



## Determination of the Competition Authority

**Determination No. M/04/043 of the Competition Authority, dated 27 August 2004, under Section 21 of the Competition Act, 2002**

**Notification No. M/04/043 – The proposed acquisition by Associated British Foods plc of Burns Philp Netherlands European Holdings BV**

### Introduction

1. On 30 July 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Associated British Foods plc. (“ABF”) would acquire Burns Philp Netherlands European Holdings BV (“the Target”) (“the proposed acquisition”). The Target constitutes the entire global yeast manufacture and supply business of Burns Philp & Company Limited (“Burns Philp”). The proposed acquisition is global and has been notified to the relevant authorities in other jurisdictions.

### The Parties

2. ABF is an international food, food ingredients and retail group, headquartered in the UK. ABF has substantial presence in Europe, Australasia and North America and employs over 35,000 people. Several subsidiaries of ABF operate in the State in various business sectors, and the group’s total turnover in the State in its most recent financial year was about €[...].
3. Burns Philp, the parent company of the Target, is headquartered in Australia, and is a global manufacturer and supplier of yeast, food ingredients and branded food products. The Target is comprised of 42 manufacturing facilities in 23 countries. Burns Philp mainly operates in the State through the Target’s shareholding in Proofex Products Company (“Proofex”).

### Overlap

4. ABF and the Target each hold a [...] % share in Proofex, the only manufacturer of yeast in the State. Irish Sugar holds the remaining [...] % share. Post-acquisition, ABF and Irish Sugar would jointly own Proofex [...]. The parties submit that, irrespective of the final shareholding ratio, ABF & Irish Sugar would exercise joint control of Proofex, post-acquisition.

### Relevant Product Market

5. Yeast is the essential, non-substitutable microorganism that makes bread and other bakery products rise. “Cream yeast” and “compressed yeast” are together described as “fresh yeast”, which has a shelf life of 2-4 weeks and must be refrigerated. “Dry yeast” is more concentrated, has a shelf life of about two years, and does not require refrigeration, but otherwise it has the same basic characteristics as fresh yeast. Most yeast sold in the State is bakers’ yeast, which is an ingredient in bread and other bakery products. The Authority focused its investigation on fresh bakers’ yeast for three reasons: first, it is the product manufactured by Proofex; second, dry yeast is freely available from many international sources; and third, most modern industrial bakeries are purpose-built to utilise cream yeast, which is favoured for its quality and ease of use. Market enquiries indicate that for Irish commercial bakeries there is very limited demand-side substitutability between fresh and dry baker’s yeast, hence the supply of fresh baker’s yeast is the relevant



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product market for assessment of the proposed acquisition. It is not necessary to consider whether compressed and cream yeast should also be treated as separate product markets, though cream yeast is the product of choice for large commercial bakeries.

### Geographic Sector

6. The parties submit that the geographic scope of the relevant product market is likely to be Europe-wide. The Authority notes that cream yeast is imported into the State from overseas. However, given its bulk (i.e. mostly water) state, relatively short shelf life, and refrigeration requirements, fresh baker's yeast is generally produced in proximity to the location where it is used, whereas dry yeast is more easily traded internationally. This indicates that the geographic scope of the relevant product market is narrower than all of Europe. The exact extent of the geographic sector need not be defined.

### Analysis

7. Proofex holds an estimated [70-90]% share of the relevant product market, with one competitor, Lesaffre, holding the remaining [10-30]%. Although the relevant market in the State is highly concentrated, the proposed acquisition would merely reduce in the number of owners of Proofex from three to two, but it would not reduce the number of actual horizontal competitors. In addition, the parties submit, and market enquiries largely confirm, that the yeast industry is made up of a few major international manufacturers. Lesaffre exports fresh yeast into the State from an overseas plant, and another major manufacturer is planning to do likewise. Market enquiries also indicate that there is minimal concern amongst Irish customers as to the effects of the proposed acquisition.
8. A subsidiary of ABF, Allied Bakeries, operates a bakery in Belfast and supplies bread to major supermarket chains in the State. ABF estimates that Allied Bakeries holds about [0-5]% of the Irish bread industry. However, that state of vertical integration exists at present, and would not substantially increase as a result of the proposed acquisition.
9. It was submitted by a third party that, post-acquisition, ABF could bundle its products and offer very attractive discounts, which would have the result of foreclosing competitors from the relevant market. The Authority, having investigated this issue, concludes that although ABF's product portfolio would increase in range and size as a result of the proposed acquisition, there is nothing to indicate that any portfolio effects would arise, which could foreclose competitors from the relevant market or from any other market in the State.

### Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Associated British Foods plc. of Burns Philp Netherlands European Holdings BV will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

### For the Competition Authority



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