

8. For the financial year ending 31 December 2019 Balcas' worldwide turnover was €[…], of which €[…] was generated in the State.

The Vendor – SHV Energy

9. SHV Energy is a company incorporated in the Netherlands. It is a global distributor of off-grid energy such as liquefied petroleum gas and liquefied natural gas and is active in the area of biofuels and renewable energy solutions.

Rationale for the Proposed Transaction

10. The parties state in the notification:

"[…]".

Third Party Submissions

11. One third party submission was received by the Commission. The Commission assessed the competition concerns expressed by the third party as part of its review of the likely competitive impact of the Proposed Transaction.

Contacts between the Commission and the Undertakings Involved

12. On 30 July 2021, the Commission served Requirements for Further Information ("RFIs") on both Glennon Brothers and Balcas pursuant to section 20(2) of the Act. The service of these RFIs adjusted the deadline within which the Commission had to conclude its assessment of the Proposed Transaction in Phase 1.

13. The Commission received a full response to the RFI from Glennon Brothers on 3 September 2021, and a full response from Balcas on 6 September 2021. Upon receipt of a response to the RFI by Balcas on 6 September 2021, the "appropriate date" (as defined in Section 19(6)(b)(i) of the Act) became 6 September 2021.

Market Enquiries

14. During its review of the Proposed Transaction, the Commission circulated questionnaires to various third parties, including competitors and customers of Glennon Brothers and Balcas.

15. The Commission received a response from a number of the third parties to whom it sent a questionnaire. The majority of respondents did not raise any concerns about the Proposed Transaction, however a concern was raised that the merger would increase Glennon Brothers'

supply of sawlog in a market where demand currently was greater than supply[1]. This concern has been assessed by the Commission as part of its review of the likely competitive impact of the Proposed Transaction.

Cooperation with the CMA

16. The Proposed Transaction was also notified to the Competition and Markets Authority (the "CMA") in the UK. The initial period for consideration of the Proposed Transaction under section 34ZA(3) of the UK Enterprise Act 2002, as amended, commenced on 22 July 2021 and the CMA cleared the acquisition on 9 September 2021.

Industry Background

17. The Proposed Transaction concerns the timber processing industry. Glennon Brothers and Balcas convert roundwood/softwood, sourced from a variety of suppliers, into sawn timber products for the construction industry, the fencing and landscaping sector and the pallet and packaging manufacturing sector. The production of timber involves a lengthy production process, which is described briefly below.[2]

Afforestation

18. Native Irish hardwood trees can take over 100-150 years to mature. However, softwood species account for the vast majority of afforestation on the island of Ireland. Such species grow very quickly in this environment and have a life cycle of 35-40 years. Thus, the amount of wood available for harvesting over the coming years is determined by planning decisions taken over three decades ago.

19. An important aspect of the Irish processed timber market is the fact that Irish trees grow significantly more quickly than the EU average (about 2.5 times faster than trees in Scandinavia, where the majority of imports originate). […]. Any strength or quality threshold established by an Irish standard should easily be met and exceeded by imported timber.

[1] The supply chain for the supply of sawlog and sawn timber products is described in more detail below.
[2] For further background on the forestry sector, please see M/06/057 – Coillte / Weyerhaeuser, available at: https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m06057-coillte-weyerhaeuser/.

20. In order to maximise the output of forests, it is necessary to thin out forest plantations. Thinning is the cutting down and removal of a proportion of trees in a forest crop. It is carried out primarily to provide more growing space for the remaining trees, which maximises the output (expressed in volume of roundwood)[3] of the final crop when the forest reaches full maturity. Thinning also provides the farmer with an intermediate source of revenue before the final crop is harvested at the end of the rotation.

21. There are usually four thinnings during the lifetime of a crop. The first occurs at around 16-20 years and the subsequent thinnings take place every five years. The first thinning mostly produces pulpwood and is the most costly as the forest is usually very dense and a large number of trees need to be cut down and taken out of the forest. The trees arising from the second and third thinnings are used in the production of pallets as well as providing pulpwood and stakewood while the fourth thinning provides some sawlog.

22. Roundwood is raw barked timber, i.e., the final tree when harvested. It consists of four different categories of wood:

• Pulpwood, which is of smaller diameter than small sawlog, is supplied to the boardmill sector to be used in the manufacture of board products;

• Stakewood is pulpwood which is sufficiently straight and of sufficiently uniform diameter for use directly as agricultural fencing without significant further processing;

• Small sawlogs, which are smaller in diameter than large sawlog, are used in the sawmilling sector for fencing and pallets. The diameter of small sawlog is less than 20cm but greater than 14cm; and,

• Large sawlogs which are used by sawmills for the production of sawn timber for use in the construction industry. The diameter of large sawlog is greater than 20cm.

Forest Providers and Forest Management Service Providers

[3] See paragraph 22 for further description of roundwood.

23. The parties estimate that the overall supply of roundwood in the State is […] m^3, which includes sawlog, stakewood and pulpwood. The parties estimate the supply of softwood sawlog, the primary raw material for their sawmill operations, is approximately […] m^3 in the State.

24. There are several suppliers of roundwood in the State, including Coillte Cuideachta Ghníomhaíochta Ainmnithe ("Coillte") and private suppliers (including forestry management companies, forestry funds and private growers).

25. Coillte is Ireland's main forestry company, owned by the Irish Government with a land holding of some 1 million acres of productive forestry. Coillte owns 50% of the forests in the State. The remainder is privately owned. Coillte produces 70% of the timber sold in the State, as they have more mature trees than private forests. There is expected to be growth in the amount of timber produced on the island of Ireland in next 10-20 years. It is expected that the amount of timber will double in this time period, largely due to a government initiative to increase private growth of trees in the 1990s. However, there are currently issues in relation to the licensing and planting process, which are affecting the timber supply.

26. Coillte sells wood in the following ways:

    a) An annual allocation of 50% of its volume to the main sawmill customers (including Glennon Brothers and Balcas) based on past purchases. Coillte introduced indexed-priced contracts, for 50% of their sawlog supply, spread across all the main sawmills and based on their previous rolling purchased volumes from Coillte. According to the parties this allows all sawmills to have a minimum guaranteed supply available each year but also guarantees continued competition for Coillte material.

    b) A monthly auction of the balance of supply, with the highest bid winning the forest lot;[4]

    c) Direct sales to biomass, wood based panels and bedding customers; and

[4] The parties state in the notification that in the past sawmills from the UK have bid in the auction.

d) Local sales for certain products (focus on different species and cut lengths).

27. Coillte sold […] m^3 of sawlog in 2018. Of that volume […] % is through contracts up to [...] years. Coillte sold […] million m^3 of sawlog in 2019 and […] million m^3 in 2020.

28. Private suppliers of roundwood come to the market and sell based on the highest price offered. According to the parties some private suppliers will operate a tender process but most negotiate each plot. The parties provided statistics from the Council for Forest Research and Development ("COFORD"), which estimated that the private sector sold 897,000 m^3 in 2018[5], up from 545,000 m^3 in 2016. Going forward virtually all increase in supply on the island of Ireland will come from this supply. An increase of 2 million m^3 in log supply is forecasted by COFORD in 2025.

29. Logs are also imported into the State from the pest free zone of Scotland and from Northern Ireland each year[6]. […]. While incurring the extra cost of shipping, imported logs offer an alternative supply to sawmills. […][7].

Sawmill Sector

30. Sawmills produce sawn timber (processed timber used in construction, pallets, fencing and leisure products) and residues (woodchips, sawdust, bark) from sawlog. Glennon Brothers and Balcas supply sawn timber products in the State from their sawmills in the State, Northern Ireland, and Scotland. They supply material predominantly into the builders' and timber merchanting sector for use in construction, fencing and landscaping. Both parties also supply material to fencing specialists and pallet & packaging manufacturers, which according to the

[5] These are the most recent statistics published by COFORD relating to private supply.

[6] The spruce bark beetle is widespread across Europe. However it is absent from Ireland. Ireland has protected zone status against this pest. The importation of roundwood with bark from Great Britain to Ireland is permitted but only if it originates from the officially recognised Pest Free Area (PFA) in the south west of Scotland and is accompanied by an Official Statement to attest to its origin. For further information see https://assets.gov.ie/136864/6a39a3ce-3f1d-461b-bbd9-7dd9bf7da570.pdf

[7] The CCPC is aware that there are delays in issuing licensing in the State and that this is currently leading to increased imports of raw log. https://www.farmersjournal.ie/sawmill-forced-to-rely-on-imported-logs-due-licencing-backlog-632458

notification allows both parties to maximise the yield from the sawlog by utilising the outer cuts in addition to the centre cant (block).

31. […].[8]

Imports of wood products

32. The Indufor Study states that in recent years, the imports of sawn softwood products into the State have been increasing from a low of […] in 2013 to […] m3 in 2019.[9] The parties state in the notification that in 2019, the market was flooded with imported material when imports increased by […]% from 2018[10]. This was due to the market seeking to mitigate any perceived impact of a hard-Brexit at that time, plus a bark beetle infestation damaging thousands of hectares of forestry across Europe leading to the premature harvesting and excess processing of logs by sawmills in order to stay ahead of irreparable damage to the raw material. Imports are still described as low in the Indufor Study compared to a historical high of […] m3 in 2006.

Competitive Analysis

Horizontal Overlap

33. There is a horizontal overlap between Glennon Brothers' and Balcas's activities in the supply of sawn timber products.

Product Market Definition

Views of the parties

34. The parties state in the notification;
"The relevant market is sawn timber products in which both Glennon Brothers and Balcas operate in Ireland. Within [the] *Ireland sawn timber market there may be various segments*

[8] "Indufor, The Preparation of a Report on the Irish and UK Timber Industry – Draft Report, Enterprise Ireland, the Irish Timber Industry – Opportunities and Challenges, Enterprise Ireland Timber Sector Leadership Group" ("The Indufor Study") (15 December 2020), page 4.
[9] The Indufor Study, page 73.
[10] See also the following article https://www.farmersjournal.ie/brexit-bark-beetle-storms-and-drought-combine-to-lower-timber-prices-498184

which the [Commission] *may wish to consider in isolation as alternative frames of reference"* but that *"there is a significant degree of supply substitutability between the different products".*

35. In the notification, the parties proposed the following "frames of reference" for the purposes of the Proposed Transaction:

(i) The supply of sawn timber products in the State: The parties state in the notification that sawn timber is cut from logs into different shapes and sizes to produce sawn timber products. Common sawn timber products include timber beams and rectangular timber sections.

(ii) The supply of sawn timber products for the construction industry in the State: The parties state in the notification that rafters, joists, battens, and timber for studded partitions are the main sawn timber products for the construction industry. Depending on the market, construction timber can be either unseasoned or kiln dried, and/or stress graded and/or treated with a preservative. Construction timber in the State is predominantly kiln dried carcassing, with some unseasoned (air dried material).

(iii) The supply of sawn timber products for the fencing and landscaping industry in the State: The parties state in the notification that a wide variety of product components exist in this category. Most fencing products are pressure treated with a preservative. As well as guaranteeing a long service life to the timber, it also imparts a unique green or brown colour depending on the usage or customer requirement. The most popular types of fencing products are posts, rails, and fencing boards. Decking is used to create a wide variety of outdoor living spaces, including patios, pathways, garden steps, work and play areas. Landscape sleepers are used in the creation of flower and shrub 'beds', soil retainers and trail paths.

(iv) The supply of sawn timber products for the pallets and packaging industry in the State. The parties state in the notification that sawn timber in the form of pallet wood is used by the pallet and packaging case manufacturing industry for the manufacture of pallets and crates. It is the lowest value sawn timber product with much of the volume coming from increased 'recovery' from logs, taken from side boards as opposed to the centre cant. Pallet wood can be unseasoned or kiln dried and/or heat treated, and there is a wide variety of grades and quality, depending on the type of pallet required.

Views of the Commission

36. In its determination in M/06/057 – Coillte / Weyerhaeuser,[11] the Commission's predecessor the Competition Authority (the "Authority") conducted a competitive assessment relating to the forest services sector, the sawmill sector and the board mill sector. In that transaction, Weyerhaeuser had no upstream activities in the State but it was involved in the downstream market for the manufacture and supply of medium density fibreboard ("MDF") products. For the purpose of conducting its competitive assessment in that case, the Authority analysed the impact of the merger by reference to the following potential product markets: non-structural timber; pallets, fencing, garden and leisure; and wood residues.

37. The Commission agrees with the parties' assessment that the supply of sawn timber products in the State, the supply of sawn timber products for the fencing and landscaping industry, and the supply of sawn timber products for the pallets and packaging industry can be viewed as potential products markets and this is in keeping with the Commissions previous decisions[12].

38. The Commission considers that, for the purposes of its assessment of the Proposed Transaction, the definition of "*Sawn Timber products for the construction industry in Ireland*" may be too broad for the product market definition. The Commission's research and market enquiries indicate that "structural timber" is traditionally taken to mean higher grade structural timber (i.e. strength class C24 and above) within the construction industry.[13] The vast majority of home-grown Irish timber is […] (i.e., strength classes C14, C16 and C18 and

[11] https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m06057-coillte-weyerhaeuser/
[12] Ibid.
[13] Building design in Ireland must comply with the Eurocodes for structural design and timber for structural use must comply with the EN standard on timber grading or "strength grading". Strength grading is a means of assessing each piece of timber to a specific set of rules. The rules are developed by relating graded timber to strength properties based on laboratory testing. Therefore the higher the number the higher the strength/quality of timber.

with approximately 95% of Irish wood being strength class C16) and the vast majority of imported timber is higher grade structural timber (i.e., strength classes C24 and above). Therefore the Commission cannot rule out the possibility that the potential relevant product market is narrower than "*Sawn Timber products for the construction industry*", and can be narrowed to "structural timber products for the construction sector" and "non-structural timber products for the construction sector" to reflect the distinction between lower and higher grade structural timber. This reasoning was supported in responses from competitors and customers of the parties to the Commission's market enquiries, many of whom said that C24 timber was not a substitute for C16 timber, given the substantial price differential between them. Responses to the Commission's market enquiries indicated that C24 timber is generally only ever used in Irish construction where it is specifically requested by the architect or engineer.

39. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. For the purposes of the review of the Proposed Transaction, the Commission has looked at both the broad and narrow market by reference to the following;

(i) *the supply of all sawn timber products;*[14]

(ii) *the supply of structural timber products for the construction sector;*[15]

(iii) *the supply of non-structural timber products for the construction sector;*[16]

(iv) *the supply of sawn timber products for the fencing and landscaping industry;*

(v) *the supply of sawn timber products for the pallets and packaging industry.*

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[14] Sawn timber products– refers to the processed timber products from sawmills used in the construction, fencing, landscaping, pallets and packaging sectors;
[15] Structural timber products for the construction sector" – refers to the processed timber products used in the construction sector of strength class C24 and higher, as set out in the C strength classes of EN 338:2016;
[16] "Non-structural timber products for the construction sector" **–** refers to the processed timber products used in the construction sector of strength class C14, C16, and C18, as set out in the C strength classes of EN 338:2016;

Geographic Market Definition

Views of the Parties

40. The Parties state in the notification;

"Glennon Brothers and Balcas supply customer [sic] *throughout the Republic of Ireland as well as the North of Ireland from their sawmills. The homogenous nature of the products, their likely identical prices and the fact that transport costs do not act as a significant constraining factor on Irish sales by suppliers with increased distance, indicate that the relevant geographic market is not narrower than national and arguably is wider given the importation of these products from other parts of the EU (e.g. Scandinavia).*

Two of the largest merchant entities in the Republic of Ireland, […] and […] have either branches or members throughout the Island of Ireland as well as in Great Britain. Similarly, leading […].

In addition, customers in Ireland also purchase sawn timber products from other countries. The Irish sawn softwood market operates as a component of the globally traded commodity of sawn timber. Irish demand exceeds domestic sawmilling capacity and is reliant on imported material entering the market from leading nations including those in Scandinavia, Eastern Europe, Germany and UK. On an annual basis Ireland imports over […]% of its overall sawn timber consumption from overseas. In particular, there are substantial trade flows of sawn timber products from abroad into Ireland and Ireland-based customers purchase directly from foreign based sawmills including those with no permanent Ireland warehouse or depot operations, and particularly prevalent around Ireland entry ports. Vessels enter into the North of Ireland via Warrenpoint, and supplies are distributed across the Island of Ireland. Also, Sodra has a permanent base at the port of Wicklow and receives vessels directly from Sweden or Finland.

Therefore, the market is at least national, if not wider, in that the relevant products generally move freely and are distributed nationally and internationally. The Parties believe that the proper frame of analysis is national and that any regional variations within the Republic of Ireland are negligible."

Views of the Commission

41. In terms of the relevant geographic market, in M/06/057 – Coillte / Weyerhaeuser, the Commissions' predecessor the Competition Authority ("Authority") considered the potential relevant geographic market to be wider than the island of Ireland in the market for non-structural timber and the market for pallets, fencing, garden and leisure. The Commission notes that for many sales of sawn timber products the market **could** be wider than the State. However, for the purposes of its review of the Proposed Transaction, the Commission has analysed the competitive effects of the Proposed Transaction in the narrowest relevant geographic market, i.e., the State.

Competitive Analysis

The supply of all timber products

42. As shown in Table 1 below, Glennon Brothers estimates that the total volume of sawn timber products sold in the State is approximately 991,000 m^3.[17] Glennon Brothers estimates that, based on its sectoral knowledge, it currently holds a [10-20]% share in the supply of sawn timber products sold in the State while Balcas holds a [5-10]% share in the State. Thus, following implementation of the Proposed Transaction, Glennon Brothers would hold an estimated [10-20]% share in the supply of all sawn timber products sold in the State.

43. The Commission notes that Glennon Brothers and Balcas currently face a competitive constraint from three large domestic suppliers that have similar or greater shares in the supply of all timber products than Balcas, namely Murrays, ECC and GP Wood.[18] In addition, there

[17] Glennon Brothers state that this estimate is based on publicly available information on sawmilling capacity in Ireland and through a variety of publicly available sources such as Indufor study "Indufor, The Preparation of a Report on the Irish and UK Timber Industry – Draft Report, Enterprise Ireland, the Irish Timber Industry – Opportunities and Challenges, Enterprise Ireland Timber Sector Leadership Group, 15 December 2020, page 3; […].

[18] In the United Nations Economic Commission for Europe ("UNECE") Forestry & Timber Market Report for Ireland 2019, available at https://unece.org/DAM/timber/country-info/statements/ireland2019.pdf , large sawmills are described as those with an annual roundwood intake of over 400,000 m3 per annum. Medium sized sawmills have an annual roundwood use of 150,000 to 200,000 m3 per annum. The report describes Balcas, ECC Timber Products Limited ("ECC"), Glennon Brothers, GP Wood Limited ("GP Wood") and Murray Timber Group ("Murrays") as large sawmills, and Coolrain Sawmills Limited ("Coolrain Sawmills"), Laois

are a number of smaller sawmills operating in the State, such as Laois Sawmills, Coolrain Sawmills and Woodfab. There are a number of international suppliers (i.e. importers) that operate in the State, including Södra Wood (Ireland) Limited ("Sodra") (which has its own terminal in Wicklow for the importation of sawn timber from Sweden and Finland), followed by Metsä Wood[19] which sells its sawn timber through third parties in the State (namely Wood Concepts Limited ("Wood Concepts"), Forest Wood Agencies Limited ("Forest Wood Agencies") and RTD Crawford Limited ("RTD Crawford")). The Indufor Study submitted to the Commission by the parties indicates that […] % of all sawn timber in the State comes from imports. These competitors would continue to exert a competitive constraint on Glennon Brothers in the State, following the implementation of the Proposed Transaction.

Table 1: The market for the supply of sawn timber products in the State, 2020

Name	**Estimated Volumes of Sawn Timber Products Sold in the State**	**Share of Production and Supply[20]**
Glennon Brothers	[…]	[10-20]%
Balcas	[…]	[5-10]%
Sodra *(importer)*	[…]	[10-20]%
Murrays	[…]	[10-20]%
GP Wood	[…]	[5-10]%
ECC	[…]	[5-10]%
Laois Sawmills	[…]	[0-5]%
Coolrain Sawmills	[…]	[0-5]%
Woodfab	[…]	[0-5]%
Wood concepts *(importer)*	[…]	[5-10]%
Rest of imports*	[…]	[10-20]%
Rest of domestic market**	[…]	[5-10]%
TOTAL	**[…] m³**	**100%**
*The parties state in the notification that the biggest importers in the State, apart from Södra and Wood Concepts, are Forestwood Agencies, RTD Crawford, McMahon Builders Providers Limited, Haldane Fisher Limited ("Hardane Fisher"), and Murdock Builders Merchants Limited, and G & A Agnew Limited. Balcas is also counted as an importer into the State.		

Sawmills Limited ("Laois Sawmills") and Woodfab Timber Limited ("Woodfab") as medium sized sawmills in the State.

[19] Metsä Wood is part of Metsä Group, a Finnish co-operative comprising some 116,000 forest owners with 5.2 million hectares of forest land under its control (about 46% of all private forests in Finland).

[20] To the nearest whole number.

**The parties state in the notification that there are a number of smaller sawmills operating in the across the island of Ireland but which sell in the State, these are Drenagh Sawmills Limited, Rea Sawmills, JF Irvine Sawmills, Carryduff Sawmills, Michael Flaherty Sawmills, A Diamond & Sons (Timber) Limited, Clonmore Sawmills Limited and Gabriel Curran and Sons Sawmills Limited.

Source: Estimates provided to the Commission by Glennon Brothers

The supply of structural timber products for the construction sector

44. Glennon Bothers estimate that the total volume of C24 and higher grade timber sold in the State in 2020 is […] m^3, stating that 100% of this wood is imported, as domestic sawmills do not produce C24 grade or higher timber products. In response to the RFIs, both Glennon Brothers and Balcas confirmed that they did not manufacturer C24 timber or higher grades of timber. Therefore there is no horizontal overlap between the parties with respect to the supply of structural timber products for the construction sector.

The supply of non-structural timber products for the construction sector

45. As shown in Table 2 below Glennon Brothers estimates that the total volume of non-structural timber products for the construction sector sold in the State in 2020 is approximately […] m^3.[21] Glennon Brothers estimates that, based on its sectoral knowledge, in 2020 it held a [10-20]% share in the supply of non-structural timber products sold in the State while Balcas held an [5-10]% share. Thus, following implementation of the Proposed Transaction, Glennon Brothers would hold an estimated [20-30]% share in the supply of non-structural timber products sold in the State.

46. The Commission notes that Glennon Brothers and Balcas currently face a competitive constraint from two domestic suppliers that have similar or greater market shares than Balcas,

[21] Glennon Brothers state that this estimate is based on publicly available information on sawmilling capacity in the State and through a variety of publicly available sources such as Indufor study "Indufor, The Preparation of a Report on the Irish and UK Timber Industry – Draft Report, Enterprise Ireland, the Irish Timber Industry – Opportunities and Challenges, Enterprise Ireland Timber Sector Leadership Group, 15 December 2020, page 3; […].

namely Murrays and GP Wood.[22] Furthermore, the Commission notes that, based on estimates provided by Glennon Brothers, […]% of non-structural timber products are imported into the State.[23] Therefore, in addition to the domestic suppliers there are a number of international suppliers who operate in the State, including Sodra, Wood Concepts and Hardane Fisher, that would continue to exert a competitive constraint on Glennon Brothers in the State, following the implementation of the Proposed Transaction.

47. The parties' main customers in the State include […] The parties stated that these customers are highly price sensitive. Prices are negotiated monthly between suppliers and customers, which facilitates ease of substitution. […]. The Commission considers that these builders merchants are customers of the parties that are likely to continue to exert a certain degree of bargaining power against the parties following implementation of the Proposed Transaction.

48. On the basis of the information available to it, the Commission considers the Proposed Transaction is unlikely to raise any horizontal competition concerns in respect of the supply of non-structural timber products for the construction sector in the State.

Table 2: The supply of non-structural timber products for the construction sector in the State 2020

Name	Estimate Volumes Sold in the State	Share of Supply
Glennon Brothers	[…]	[10-20]%
Balcas	[…]	[5-10]%
Sodra	[…]	[10-20]%
Murrays	[…]	[10-20]%
Wood concepts	[…]	[5-10]%
GP Wood	[…]	[5-10]%

[22] In response to the RFI Glennon Brothers provided estimates of the shares of competitors in the supply of non-structural timber for the construction sector in the State based on a total potential market size of 541,000m^3. The Commission calculated estimated volume sizes based on these market shares.
[23] The Indufor Study as submitted to the Commission states that […] % of all sawn timber consumption in the State comes from imports. In response to the RFI Glennon Brothers estimated the breakdown of the market based on its experience and locally gathered information of a limited selection of the more prevalent competitors. Glennon stated in its response that Grades C14 – C18 are estimated in-line with the overall […]% share, allowing for the 100% bias on Grades C24 and higher, which come only from imported sources.

Hardane Fisher	[…]	[0-5]%
Rest of imports	[…]	[5-10]%
Rest of domestic market	[…]	[20-30]%
TOTAL	**[…] m^3**	**100%**

Source: Estimates provided to the Commission by Glennon Brothers

The supply of sawn timber products for the fencing and landscaping industry

49. Glennon Brothers estimates that the total volume of sawn timber products sold in the State in 2020 for the fencing and landscaping industry is approximately […] m3. As shown in Table 3 below, Glennon Brothers estimates that it sold approximately […]% m3 in the State in 2020, equivalent to [5-10]% of the total consumption for the State's fencing and landscaping industry. Balcas estimates that it sold approximately […] m3 to the fencing and landscaping industry in the State in 2020. This amounts to approximately [0-5]% of the total supply of fencing and landscaping timber in the State. Thus, following implementation of the Proposed Transaction, Glennon Brothers would hold an estimated [10-20]% share in the supply of fencing and landscaping timber products sold in the State.

50. The Commission notes that Glennon Brothers and Balcas currently face a competitive constraint from a number of domestic suppliers of timber products for the fencing and landscaping industry, including ECC, Flanagan Timber Limited ("Flanagan's") and Coolrain, and this will continue post-transaction. Furthermore, the Commission notes that, based on estimates provided by Glennon Brothers, […]% of sawn timber products for the fencing and landscaping industry are imported into the State. Therefore, importers such as Wood Concepts and Metsa will also continue to exert a competitive constraint on Glennon Brothers in the State following implementation of the Proposed Transaction.[24]

[24] In response to the RFI Glennon Brothers provided estimates of the shares of competitors in the supply of timber products for the fencing and landscaping industry in the State based on a total potential market size of […]. The Commission calculated estimated volume sizes based on these shares.

Table 3. The supply of sawn timber products for the fencing and landscaping industry in the State 2020

Name	Estimate Volumes Sold in the State	Share of Supply[25]
Glennon	[…]	[5-10]%
Balcas	[…]	[0-5]%
Wood concepts	[…]	[5-10]%
Metsa	[…]	[10-20]%
Flanagan’s	[…]	[10-20]%
ECC	[…]	[10-20]%
Coolrain Sawmills	[…]	[10-20]%
Rest of imports	[…]	[10-20]%
Rest of domestic market	[…]	[20-30]%
Total	**[…]m^3**	**100%**

Source: Estimates provided to the Commission by Glennon Brothers

51. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition in the supply of fencing and landscaping timber products in the State.

The supply of sawn timber products for the pallets and packaging industry

52. Glennon Brothers estimates that the total volume of sawn timber products sold in the State for the pallets and packaging industry in 2020 was approximately […] m3. As shown in Table 4 below, Glennon Brothers estimates that it sold approximately […]% m3 of sawn timber products to the pallets and packaging sector in the State in 2020, equivalent to [20-30]% of the total supply of pallets and packaging timber in the State. Balcas estimates that it sold approximately […] m3 of sawn timber products to the pallets and packaging industry in the State in 2020. This amounts to approximately [5-10]% of the total supply of sawn timber products for the pallets and packaging industry in the State. Thus, following implementation of the Proposed Transaction, Glennon Brothers would hold an estimated [20-30] % share in the supply of sawn timber products for the pallets and packaging industry sold in the State.

[25] To the nearest whole number.

53. The Commission notes that Glennon Brothers and Balcas currently face a competitive constraint from a number of domestic suppliers including Murrays, GP Wood and ECC and this will continue post-transaction. Furthermore, the Commission notes that, based on estimates provided by Glennon Brothers, […] % of sawn timber products for the pallets and packaging industry are imported into the State. Therefore, following implementation of the Proposed Transaction, importers such as Wood Concepts and Metsa will also continue to exert a competitive constraint on Glennon Brothers in the State.[26]

Table 4. The supply of sawn timber products for the pallets and packaging industry in the State 2020

Name	Estimate Volumes Sold in the State	Share of Supply
Glennon	[…]	[20-30]%
Balcas	[…]	[5-10]%
Murrays	[…]	[20-30]%
GP Wood	[…]	[10-20]%
ECC	[…]	[10-20]%
Laois Sawmill	[…]	[5-10]%
Coolrain Sawmills	[…]	[5-10]%
Rest of imports	[…]	[10-20]%
Total	**[…]**	**100%**

Source: Estimates provided to the Commission by Glennon Brothers

54. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the supply of pallets and packaging timber products sold in the State.

Purchase of Raw Materials

55. Commission also examined the potential impact of the Proposed Transaction on the price of sawlog sold in the State. According to a recent report by COFORD[27] (the "Report") there is

[26] In response to the RFI Glennon Brothers provided estimated of the market share of competitors in the pallet and packaging industry in the State based on a market size of […]. The Commission calculated estimated volume sizes based on these market shares.

[27] The Council for Forest Research and Development (COFORD), "Wood Supply and Demand on the Island of Ireland to 2025", available at:

greater demand for logs in the State than supply. The Report states that the supply-demand position shows a continued shortfall in supply of roundwood to the sawmilling sector. COFORD forecast that by 2025, supply and demand in this sector should largely be in balance. The parties estimate that the supply of sawlog, the primary raw material for their operations in the State is approximately 2 million m^3. The parties estimated that currently […]% of the sawlog sold in the State comes from Coillte, and the remainder comes from private suppliers in the State or is imported[28].

56. Coillte sold […] m^3 of sawlog in 2018. Of that volume, […] % is through contracts for up to 3 years. Coillte sold […] m^3 in 2019 and […]m^3 in 2020. Glennon Brothers purchased in its contract in 2018, […]m^3; in 2019 […] m^3; in 2020 […], and in 2021 […]m^3.[29] The total volume of Balcas' contract with Coillte is approximately […] m^3 (estimated) which means that, following implementation of the Proposed Transaction, the combined entity would account for purchases of approximately [10-20]% of the entire Coillte sawlog volume.

57. In the competitive auction system run by Coillte, Glennon Brothers purchased […] m^3 in 2018; […] m^3 in 2019, and […] m^3 in 2020. Balcas purchased […] m^3 in 2018 in the competitive auction system, […] m^3 in 2019, and […] m^3 in 2020. Overall, Glennon Brothers' sawmill intake in Ireland is […] m^3 and Balcas's intake in Ireland is approximately […] m^3 for 2020. This amounts approximately to [30-40]% of the total supply of sawlogs in Ireland.

58. The Commission considers that the Proposed Transaction is unlikely to have a significant impact on the prices of sawlog in the State for the following reasons;

(i) Coilte sets the Base Price and the monthly price index in its annual contracts. The price is the same for all sawmills.

(ii) In the competitive auction system the parties currently account for [10-20]% of purchases in the State; there is therefore a large volume of the auction market available to competitors.

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http://www.coford.ie/media/coford/content/publications/2018/3COFORDWoodSupplyandDemand121218.pdf

[28] Coillte estimates that it produces […]% of the timber sold in Ireland

[29] The parties state in the Notification that annual volumes are subject to some fluctuation +/- 10%

(iii) In the competitive auction lots are set against respective production locations (for Coillte and private auction) and while the sawlog may be competed for on a nationwide basis there is a natural benefit in minimised transport costs. Glennon Brothers and Balcas' respective operations are in opposite ends of the island of Ireland and as such the parties are not each other's closest competitor for auction lots[30]. Balcas buy more from the North of the State and from the Northern Ireland Forest Service, while Glennon Brothers buy more from the South of the State. Therefore, following implementation of the Proposed Transaction, there will not be a significant change in these purchasing patterns.

59. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the State.

Vertical Relationship

60. The parties informed the Commission that the Proposed Transaction does not give rise to any direct vertical relationships between Glennon Brothers and Balcas. The Commission has not identified any significant vertical relationship between the parties.

61. There is a potential vertical relationship, however, between Glennon Brothers and Balcas in that Glennon Brothers could potentially supply wood residue as feedstock to Balcas. Balcas through its energy business operates two renewable energy plants at Enniskillen, Co. Fermanagh and Ivergordon, Scotland, which incorporate combined heat and power plants and wood pellet plants producing pellets for a variety of end markets. Glennon Brothers does not produce and supply wood pellets. Glennon Brothers only supplies wood pellets manufacturers in Ireland with a small volume of wood residue as feedstock, which is an input for the production of wood pellets. Glennon Brothers does not supply wood residue as feedstock to Balcas. Glennon Brothers state in the notification that they had no plans to start supplying wood residue to Balcas given its current factory configuration in the State. It states that the cost of transporting Glennon Brothers sawmill residues from Fermoy to Balcas' plant in

[30] This was reported in the Commissions' market enquiries and also stated by the parties in the Notification.

Enniskillen (a distance of 200 miles) would be prohibitive, and that it already has a valuable, ready and proximate […] outlet for sawmill residues at […] where […].

62. In the State there is only one major pellet manufacturer, namely Laois Sawmills. The parties state in the notification that, similar to the Balcas business, Laois Sawmills obtains its supply of feedstock largely from its own sawmill, with only infills coming via third parties, such as Glennon Brothers (amongst others). Given the alternatives available to Laois Sawmills if Glennon Brothers restricted access to its wood residue the Commission does not believe input foreclosure concerns arise in this case.

63. In light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

64. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

65. No ancillary restraints were notified.

Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition, whereby Glennon Bros. UK Holdings Limited would acquire sole control of Balcas Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission