



DETERMINATION OF MERGER NOTIFICATION M/11/001 -

Greencore/Northern Foods

Section 21 of the Competition Act 2002

Proposed merger of Greencore Group plc and Northern Foods plc

Dated 23 March 2011

Introduction

1. On 7 January 2011, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority (the "Authority") received a notification of a proposed merger of Greencore Group plc ("Greencore") and Northern Foods plc ("Northern Foods") resulting in the creation of a new merged entity, Essenta Foods plc ("Essenta").
2. The proposed transaction involves the merger of the whole of both Greencore and Northern Foods. Greencore's shareholders and Northern Foods's shareholders will each, on a fully diluted basis, hold 50% of the share capital of Essenta.
3. On 2 February 2011, the Authority served two Requirements for Further Information on Greencore and Northern Foods pursuant to section 20(2) of the Act. This automatically suspended the procedure for the Authority's phase one assessment.
4. Upon receipt of the responses to the Requirements for Further Information, the "appropriate date" (as defined in section 19(6) of the Act) became the 28 February 2011.¹

The Undertakings Involved

Greencore

5. Greencore has two divisions: Convenience Foods and Ingredients & Related Property. In the United Kingdom, the Convenience Foods division supplies many of the major retailers across a range of products including "Food to Go" ("FtG") (i.e., sandwiches, meal salads, and sushi), chilled ready meals ("CRM")², chilled soups and sauces, ambient sauces and pickles, cakes and desserts, and Yorkshire puddings.
6. In the State, the Convenience Foods division is involved in the FtG and CRM sectors. All of Greencore's FtG and CRM products are manufactured in the United Kingdom. They are sold into the State either through a single distributor, Brennan Convenience Foods Limited t/a Food Partners, which re-sells to independent retailers or through retailers in the United Kingdom who distribute the products to their own outlets in the State.

¹ The "appropriate date" is the date from which the time limits for making both Phase 1 and Phase 2 determinations begin to run.

² Greencore is licensed to manufacture the *Weight Watchers* CRM brand.

7. Greencore's Ingredients & Related Property division comprises Trilby Trading, Premier Molasses and a small team focused on maximising the value of 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.
8. 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.
9. 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 €96 million.

Northern Foods

10. Northern Foods has two divisions: Chilled and Branded. The Chilled division manufactures own-label FtG and CRM products which it sells to some of the United Kingdom's largest retailers and, by extension, to those retailers' Irish stores. The product ranges sold in the State by Northern Foods reflect the selections made by retailers in the United Kingdom (e.g., [...] and [...]). No specific products are made by Northern Foods for the Irish retail market.
11. The Branded division manufactures frozen fish (*Donegal Catch*), pizzas (*Goodfellas*, *Green Isle*), pies (*Hollands and McDougalls*), biscuits (*Fox's*) and Christmas puddings (*Matthew Walker*). Since Greencore does not manufacture any of these products, there is no overlap between the parties in relation to them.
12. For the year ending 3 April 2010, Northern Foods' worldwide turnover was £977 million (€1,172 million)³. Northern Foods' turnover in the State for the same period was £110 million (€132 million).

Rationale for the Proposed Transaction

13. The parties state that the proposed merger will combine two highly complementary businesses (spread across a number of categories in both branded and non-branded segments) to create a business with a well-balanced product portfolio and a customer base which includes all major food retailers in the United Kingdom and Ireland. The parties state that the proposed merger will also offer the potential for growth in the United States on the back of Greencore's chilled prepared food business in the United States.
14. The parties state that the proposed merger will:
 - combine two complementary customer bases to create a substantial operator in two of the most attractive convenience food categories: FtG and CRM;
 - combine significant category positions in the United Kingdom in the manufacture of quiches, chilled pizzas, pies, chilled sauces

³ Based on average annual exchange rate of £1 sterling = €1.2 euro for 2010.

and soups, own-label cooking sauces, and selected cakes and desserts segments; and,

- create a product portfolio which includes strong brands in biscuits (*Fox's*), frozen pizza (*Goodfella's*), Irish frozen brands (*Donegal Catch* and *Green Isle*) and licences to manufacture brands including *Weight Watchers*.

Third Party Submissions

15. The Authority received one third party submission during the Phase 1 investigation from an individual located in Co. Cork. This individual raised a concern about health and safety issues. The Authority corresponded with this individual on 18 January 2011 stating that it does not have the power to consider health and safety issues in its assessment of the notified transaction.

Relevant Product Market

16. The activities of the parties overlap horizontally in the supply of FtG products⁴, CRM, and chilled sauces to retailers in the State. The parties submit in the notification that three product markets are affected by the proposed merger:
 - The sale of FtG products to retailers in the State;
 - The sale of CRM to retailers in the State; and,
 - The sale of chilled sauces to retailers in the State.

The Sale of FtG products in the State

Views of the Undertakings Involved

17. The parties state in the notification that sandwiches, meal salads, and sushi form a single product market. The parties state that all three products are designed to be consumed as complete lunchtime meals or as snacks. The parties state that all three products share the following characteristics:
 - They require no further cooking or preparation;
 - They are provided in a format which enables them to be taken away and consumed elsewhere than at the point of purchase; and,
 - They do not require the use of utensils (or where they do, utensils are provided).
18. The parties state that sandwiches, meal salads and sushi are typically sold together by retailers. Furthermore, the parties state that some retailers have one central FtG buying team who will procure FtG products from across a supplier's complete range.
19. Notwithstanding their views on the relevant product market, the parties also considered in the notification the impact of the proposed

⁴ As noted above, FtG products comprise sandwiches, meal salads, and sushi.

merger in each of the three FtG segments (i.e., sandwiches, meal salads, and sushi).

Manufactured Sandwiches

20. The parties state in the notification that they both produce a range of sandwiches for the FtG sector in the State, including: sandwich triangles, wraps, rolls, sub-rolls, flatbreads, filled baguettes and bagels. For convenience, 'sandwiches' is hereinafter used to refer to sandwich triangles, wraps, rolls, sub-rolls, flatbreads, filled baguettes and bagels.
21. The parties state that the FtG sandwiches segment comprises all sandwiches sold through the retail and food service channels (including sandwiches made in-store). In the State, the parties only overlap in the sale of manufactured sandwiches as distinct from sandwiches made in-store.
22. 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 that some consumers of manufactured sandwiches would be likely to switch to sandwiches prepared in-store if the retail price of the former were to rise as a result of an increase in the wholesale price charged by suppliers of manufactured sandwiches.
23. The Parties state that the narrowest possible product market definition is the supply of manufactured sandwiches in the State.

Views of the Competition Authority

24. The Authority acknowledges that, as the parties argue, from a demand-side perspective, manufactured sandwiches, meal salads, and manufactured sushi could be considered substitutable products by end consumers. All three products have the same functional characteristics – as noted by the parties, they are designed to be consumed as complete lunchtime meals or as snacks and they are typically sold together in the same part of the store by retailers.
25. Furthermore, internal documentation provided by the parties indicates that any discussion of manufactured sandwiches, meal salads, and manufactured sushi tends to be in the context of the FtG category as a whole. For example, in an internal document provided by Greencore entitled "Greencore Food to Go" dated April 2008, the following quote appears:

"Summary of Strategy – be the leading chilled food-to-go business by aggressively growing salads and sushi, and building market share in sandwiches."

26. Similarly, in an internal document provided by Northern Foods entitled "Essenta Foods" dated October 2010, the following quote appears:

"[...]"

27. On the other hand, an internal document provided by Greencore entitled "Food to Go 2010-2013 plan" (undated) contains a separate discussion entitled "key competitor considerations" for each of the following product categories: manufactured sandwiches, meal salads, and manufactured sushi. This suggests that Greencore perceives a sufficient difference between the three product categories to warrant a separate discussion of key competitors in each case.⁵
28. The Authority, however, does not need to come to a definitive view on the precise relevant product market because its conclusions concerning the competitive effects of the proposed merger, outlined below, will be unaffected whether the relevant product market is narrow (i.e., manufactured sandwiches) or broad, encompassing the entire FtG product category.
29. The Authority considers that within the FtG category, the narrowest possible product markets affected by the proposed merger are:
 - The supply of manufactured sandwiches to retailers;
 - The supply of meal salads to retailers; and,
 - The supply of manufactured sushi to retailers.
30. Each one of these product markets is considered in turn.

Manufactured Sandwiches

31. The Authority notes the parties' view that sandwiches made in-store should be considered, from the perspective of end consumers, to be interchangeable with manufactured pre-packed sandwiches. The views of retailers, however, suggest that this may not be the case.
32. The Authority designed a questionnaire to be answered by customers of the merging parties. The questionnaire consisted of questions about the respondent's experience of buying FtG products, CRM products, and chilled sauces and its views about the proposed merger.
33. The Authority sent the questionnaire to the merging parties' top five customers in the State (as listed in the notification).⁶ Six customers in total were contacted by the Authority. All six customers returned a completed questionnaire to the Authority.
34. The following question was posed to customers:

"If there was a permanent 5%-10% price rise across the entire [sandwiches] product category (and this price rise was fully passed onto end consumers), do you think that a significant number of customers would switch to equivalent products that are made on-site (e.g. by sandwich shops or cafes)."

⁵ It is noteworthy, however, that of the seven competitors listed by Greencore under the discussion of sandwiches, four (out of a total of five competitors) also appear in the discussion of meal salads.

⁶ [...]. [...] is also listed by Greencore as one of its top 5 customers in the State. Greencore, however, only supplies [...] with CRM products.

35. Five retailers indicated that they do not consider that a significant number of customers would switch to equivalent sandwich products that are made on-site in response to a permanent 5-10% price rise. Three retailers expressed the view that sandwiches from sandwich shops and cafes are typically much more expensive than manufactured sandwiches. One retailer stated:
- "No, there has been a lot of deflation in the prepacked sandwich category over the last two years. There is also significant price tiering in the market so a customer could trade down within the prepacked sandwich category if there was a price increase rather than switching to an equivalent product made on-site. Also, one of the key drivers of prepacked sandwiches is convenience. The location where a customer can buy the sandwich is typically more important than a small price differential".
36. Only one retailer expressed the view that a large proportion of customers would switch to equivalent sandwich products that are made on-site in response to a 10% price rise.
37. Although not conclusive, the views of retailers suggest that sandwiches made in-store may not be considered by end consumers to be interchangeable with manufactured pre-packed sandwiches.
38. The Authority, however, does not need to come to a definitive view on the precise relevant product market because its conclusions concerning the competitive effects of the proposed merger will be unaffected whether the relevant product market is narrow (i.e., manufactured sandwiches) or broad, encompassing manufactured sandwiches and sandwiches prepared in-store.
39. Since the parties only overlap in the supply of manufactured sandwiches, the Authority's analysis will therefore examine the competitive effects of the proposed merger in this product market. This is the narrowest product market in which the proposed merger is likely to raise a competition concern.

Meal Salads

Views of the Undertakings Involved

40. The parties state that salads are supplied in various forms, including leaf-based salads which require further preparation before consumption ("Bagged Salads"); salads which form a complete meal without any additional preparation ("Meal Salads"); and, coleslaw and potato salads ("Side Salads"). The parties overlap in the supply of meal salads.
41. The parties state that meal salads and side salads form part of the same product market on the basis that there is a degree of substitutability between them from both the demand and the supply side. The parties state, however, that since they only overlap in the supply of meal salads, they provide a competitive assessment only for the supply of meal salads in the notification.

Views of the Competition Authority

42. The Authority does not need to come to a definitive view on the precise relevant product market because its conclusions concerning the competitive effects of the proposed merger will be unaffected whether the relevant product market is narrow (i.e., meal salads) or broad, encompassing meal salads and side salads.
43. Since the parties only overlap in the supply of meal salads, the Authority's analysis will therefore examine the competitive effects of the proposed merger in this product market. This is the narrowest product market in which the proposed merger is likely to raise a competition concern.

Manufactured Sushi

Views of the Undertakings Involved

44. The parties state that Sushi is a Japanese dish consisting of cooked rice flavoured with vinegar which is commonly topped with other ingredients such as fish. The parties state that the supply of manufactured sushi should be considered separately from the supply of sushi that is prepared in-store. In the notification, the parties analyse the competitive effects of the proposed merger on the supply of manufactured sushi.

Views of the Competition Authority

45. The Authority agrees with the parties' view that the supply of manufactured sushi should be considered separately from the supply of sushi that is prepared in-store. The Authority's analysis will therefore examine the competitive effects of the proposed merger in the market for the supply of manufactured sushi. This is the narrowest product market in which the proposed merger is likely to raise a competition concern.

The Sale of CRM in the State

Views of the Undertakings Involved

46. The parties submit that CRM comprise complete meals which are already cooked and can be heated up to provide a complete meal. The parties submit that 'ready to cook' meals ("RCM")⁷ form part of the same product market as CRM for the following reasons:
 - A RCM product comprises all the necessary components of a meal, and there is no need to purchase a meal accompaniment;
 - All ingredients are pre-prepared;
 - typically, the various ingredients in a RCM product are cooked together in one dish and do not require separate cooking;
 - RCM products are substitutable for more traditional CRM products from the perspective of the end-consumer. RCM

⁷ The parties submit that RCM products consist of ingredients for a particular meal which are pre-prepared and sold as a package but must then be cooked by the consumer.

products are generally merchandised alongside CRM products and fulfil the same customer need – a quick and simple meal requiring limited preparation and no cooking expertise;

- From a supply perspective, the production process of CRM and RCM products is similar. Both types of products are made through an assembly process. The only difference is that RCM products include raw protein whilst CRM products use cooked protein as an ingredient. The parties submit that this does not differentiate the products since within the CRM category, products can contain very different ingredients; and,
 - Many manufacturers produce both CRM and RCM products (e.g., Greencore, Bakkavor, and Samworth Brothers).
47. The parties also submit that frozen ready meals and pre-prepared meat or fish products (e.g., breaded escalopes, chicken Kievs) could be considered part of the same market. The parties state, however, that as the proposed merger does not raise competition concerns in a narrow market consisting of CRM and RCM products, the parties have not included frozen ready meals and pre-prepared meat or fish products in their analysis of the competitive effects of the proposed merger in the notification.

Views of the Competition Authority

48. The parties overlap in the sale of CRM products in the State. Neither party manufactures or sells RCM products in the State. The Authority considers that from a demand-side perspective, CRM and RCM products are likely to be interchangeable. Both CRM and RCM products have the same functional characteristics – as noted by the parties, both provide a quick and simple meal requiring limited preparation and no cooking expertise. Furthermore, internal documentation provided by the parties provides no evidence to suggest that the merging parties perceive CRM and RCM products as occupying distinct product categories. Thus, it is likely that CRM and RCM products are part of the same product market.
49. For the purposes of assessing the proposed merger, however, the Authority does not need to reach a conclusion on the precise relevant product market since neither party is active in the sale of RCM products in the State. Any competition concerns in the State could therefore only relate to the parties combined share of the market for CRM products post-merger.
50. The focus of the Authority's analysis is therefore on the competitive effects of the proposed merger in the market for the sale of CRM products. This is the narrowest product market in which the proposed merger is likely to raise a competition concern.

The Sale of Chilled Sauces in the State

Views of the Undertakings Involved

51. The parties submit that the relevant market within which chilled sauces compete is a broader market encompassing ambient sauces but even on a narrow market definition of chilled sauces no competition issues arise.

Views of the Competition Authority

52. For the purposes of assessing the proposed merger, the Authority does not need to reach a conclusion on the precise relevant product market since neither party is active in the sale of ambient sauces in the State. Any competition concerns in the State could therefore only relate to the parties combined share of the market for chilled sauces post-merger
53. The focus of the Authority's analysis is therefore on the competitive effects of the proposed merger in the market for the sale of chilled sauces. This is the narrowest product market in which the proposed merger is likely to raise a competition concern.

Conclusion on the Relevant Product Market

54. For the purposes of examining the competitive effects of the proposed merger, the Authority will examine the following product markets:
 - The supply of manufactured sandwiches to retailers;
 - The supply of meal salads to retailers;
 - The supply of manufactured sushi to retailers;
 - The supply of CRM products to retailers; and,
 - The supply of chilled sauces to retailers.

Relevant Geographic Market

Views of the Undertakings Involved

55. For each of the five product markets listed above, the parties submit that the relevant geographic market is no narrower than the State.
56. The parties further submit that the geographic scope of each of the five product markets may extend to the United Kingdom as all products can be supplied to stores in the State within the requisite timeframe. The parties submit that [...], [...] and [...] in the State stock manufactured sandwiches, meal salads, and manufactured sushi that are produced by suppliers based in the United Kingdom, including Grencore and Northern Foods.
57. The parties submit that CRM and RCM products have a shelf life of between 7-35 days. The parties state that by a process known as "retorting", some CRM and RCM products such as curries and pastas have a shelf life of up to 35 days. The parties submit that [...] and [...] in the State stock CRM and RCM products that are manufactured by suppliers located in the United Kingdom. These suppliers include Grencore and Northern Foods.
58. For the purposes of the notification, however, the parties' view on the competitive effects of the proposed merger is based on a geographic market no [narrower] than the State.

Views of the Competition Authority

59. For the purposes of examining the competitive effects of the proposed merger in each of the five product markets, the Authority will confine its analysis to the State. The Authority, however, does not need to come to a definitive view on the precise relevant geographic market because its conclusions concerning the competitive effects of the proposed merger, outlined below, will be unaffected whether the relevant geographic market is national or wider than the State.

Conclusion on the Relevant Product and Geographic Market

60. In conclusion, for the purposes of examining the competitive effects of the proposed merger, the Authority will examine the following markets in the State:
- 1 - The supply of manufactured sandwiches to the retail sector;
 - 2 - The supply of meal salads to the retail sector;
 - 3 - The supply of CRM products to the retail sector
 - 4 - The supply of chilled sauces to the retail sector; and,
 - 5 - The supply of manufactured sushi to the retail sector.

Competitive Assessment

1 - The supply of Manufactured Sandwiches to the Retail Sector in the State

Views of the Undertakings Involved

61. The parties estimate that the manufactured sandwiches market had a retail value of approximately €90 million in the State in 2010. 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
Grencore	[10-20]	[...], [...], [...], [...]
Northern Foods	[0-10]	[...], [...]
Kerry Foods (Freshways)	[40-50]	[...], [...], [...], [...]
Samworth	[0-10]	[...]
Uniq	[0-10]	[...]
Bite	[10-20]	[...], [...], [...]
Buckingham Foods	[0-10]	[...]
Cuisine Express	[0-10]	[...]
Deli Lites	[0-10]	[...]
Bellini and Blake	[0-10]	[...]
Around Noon	[0-10]	[...]
Local Producers	[10-20]	[...]
Total	100	

Source: The Parties

62. 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 parties⁸;
 - 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.
63. The parties state that the merged entity will have a market share of [10-20]% by value, with its competitors accounting for the remaining [80-90]% of the total manufactured sandwich market in the State. The parties state that the proposed merger raises no competition concerns since there are a number of other suppliers present in the market in the State including Kerry Foods, Uniq, Samworth, Buckingham Foods, and Bite. The parties state that these suppliers will present a credible and significant competitive constraint on the merged entity.
64. The parties also state that large customers have the ability to switch supplier easily and quickly. The parties provide two examples of Irish retailers switching their sandwich supplier in the past two years.⁹ The parties also state that in late 2010 a small Irish company, In For Lunch, won a contract to supply Tesco Ireland's stores nationwide with manufactured sandwiches. In For Lunch had previously been supplying Tesco Ireland with manufactured sandwiches only in Cork City.

Views of the Competition Authority

65. The Authority considers that the proposed merger raises no competition concerns in the market for the supply of manufactured sandwiches to the retail sector in the State.
66. First, as Table 1 above indicates, Northern Foods' share of the sandwiches market in the State is small ([0-10]%). The change in market share following the proposed merger will therefore also be small. The merged entity's market share will still be much smaller than the leading supplier in the State, Kerry Foods. The merged entity will neither have the ability nor the incentive to permanently raise its manufactured sandwiches prices post-merger.

⁸ As shown in Table 1 above, [...].

⁹ Both retailers confirmed the veracity of this information with the Authority.

67. Second, all six retailers contacted by the Authority expressed no competition concerns in relation to the supply of manufactured sandwiches in the State. [...] indicated that they currently use three suppliers of manufactured sandwiches. [...] also expressed no competition concerns. Two retailers indicated that, in addition to Greencore, they also use Kerry Foods as a supplier of sandwiches.¹⁰ Finally, two retailers who use Greencore as a supplier stated that they consider Kerry Foods as a credible alternative supplier of manufactured sandwiches.

2 - The supply of Meal Salads to the Retail Sector in the State

Views of the Undertakings Involved

68. The parties estimate that the meal salads market had a retail value of approximately €17 million in the State in 2010. Table 2 below provides estimated market share data for the meal salads market in the State for 2010. It also details each manufacturer's key customers in the State.

Table 2: Percentage Market Shares (by Value) in the Sale of Meal Salads in the State, 2010

Manufacturer	2010 (%)	Key Customers
Greencore	[0-10]	[...], [...]
Northern Foods	[10-20]	[...]
Avondale	[35-45]	[...], [...], [...], [...], [...]
Nature's Best	[20-30]	[...], [...], [...], [...]
Kerry Foods (Freshways)	[20-30]	[...]
Total	100	

Source: The Parties

69. The parties state that the merged entity will have a market share of [10-20]% with its competitors accounting for the remaining [80-90]% of the total retail meal salads market. The parties state that there are a number of other suppliers present in the market in the State who will represent a credible and significant competitive constraint on the merged entity.
70. The parties also state that large customers have the ability to switch supplier easily and quickly. The parties state that Nature's Best recently won new business in Tesco Ireland, including some in meal salads.

Views of the Competition Authority

71. The Authority considers that the proposed merger raises no competition concerns in the market for the supply of meal salads to the retail sector in the State.
72. First, as Table 2 above indicates, Greencore has a very small share of the meal salads market in the State ([0-10]%). The change in market share following the proposed merger will therefore be minimal.

¹⁰ One of these retailers also uses Wonderfoods as a supplier of manufactured sandwiches.

73. Second, all six retailers contacted by the Authority expressed no competition concerns in relation to the supply of meal salads in the State. Two retailers indicated that they do not purchase supplies of meal salads from either of the merging parties. [...] indicated that they use five suppliers of meal salads. One retailer indicated that, in addition to Greencore, it also uses Nature's Best as a supplier of meal salads. Finally, one retailer who uses Greencore and Pallas Foods as suppliers of meal salads stated that it considers Wonderfoods as a credible alternative supplier.

3 - The supply of CRM products to the Retail Sector in the State

Views of the Undertakings Involved

74. The parties estimate that the total CRM/RCM market had a retail value of approximately €121 million in the State in 2010 with the RCM segment accounting for only €3.3 million. The parties state that the RCM segment is in decline in the State (it had a retail value of €8.4 million in 2008) and is now worth less than 3% of the total CRM/RCM market.
75. Table 3 below provides estimated market share data for the total CRM/RCM market in the State for 2010. The parties did not provide market share figures for the CRM market in the State. The parties state, however, that since the RCM segment is now worth less than 3% of the total CRM/RCM market, the merged entity's market share will increase from [10-15]% to [15-20]% in the narrower CRM market.

Table 3: Percentage Market Shares (by Value) in the Sale of CRM/RCM in the State, 2010

Manufacturer	2010 (%)	Key Customers
Greencore	[0-10]	[...], [...], [...], [...], [...]
Northern Foods	[0-10]	[...]
Bakkavor	[0-10]	
Premier	[0-10]	[...], [...]
Kerry Foods	[0-10]	[...], [...]
Coldwater Seafood	[0-10]	[...]
John Rannoch	[0-10]	[...]
Carrols Cuisine	[0-10]	
Cully & Sully	[0-10]	
Other Brands ¹¹	[10-20]	
Unidentified OL ¹²	[45-55]	
Total	100	

Source: The Parties

76. The parties state that the merged entity will have a market share of [10-20]% with its competitors accounting for the remaining [80-90]% of the retail CRM/RCM market. The parties state that there is a wide

¹¹ The parties informed the Authority that "Other brands" refers to other branded CRM suppliers such as Leitrim, Mash Direct, O'Kane, Eatwell, Weightwatchers and Quorn.

¹² The parties informed the Authority that "Unidentified OL" means unidentified own-label. The parties state that these are suppliers of own-label CRM to Tesco, Dunnes, Musgraves, and Superquinn. [...]. [...].

range of alternative suppliers of CRM/RCM products in the State. The parties state that these suppliers will present a credible and significant competitive constraint on the merged entity. The parties state that there is no overlap between the parties' key customers in the State. The parties state that large customers have the ability to switch supplier easily and quickly. Finally, the parties state that there are low barriers to entry and significant spare capacity in the market meaning that new or existing suppliers can easily and inexpensively enter or expand in the market.

Views of the Competition Authority

- 77. The Authority considers that the proposed merger raises no competition concerns in the market for the supply of CRM products to the retail sector in the State.
- 78. First, as noted above, the merged entity will only account for [10-20]% of the CRM market in the State. Furthermore, [...]. The CRM market is characterised by a lot of suppliers each with a moderate market share. The merged entity will have neither the ability nor the incentive to permanently raise its CRM prices post-merger.
- 79. Second, all six retailers contacted by the Authority expressed no competition concerns in relation to the supply of CRM products in the State. One retailer indicated that it has no concerns with the proposed merger since it only purchases supplies of the *Weight Watchers* brand from Greencore. A second retailer indicated that it only uses Northern Foods as its supplier of CRM products but that it has no concerns since there are many potential alternative suppliers available. A third retailer indicated that it does not consider the parties to be close competitors in the CRM market because while Greencore specialises in chilled products, Northern Foods' specialises in frozen products. A fourth retailer indicated that it does not have any concerns in this market because it has over a dozen suppliers. A fifth retailer indicated that it does not consider the parties to be close competitors in the CRM market because while Northern Foods' mainly supply pizzas, Greencore supply ready meals and pies. Finally, a sixth retailer indicated that there are many alternative Irish suppliers of CRM products in the State.

4 - The supply of Chilled Sauces to the Retail Sector in the State

Views of the Undertakings Involved

- 80. The parties estimate that the chilled sauces market had a retail value of approximately €1.8 million in the State in 2010. Table 4 below provides estimated market share data for the chilled sauces market in the State for 2010.

Table 4: Percentage Market Shares (by Value) in the Sale of chilled sauces in the State, 2010

Manufacturer	2010 (%)	Key Customers
Greencore	[0-10]	[...], [...], [...]
Northern Foods	[10-20]	[...]
Bakkavor	[25-35]	[...]
Pasta Reale	[30-40]	[...], [...]

Kerry Foods	[0-10]	[...]
Villa Vitalia	[0-10]	[...]
Unidentified Others	[15-25]	
Total	100	

Source: The Parties

81. The parties state that the merged entity will have a market share of [10-20]% with its competitors accounting for the remaining [80-90]% of the retail chilled sauces market. The parties state that the absence of customer overlap means that the proposed merger will have no immediate impact on the parties' customers. The parties state that the proposed merger raises no competition concerns since customers can easily switch their chilled sauce business from one supplier to another (including Bakkavor, Pasta Reale, and Villa Vitalia).

Views of the Competition Authority

82. The Authority considers that the proposed merger raises no competition concerns in the market for the supply of chilled sauces to the retail sector in the State.
83. First, as Table 4 above indicates, the merged entity will only account for [10-20]% of the chilled sauces market in the State, well behind the two leading suppliers, Pasta Reale and Bakkavor. Furthermore, [...]. The merged entity will have neither the ability nor the incentive to permanently raise its chilled sauces prices post-merger.
84. Second, all six retailers contacted by the Authority expressed no competition concerns in relation to the supply of chilled sauces in the State. One retailer indicated that it has no concerns with the proposed merger since it only purchases supplies of the *Weight Watchers* chilled sauces brand from Grencore. This retailer also stated that its sales of chilled sauces are very small. A second retailer indicated that it does not purchase chilled sauces from any supplier in the State other than Northern Foods. A third retailer indicated that, in addition to Grencore, it also currently uses Pasta Reale as a supplier of chilled sauces. A fourth retailer indicated that it does not sell chilled sauces. Finally, two retailers indicated that they have no concerns with the proposed merger since they do not purchase supplies of chilled sauces from either of the merging parties.¹³

5 - The supply of Manufactured Sushi to the Retail Sector in the State

Views of the Undertakings Involved

85. The parties state that sushi is a relatively new market in which there are no established long-term supply arrangements and in which a number of new entrants have developed a market presence in a short space of time. The parties estimate that the sushi market had a retail value of approximately €2 million in the State in 2010. Table 5 below provides estimated market share data for the sushi market in the State for 2010.

Table 5: Percentage Market Shares (by Value) in the Sale of Manufactured Sushi in the State, 2010

¹³ One of these two retailers stated that it only uses one supplier of chilled sauces: Bakkavor.

Manufacturer	2010 (%)	Key Customers
Grencore	[10-20]	[...], [...]
Northern Foods	[40-50]	[...]
Oishii Foods	[20-30]	[...], [...], [...]
Sushi King	[0-10]	[...], [...], [...]
Ichiban	[0-10]	[...]
Others	[0-10]	
Total	100	

Source: The Parties

86. The parties state that the merged entity will have a market share of approximately [55-65]% with its competitors accounting for the remaining [35-45]% of the sushi market. [...].
87. The parties state that large customers have the ability to switch supplier easily and quickly. The parties state that there are low barriers to entry and a number of new suppliers have recently entered the market in the State including Oishii Foods, Sushi King, and O'Sushi. The parties also state that Ichiban, which is the largest supplier of sushi in the United Kingdom and which is already present in the State, is well positioned to expand its presence in the State.

Views of the Competition Authority

88. The merged entity will account for over [55-65]% of the retail sushi market in the State. Notwithstanding this high market share post-merger, the Authority considers that the proposed merger raises no competition concerns in the manufactured sushi market in the State.
89. First, all six retailers contacted by the Authority expressed no competition concerns in relation to the supply of sushi in the State.
90. Until December 2010, Grencore had one major sushi customer in the State: [...]. [...]. [...]. Grencore also informed the Authority that as of December 2010, it no longer sells sushi to any customers in the State.¹⁴
91. [...]. [...]. [...]. [...].
92. Of the four other retailers contacted by the Authority, one retailer indicated that they no longer sell sushi due to very poor sales. A second retailer indicated that it purchases supplies of sushi from Oishii Foods and Sushi King. A third retailer indicated that it purchases supplies of sushi from Oishii Foods.¹⁵ Finally, a fourth retailer who uses Grencore as a supplier stated that it considers Oishii Foods to be a credible alternative supplier of sushi.
93. Second, information provided by Oishii Foods indicates that it is a credible alternative supplier of sushi in the State. [...].¹⁶ [...]. Oishii Foods expressed a concern about the proposed merger stating that

¹⁴ Grencore sold sushi to a small number of independent outlets including [...] and [...] in the State but these sales were discontinued in December 2010.

¹⁵ This retailer also listed Ichiban as a credible potential supplier.

¹⁶ [...].

Greencore and Northern Foods are currently close competitors and that the merged entity will enjoy greater economies of scale. Oishii Foods expressed the view that this will make it difficult for Oishii Foods to compete against the merged entity.

94. Notwithstanding the concerns expressed by Oishii Foods, the Authority considers that the merged entity will have neither the ability nor the incentive to permanently raise its sushi prices post-merger. The Authority considers that the willingness of retailers to use Oishii Foods as a supplier of manufactured sushi indicates that Oishii Foods will exert a sufficient competitive constraint on the merged entity to prevent any permanent price rise post-merger. [...].

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 merger of Greencore Group plc and Northern Foods 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

Gerald FitzGerald

Member of the Competition Authority

Director, Mergers Division