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*Case No COMP/M.2886 -  
BUNGE / CEREOL*

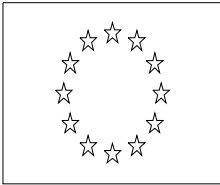
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REGULATION (EEC) No 4064/89  
MERGER PROCEDURE

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Article 6(1)(b) NON-OPPOSITION  
Date: 20/09/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20/09/2002

SG (2002) D/231685

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

**To the Notifying Parties**

Dear Madam/Sir,

**Subject:**        **Case No COMP/M.2886 – BUNGE / CEREOL**  
Notification of 19 August 2002 pursuant to Article 4 of Council Regulation No 4064/89<sup>1</sup>.

1. On 19 August 2002, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89<sup>2</sup> by which the US undertaking Bunge Limited (“Bunge”) acquires within the meaning of Article 3(1)(b) of the Council Regulation sole control of the French undertaking Cereol S.A. (“Cereol”), currently controlled by Edison S.p.A. (Italy), by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

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<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

<sup>2</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

## **I. THE PARTIES TO THE OPERATION**

3. Bunge is a US-based agribusiness and food company whose activities include grain and oilseed origination, trading, oilseed processing, edible oils and speciality food products.
4. Cereol is a France-based food company, whose activities include oilseed processing, specialty food ingredients and edible oils.

## **II. THE OPERATION**

5. Bunge will acquire sole control of Cereol, currently controlled by Edison S.p.A. (Italy), by way of purchase of shares. After the closing of the purchase of the Edison shares (55%), Bunge will purchase the remaining 45% of Cereol shares that are publicly held. Upon completion, Cereol will become a wholly-owned business division of Bunge. Therefore, the proposed operation constitutes a concentration within the meaning of Article 3 (1) (b) of the Merger Regulation.
6. The worldwide turnover of Bunge in the financial year 2001 was [ $>€5$  billion] and the worldwide turnover of Cereol for the year 2001 was [ $>€5$  billion]. As such, the combined worldwide turnover of the parties is well in excess of € 5,000 million. In addition, the two undertakings each have an EU turnover in excess of € 250 million: Bunge has an EU turnover of [ $>€250$  million] and Cereol an EU turnover of [ $>€250$  million]. Moreover, neither Bunge nor Cereol have more than two thirds of their EU turnover in one and the same Member State. The concentration therefore has a Community dimension pursuant to the Article 1(2) of the Merger Regulation.

## **III. COMPETITIVE ASSESSMENT**

### *1. Relevant Market Definition*

7. Oilseeds are oil-bearing crops such as maize, soy, sunflower and rape. The EEA imports around 50% of its oilseed requirements, mostly soybeans. Oilseeds are crushed to produce oilseed oil and oilseed meal. The latter is used primarily as an animal feed ingredient. Small amounts of oilseed meal are further processed into oilseed proteins such as lecithins which are used in the food processing industry (as emulsifiers, stabilisers and anti-oxidants) and in the chemical industry (cosmetics and paints).
8. Bunge is vertically integrated in the origination and trading of soybeans and in their subsequent processing. Bunge operates world-wide, but it has had so far limited productive assets in the EEA and supplies its European customers with soybeans and processed soybean products through imports from its operations in the US, Brazil and Argentina. Contrary to Bunge, Cereol has no trading activities, but is a leading European processor of oilseeds, including soybeans. For that reason, while Bunge has a relatively strong position upstream in the origination and trading of soybeans, Cereol is particularly strong in down-stream products like refined oils. Seeing the complementary nature of Bunge's and Cereol's businesses, the horizontal overlaps for parties' combined activities are limited to the supply of oilseed meal and oilseed lecithins in the EEA.

9. The Commission has analysed the oilseeds markets in previous Decisions<sup>3</sup>. With regard to the supply of oilseed meal, the market investigation has indicated that it is not appropriate to make a distinction between the different types of oilseed meal, as there is significant demand-side and supply-side substitutability, interdependent pricing and comparable nutritional value. In any event, with regard to oilseed meal, the precise market definition can be left open, as this would not affect the assessment of the notified concentration.
10. With regard to oilseed lecithins, the market investigation has indicated that the different types of oilseed lecithins are substitutable from both the supply- and demand side. The parties' submission that oilseed lecithins can be substituted from the demand-side by lecithins derived from egg yolks, cocoa butter and synthetic emulsifiers has not been fully confirmed by the market investigation as there are important price differences between oilseed lecithins and alternative lecithin sources. The investigation also indicated that customers are sensitive to whether genetically modified organism (GMO) ingredients were used. In any event, with regard to oilseed lecithins, the precise market definition can be left open, as this would not affect the assessment of the notified concentration.
11. For both oilseed meal and oilseed lecithins, the geographic market can be considered as EEA-wide and possibly larger. Indeed, 90% of Bunge's oilseed meal sales in the EEA and all of its oilseed lecithins sales in the EEA are imported from the America's. The precise scope of the geographical market for these products can in any event be left open as, regardless of how the geographic market is defined, this would not materially affect the assessment of the notified concentration.

## *2. Competition effects*

12. Given the complementarity of Bunge's and Cereol's operations, there are limited overlaps between the parties. The only possible affected markets are the supply of oilseed meal in the EEA and the supply of oilseed lecithins in the EEA. Nevertheless, the Commission also examined vertical considerations, and in particular foreclosure issues from the merged entity or from the three largest players in the upstream markets (Bunge, ADM and Cargill). The investigation showed that the operation did not raise competitive concerns.

### 2.1. Market Positions

13. Assessing the transaction on the basis of a market for soymeal in the EEA shows that the parties will have a combined share of sales of [20-30]% ([10-20]% + [10-20]%). Bunge does not supply oilseed meal derived from other oilseeds than soybeans in the EEA. Therefore, on the basis of a market comprising meal derived from all oilseeds, the new entity's combined market share would be lower (between [20-30]% and [20-30]%). Under both scenarios, defining the market as larger than the EEA reduces the merged entity's market shares. In any case, the combined firm will continue to face several strong, effective competitors such as ADM ([10-20]%), Cargill ([10-20]%), CEFETRA ([0-10]%), Soules ([0-10]%) and Dreyfus ([0-10]%). Customers have confirmed that they will continue to be able to source their needs from different sources and suppliers.

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<sup>3</sup> See inter alia Case No COMP/M.2271, Cargill/Agribands, COMP/M.1348, ADM/ATI and Case No IV/M.1126, Cargill/ Vandemoortele.

14. The merged entity will become the leading oilseed lecithins<sup>4</sup> supplier with a [30-40]% market share (Cereol [20-30]% + Bunge [0-10]%). However, it is not considered that this will give rise to competitive concerns. First, the parties already face strong competition in this market from Degussa ([10-20]%), ADM ([10-20]%) and Cargill ([0-10]%). Second, barriers to entry are limited, as is demonstrated by Cargill's recent entry in 2000 and its subsequent expansion in the market. A number of sizeable non-EEA lecithins suppliers, with considerable production capacity, are also potential entrants (equally so, all of Bunge's sales into the EEA are imported from its plants in South America). Finally, by processing the oil further oilseed oil producers could increase the production of lecithins with limited investments.

## 2.2. Vertical integration

15. The transaction does not reinforce Bunge's position upstream from processed soybean products (soybean origination and trading) in the EEA or on a worldwide level. Although Bunge will become the world's most important soybean processor, the transaction will not put it in a position where it would be able to foreclose its competitors as a result of leveraging its strong positions upstream of the markets concerned. The Commission found that many traders operate in the oilseeds commodity markets and can arbitrage between various sources of supply, so that customers would be able to find alternative supply from both other geographical regions outside the EEA and from alternative oilseeds in the EEA .

## 2.3. Possibility of creation or strengthening of collective dominance

16. Post merger, the EEA market will be characterised by three equally strong and vertically integrated soybean suppliers and processors (Cargill, ADM and Bunge/Cereol), who all import the soybeans and soymeal into the EEA where the soybeans are processed into value added products. This raises the question whether the present transaction could lead to the creation or strengthening of collective dominance.
17. However, the market investigation has not supported this risk. Although oilseeds and oilseed meal are commodity markets, contracting supplies is complex and price trends are driven by exogenous factors. Secondly, the markets concerned are not stable as both prices and market volumes fluctuate in response to a volatility of supply and demand. In fact, demand is overall growing at around [0-10]% annually and climatic uncertainties affect supply. Thirdly, the existence of alternative current or potential suppliers and a considerable degree of demand substitutability would effectively counter co-ordination attempts.

## **IV. CONCLUSION**

18. In light of the above, the Commission has concluded that the proposed transaction is not likely to create or strengthen a dominant position in the EEA as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

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<sup>4</sup> More than 95% of oilseed lecithins consumed in the EEA are soy lecithin.

19. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission

Mario MONTI  
Member of the Commission