



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM041May18

In the matter between

VKB Agri Processors (Pty) Ltd

Primary Acquiring
Firm

And

VKB Flour Mills (Pty) Ltd

Primary Target
Firm

Panel	: Ms Mondo Mazwai (Presiding Member)
	: Mrs Medi Mokuena (Tribunal Member)
	: Prof Fiona Tregenna (Tribunal Member)
Heard on	: 13 June 2018
Order Issued on	: 13 June 2018
Reasons Issued on	: 10 July 2018

REASONS FOR DECISION

Approval

- [1] On 13 June 2018, the Competition Tribunal (“the Tribunal”) unconditionally approved the large merger between VKB Agri (Pty) Ltd (“VKB Agri”) and VKB Flour Mills (Pty) Ltd (“VKB Flour”).
- [2] The reasons for the approval follow.

Parties to the transaction and their activities

Primary acquiring firm

- [3] The primary acquiring firm is VKB Agri, currently the majority holder of VKB Flour.
- [4] VKB Agri is a wholly owned subsidiary of VKB Bellegings (Edms) Bpk (Pty) Ltd (“VKB Bellegings”). VKB Bellegings is a widely held company and is thus not controlled by any single shareholder. VKB Bellegings, VKB Agri and all of their subsidiaries in South Africa are further referred to as the “VKB Group”. The VKB Group has a diverse range of interests in the agricultural sector, ranging from maize milling to research and development of seed technology.

Primary target firm

- [5] The primary target firm is VKB Flour, a manufacturer of wheat flour, bread and other bakery products. VKB Flour is majority owned by VKB Agri with Louis Dreyfus Commodities Africa (Pty) Ltd (“LDCA”) as a minority shareholder.

Proposed transaction and rationale

- [6] In terms of the proposed transaction, VKB Agri intends to acquire the remaining interest in VKB Flour from LDCA, becoming the sole owner and controller.
- [7] LDCA wishes to dispose of its interest in VKB Flour as VKB Flour does not form part of its core business and LDCA does not lead the operations.

Relevant market and impact on competition

Horizontal assessment

- [8] The Competition Commission (“The Commission”) evaluated the effect of the proposed transaction on the market for the manufacture and supply of wheat flour and bread products. The transaction does not change the structure of the relevant market as VKB Agri already holds a controlling majority interest in the target firm. The transaction simply removes LDCA’s minority protection rights, conferring unfettered sole control of VKB Flour onto VKB Agri.

[9] Furthermore, the Commission is of the view that the proposed transaction is pro-competitive as it removes structural links between VKB Agri and LDCA who are competitors in the maize milling market.

[10] We accordingly agree with the Commission's analysis.

Public interest

[11] The merging parties submitted that the proposed transaction will have no negative impact on employment, as the target firms will continue to operate as is post-merger. The employee representatives of VKB Flour, the Food and Allied Workers Union, were contacted by the Commission regarding the transaction and did not raise any concerns.

[12] The proposed transaction further raised no other public interest concerns.

Conclusion

[13] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise out of the merger. Accordingly, we approve the proposed transaction unconditionally.



Ms Mondo Mazwai

10 July 2018

Date

Mrs Medi Mokuena and Prof Fiona Tregenna

Tribunal Researcher: Jonathan Thomson

For the merging parties: Daryl Dingley of Webber Wentzel

For the Commission: Tumiso Loate