

EN

***Case No COMP/M.7565 - DANISH CROWN/ TICAN***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

---

Article 6(1)(b) NON-OPPOSITION  
Date: 17/07/2015

***In electronic form on the EUR-Lex website under  
document number 32015M7565***



## EUROPEAN COMMISSION

Brussels, 17.7.2015  
C(2015) 5104 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

### **To the notifying party:**

Dear Sirs,

**Subject: Case M.7565 – Danish Crown/ Tican  
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic Area<sup>2</sup>**

- (1) On 3 June 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Leverandørselskabet Danish Crown Amba ('Danish Crown', Denmark) and Andelsselskabet Tican Amba ('Tican', Denmark) enter into a merger within the meaning of Article 3(1)(a) of the Merger Regulation ('the Transaction').<sup>3</sup> Danish Crown and Tican are designated hereinafter as the 'Parties'.

---

<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

<sup>2</sup> OJ L 1, 3.1.1994, p.3 ('the EEA Agreement').

<sup>3</sup> Publication in the Official Journal of the European Union No C 139, 11.06.2015, p. 10.

## 1. THE PARTIES

- (2) **Danish Crown** is the ultimate parent company of the Danish Crown Group, an international food company based in Denmark with activities across the globe. Danish Crown itself is a cooperative owned by its members, who supply raw materials (pigs, sows and cattle) to the cooperative. Danish Crown has 8 878 cooperative members (2013/2014) of which 5 691 are cattle producing members and 3 990 pig and sow producing members.<sup>4</sup>
- (3) **Tican** is the second largest (and only other) co-operative pig slaughterhouse in Denmark. Tican is vertically integrated through its subsidiaries in the slaughtering of pigs (Denmark) and meat processing (Denmark, Poland and the UK). Tican has sales worldwide. Tican has 277 members who supply pigs and sows to the slaughterhouse.
- (4) Neither Danish Crown nor Tican have any non-Danish cooperative members.

## 2. THE OPERATION AND THE CONCENTRATION

- (5) According to the terms of the merger agreement of 24 February 2015, Tican will be dissolved without liquidation by way of a transfer of all of its activities, assets and liabilities to Danish Crown. The member farmers of Tican will collectively join Danish Crown, thus becoming cooperative members of the latter.
- (6) The operation therefore constitutes a concentration pursuant to Article 3(1)(a) of the Merger Regulation.<sup>5</sup>

## 3. UNION DIMENSION

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Danish Crown: EUR 7 779 million, Tican: EUR 692 million).<sup>6</sup> Each of them has a Union-wide turnover in excess of EUR 250 million (Danish Crown: EUR [...], Tican: EUR [...]), but neither of the undertakings concerned achieves more than two-thirds of its aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

## 4. REFERRAL TO DENMARK

- (8) By a letter dated 22 June 2015 the Danish Competition and Consumer Authority ('DCCA'), on behalf of the Kingdom of Denmark, requested the Transaction to be partially referred to the competent DCCA with a view to assessing the effects of the Transaction in Denmark under Danish national competition law, pursuant to Article 9(2)(a) of the Merger Regulation.

---

<sup>4</sup> A member can have up to three memberships (cattle-, sow- and pig-membership).

<sup>5</sup> The Transaction will also lead to sole control by the merged entity of SPF-Danmark A/S and Svineslagteriernes Varemærkeselskab ApS, which are jointly controlled by Danish Crown and Tican at present. SPF-Danmark A/S is active in the trading and transport of live hogs, piglets, etc.; Svineslagteriernes Varemærkeselskab ApS holds trade mark registrations of the 'Danish' brand in the EU, Benelux, Denmark, France, Italy, Great Britain and Japan.

<sup>6</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

- (9) On the same date as this decision and in reply to that request, the Commission addressed to the Kingdom of Denmark a decision partially referring the case ('the Referral Decision').
- (10) Therefore, only the remainder of the Transaction, which primarily concerns Poland, Sweden and the UK<sup>7</sup>, will be assessed by the Commission in the present decision.
- (11) This decision is without prejudice to the outcome of the proceedings conducted by the DCCA in charge of the assessment of the effects of the Transaction on the relevant markets in Denmark.

## **5. ASSESSMENT**

### **5.1. The Parties' activities**

- (12) The Parties are both vertically integrated and active in several markets along the pig meat value chain and across a number of Member States.
- (13) In the past<sup>8</sup>, the Commission identified several relevant product markets along the pig value chain.<sup>9</sup> The product markets which give rise to affected markets<sup>10</sup> outside Denmark and as such are not covered by the Referral Decision are accordingly to be hereby assessed, notably:
- a. Sale of fresh pig meat for further processing;
  - b. Sale of processed products (which can be further split into various sub-segments).
- (14) Both Danish Crown and Tican sell pig meat to industrial processors all over Europe and use a considerable portion of their raw pig meat in their own processing plants.
- (15) Danish Crown has its largest fresh pig meat production capacity (i.e. slaughterhouses) in Denmark, but also produces fresh pig meat in Germany, Sweden, Poland and the United Kingdom through its local subsidiaries.<sup>11</sup> Within the EU,

---

<sup>7</sup> There is also an overlap between the Parties in Germany with regard to the sale of fresh pig meat for further processing, which however does not give rise to an affected market and hence will not be further discussed in this decision.

<sup>8</sup> For instance: M.1313 – *Danish Crown/Vestjyske Slagterier* and M.2662 – *Danish Crown/Steff Houlberg*.

<sup>9</sup> The main ones being: purchase of live pigs for slaughtering; sale of fresh pig meat for further processing; sale of fresh pig meat for direct human consumption; sale of processed products, animal by-products.

<sup>10</sup> In Sweden, the combined market share of the Parties in the market for sale of fresh pig meat for direct human consumption (overall, i.e. retail plus OOH) would be [20-30]%, but only with a minimal increment of [0-5]% (Tican). In the Swedish market for the sale of fresh pig meat for direct human consumption (Retail), the combined market share would be [30-40]%, with an increment of [0-5]%. These overlaps will not be further discussed in this decision.

<sup>11</sup> KLS Ugglarps AB, Sweden, Danish Crown Fleisch GmbH, Germany, Sokolow S.A, Poland and Tulip Ltd., UK.

Danish Crown has processing facilities in Denmark, the UK, Poland and in Sweden.<sup>12</sup>

- (16) Tican has its only fresh pig meat production facilities in Denmark. Tican sells fresh meat to industrial processors among others to the UK, Denmark, Germany, Sweden and Poland. Tican has processing facilities in Poland and the UK.<sup>13</sup>

## 5.2. Relevant product markets

### 5.2.1. Sale of fresh pig meat for further processing

- (17) Fresh pig meat comprises fresh, frozen and minced pig meat that has not undergone further processing, i.e. no other ingredients or spices have been added, nor has the meat been cooked, smoked or dried.
- (18) Fresh pig meat is either sold for fresh meat consumption or to processors. In the past, the Commission has considered the sale of fresh pig meat for further processing and the sale of fresh pig meat for direct human consumption as belonging to two separate product markets.<sup>14</sup> The Parties do not contest this market definition.
- (19) A majority of the respondents to the market investigation questionnaires confirmed<sup>15</sup> the Commission's earlier findings namely that the sale of fresh pig meat for further processing constitutes a separate product market from fresh pig meat for direct human consumption.<sup>16</sup>
- (20) For the purpose of this decision, the exact product market definition with regard to the sale of fresh pig meat for further processing can be ultimately left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any alternative product market definition.

### 5.2.2. Sale of processed meat products

- (21) The Commission defined<sup>17</sup> processed meat products as pork, beef or poultry meat containing external ingredients such as salt or spices, being raw, dried smoked or

---

<sup>12</sup> As regards processed meat, Danish Crown is active through its subsidiaries: Tulip Ltd. (UK), Tulip Food Company (Denmark), Sokolów (Poland) and PlumroseUSA (USA).

<sup>13</sup> Tican is active on these markets through its subsidiaries: Tican Foods that sells processed products to the Danish market ([...]), Direct Table Foods that produces bacon for the UK market, Pro-Pak Foods that produces chilled convenience products for the UK market and the Polish based ZM Nove that primarily produces sausages, cold cuts and sous vide products [...].

<sup>14</sup> See for instance M.1313 – *Danish Crown/Vestjyske Slagterier*, paragraph 49, M.2662 – *Danish Crown/Steff-Houlberg*, paragraph 53 and M.3401 – *Danish Crown/Flagship Foods*, paragraphs 8–9.

<sup>15</sup> See replies to Questions 5 and 6 of Q4 – Questionnaire to meat processors – UK.

<sup>16</sup> Although in earlier cases sub-segments such as ‘pig heads’ (M.3605 – *Sovion/HMG*) or ‘half-carcasses’ (by the German Bundeskartellamt in B2 - 36/11 - *Tönnies/Tummel*) within the market of sale of fresh pig meat for further processing have been considered, these distinctions are not relevant for the current case. Neither is a distinction between pigs and sows relevant, a segmentation which has been earlier considered for slaughtering activities by both the Commission (e.g. M.3337 – *Best Agrifund/Nordfleisch*) and the Bundeskartellamt (*Tönnies/Tummel*).

<sup>17</sup> M.1313 – *Danish Crown/Vestjyske Slagterier*, M.2662 – *Danish Crown/Steff-Houlberg*, M.3522 – *Danish Crown/HK/Sokolow*.

cooked. Processed meat products include a wide range of different products that differ in terms of the raw material used (i.e. pork, beef and poultry), ingredients used (spices, water content), heat treatment (smoked or boiled), portion, packaging and temperature.

- (22) The Commission considered in the past<sup>18</sup> that the processed variety of products sold in different Member States can be grouped in the following categories, while the precise market definition has however been left open:
- a. raw cured products;
  - b. processed meat for cold consumption (cold cuts or charcuterie);
  - c. canned meat;
  - d. cooked sausages;
  - e. pâtés and pies;
  - f. ready prepared dishes and components for such (convenience products).
- (23) Further sub-segmentations within these categories, such as raw sausages or bacon products was left open in the past.<sup>19</sup>
- (24) The Commission has also left open whether such product types should be further sub-divided according to the meat type (i.e. pig, beef, etc.) used as raw material.<sup>20</sup>
- (25) Moreover, the Commission has distinguished according to sales channel, i.e. retail and out-of home ('OOH', i.e. foodservice, HoReCa and catering).<sup>21</sup>
- (26) The Parties generally agree with the past Commission's practice. With reference to the cold cuts and the convenience products, the Parties argue against further segmenting them on the basis of the meat type.
- (27) A majority of the respondents to the market investigation questionnaires confirmed the Commission's earlier definition and sub-segmentation within processed meat products.<sup>22</sup>
- (28) The market investigation in the UK, in particular, indicated that it is important to distinguish processed products by meat type, albeit for some processed products more than for others. The distinction for meat type seems to be most relevant for bacon, raw cured products (including raw sausages and bacon) and cold cuts.<sup>23</sup>

---

<sup>18</sup> M.3337 – *Best Agrifund/Nordfleisch*, M.3401 – *Danish Crown/Flagship Foods*.

<sup>19</sup> M.3401 – *Danish Crown/Flagship Foods*.

<sup>20</sup> M.3401 – *Danish Crown/Flagship Foods*.

<sup>21</sup> M.3401 – *Danish Crown/Flagship Foods*.

<sup>22</sup> See replies to Questions 7–17 of Q4 – Questionnaire to meat processors – UK and Questions 5–15 of Q4 – Questionnaire to retailers – UK.

<sup>23</sup> See replies to Question 18 of Q4 – Questionnaire to meat processors – UK and Question 16 of Q4 – Questionnaire to retailers – UK.

- (29) A majority of UK respondents to the market investigation also confirmed that it is appropriate to identify pork bacon as a distinct market within raw cured products.<sup>24</sup> On the other hand, while acknowledging that there are some key distinguishing features of a so-called ‘premium segment’ for bacon, only half of UK respondents indicated that such distinct market might exist while the other half spoke out against such a distinct segment.<sup>25</sup> In case such a segment existed, it could be distinguished from ‘standard’ bacon through notably animal welfare (i.e. outdoor bread/free range) and the so-called dry-cure process.<sup>26</sup>
- (30) The market investigation also supported a distinction between the retail and OOH sales channels.<sup>27</sup>
- (31) For the purpose of this decision, the exact product market definition with regard to the sale of processed pig meat products can be ultimately left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any alternative product market definition.

### 5.3. Relevant geographic markets

#### 5.3.1. Sale of fresh pig meat for further processing

- (32) In past decisions the Commission found indications that the geographic market for the sale of fresh pig meat for further processing could be either national or most likely wider than national or EEA-wide, and in the most recent cases left the market definition open.<sup>28</sup>
- (33) The Parties submit the market is at least EEA-wide. The Parties argue that while import of fresh pig meat into the EEA is limited, there is also a considerable amount

---

<sup>24</sup> See replies to Question 9 of Q4 – Questionnaire to meat processors – UK, for instance, ‘*Bacon is such a significant UK market compared to any other raw cured products, that it should be considered separately*’ (Farmers Boy); ‘*It is absolutely important that bacon should be identified as a distinct market in the UK*’; (Becketts). See also replies to Question 7 of Q6 – Questionnaire to retailers – UK, e.g. ‘*We believe that in the UK bacon is seen as a traditional individual food item*’ (Marks & Spencer)

<sup>25</sup> See replies to Question 10 of Q4 – Questionnaire to meat processors – UK, e.g. ‘*[T]here should be no premium segment for bacon*’ (Pork Traders Oakwell). See also replies to Question 8 of Q6 – Questionnaire to retailers – UK.

<sup>26</sup> The replies to the market investigation also indicate that only UK bacon (meat of UK origin) and to some extent Dutch and Danish bacon (i.e. meat of Dutch or Danish origin) could be considered meeting the ‘premium requirements’, in particular the welfare standards. See replies to Question 10 of Q4 – Questionnaire to meat processors – UK and Question 8 of Q4 – Questionnaire to retailers – UK. It is also noted that, according to the Parties (observations submitted on 29 June 2015 on the request for partial referral), Danish Crown and Tican sometimes promoted in the past their products under the label ‘100% Dansk’. However, this brand is only rarely used today and no longer promoted in retail.

<sup>27</sup> See replies to Questions 11 and 19 of Q4 – Questionnaire to meat processors – UK, for instance: ‘*Retail and Foodservice are clearly two distinct markets*’ (Becketts), ‘*The base product is often very similar but the commercial approach is not always the same and the product ranging (weight, packaging format, etc.) is often different*’ (Karro).

<sup>28</sup> See, for instance M.1313 – *Danish Crown/Vestjyske Slagterier*, paragraph 95; M.2662 – *Danish Crown/Steff-Houlberg*, paragraph 21; M.3401 – *Danish Crown/Flagship Food,s* paragraph 10; M.3522 – *Danish Crown/HK/Sokolow*, paragraph 13; and M.3605 – *Sovion/HMG*, paragraph 74.

of export from the EEA to the rest of the world. Pig meat processors tend to procure raw material mainly from traders. Sourcing takes place from processing facilities located in various countries. According to the Parties, in spite of the regional nature of many processed pig meat recipes, these products are often produced with pig meat imported from other Member States.

- (34) Meat processors in the market investigation indicated that the origin of the meat has varying importance for the ultimate consumer when it comes to their processed products.<sup>29</sup> Moreover, meat processors procure fresh pig meat from various suppliers, both local and foreign ones.<sup>30</sup>
- (35) For the purpose of this decision, the exact geographic market definition with regard to the sale of fresh pig meat for further processing can be ultimately left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any alternative geographic market definition.

### 5.3.2. *Sale of processed pig meat products*

- (36) In past decisions, the Commission initially considered the geographic market to be wider than national, but decided later that due to suppliers' ability to price discriminate between different Member States a national geographic market delimitation was justified. However, it was not ruled out that there were some markets for individual product groups of processed meat that were geographically wider than others. The market was subsequently left open in a number of cases.<sup>31</sup>
- (37) The Parties submit that the products markets, regardless of product type and sales channel, are wider than national. This is because: 1) consumers are no longer focused on origin of meat and most processed products, both private label and branded, are therefore essentially imported from processing facilities located in countries where production costs are low and where it is possible to produce processed products at more competitive prices; 2) brands are relatively less important than what they were in the past; and 3) transportation costs are low.
- (38) Meat processors in the market investigation indicated that the origin of the meat is somewhat important for the ultimate consumer, with a varying degree depending on the final processed products. Origin seems to be more important in the retail than in the OOH segment.<sup>32</sup> Meat processors also indicated that they are exporting their processed meat products into several other EEA countries.<sup>33</sup>
- (39) For pork bacon specifically, the majority of respondents to the market investigation indicated that there are significant differences between the UK and other EEA

---

<sup>29</sup> See for instance replies to Questions 20–21 of Q4 – Questionnaire to meat processors – UK.

<sup>30</sup> See for instance replies to Question 27 of Q4 – Questionnaire to meat processors – UK; Question 4.1 of Q4 – Questionnaire to meat processors – Poland.

<sup>31</sup> See, for instance M.1313 – *Danish Crown/Vestjyske Slagterier*, paragraph 96; M.2662 – *Danish Crown/Steff-Houlberg* paragraph 37; M.3401 – *Danish Crown/Flagship Foods* paragraph 20; M.3522 – *Danish Crown/HK/Sokolow*, paragraph 20; and M.3605 – *Sovion/HcMG*, paragraph 90.

<sup>32</sup> See for instance replies to Questions 20–21 of Q4 – Questionnaire to meat processors – UK.

<sup>33</sup> See for instance replies to Question 4.1 of Q4 – Questionnaire to meat processors – Poland.



countries in terms of consumption habits and preferred national brands. There have been also indications for differences in terms of recipes.<sup>34</sup>

- (40) For the purpose of this decision, the exact geographic market definition with regard to the sale of processed pig meat products can be ultimately left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any alternative geographic market definition.

#### **5.4. Competitive Assessment**

- (41) The Transaction does not give rise to affected markets at EEA-level.
- (42) At national level, outside Denmark, the Transaction gives rise to horizontally affected markets in the UK and in Poland, in particular, to the following ones:
- a. in the UK:
    - i. Sale of fresh pig meat for further processing;
    - ii. Sale of pork bacon;
  - b. in Poland:
    - i. Sale of fresh pig meat for further processing.
- (43) Furthermore, there are vertically affected national markets in the UK and Sweden to which the Transaction gives rise:
- a. in the UK: Sale of fresh pig meat for further processing (upstream) / Sale of several processed products, among others pork bacon (downstream);
  - b. in Sweden: Sale of fresh pig meat for further processing (upstream) / Sale of several processed products (downstream).

##### *5.4.1. The UK – Horizontal assessment*

###### *5.4.1.1. Sale of fresh pig meat for further processing*

- (44) Both Danish Crown and Tican supply fresh pig meat for further processing in the UK. Their combined market share at national level amounts to [40-50]% (Danish Crown [30-40]%, Tican [0-5]%). Competitors include Vion ([5-10]%), Karro Food Group ([5-10]%) and Cranswick ([5-10]%).
- (45) The Parties submit that the increment is limited to [0-5]% and the majority of the sales the Parties perform in the UK are internal sales. The Parties argue that the Transaction would not alter competitive dynamics in the market.
- (46) No substantiated concerns have been raised by market participants. In particular, the market investigation confirmed that there are several current suppliers of fresh pig meat for further processing, including Vion, Tönnies, Eurofoods, Morphet, Cranswick, Karro and Dunbia.<sup>35</sup> Tican is not regarded as a major player on the UK

---

<sup>34</sup> See replies to Questions 23 of Q4 – Questionnaire to meat processors – UK and to Question 18 of Q6 – Questionnaire to retailers – UK.

<sup>35</sup> See replies to Questions 24 and 26 of Q4 – Questionnaire to meat processors – UK.

market for fresh pig meat for further processing.<sup>36</sup> Moreover, a majority of respondents to the market investigations confirmed that they would be willing and able to find alternative suppliers to the merged entity.<sup>37</sup>

- (47) The majority of meat processors confirmed that there will be sufficient competition post-Transaction to prevent the merged entity from raising prices<sup>38</sup> and that the Transaction will not have any significant impact on the market for the sale of fresh pig meat for further processing in the UK.<sup>39</sup>
- (48) In view of the above, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the sale of fresh pig meat for further processing in the UK.

#### 5.4.1.2. Sale of processed pig meat products – Pork bacon

- (49) The Transaction gives rise to affected markets in the UK in the sale of pork bacon. On this market, the Transaction would result in a combined market share of the Parties of [20-30]% (Danish Crown [10-20]%, Tican [10-20]%). Within pork bacon, the narrower segment of retail channel is also affected (combined market share of [20-30]%, Danish Crown [10-20]%, Tican [10-20]%).
- (50) Following the Transaction, Danish Crown and Tican would be the most important supplier of pork bacon in the UK. A number of competitors would however remain both in the overall pork bacon market as well as in the narrower retail segment.<sup>40</sup>
- (51) The Parties note that the merged entity will thus continue to face intense competition from local and European players and considerable countervailing buyer power from UK retailers. In addition, they claim that Danish Crown and Tican are predominantly private label producers (the production of private label bacon account for respectively [70-80]% and [80-90]% of their total supply to the UK retailers in 2014). In their opinion, this implies that other producers can easily substitute them.
- (52) No substantiated concerns were raised in the market investigations with regard to the sale of pork bacon.<sup>41</sup>

---

<sup>36</sup> See replies to Question 36 of Q4 – Questionnaire to meat processors – UK.

<sup>37</sup> See, for instance replies to Question 36 of Q4 – Questionnaire to meat processors – UK. Tönnies, Vion, Cooperl, Smithfield, Persoon, Lunenburg, Eurofoods were named as alternative suppliers of fresh pig meat for further processing.

<sup>38</sup> See replies to Question 33 of Q4 – Questionnaire to meat processors – UK.

<sup>39</sup> See replies to Question 61 of Q4 – Questionnaire to meat processors – UK.

<sup>40</sup> Forza: [5-10]% overall, [10-20]% in retail; Karro: [5-10]% overall, [5-10]% in retail; Farmers Boy: [0-5]% overall, [5-10]% in retail; Becketts: [5-10]% overall, not present in retail and Cranswick: [0-5]% overall, [0-5]% in retail.

<sup>41</sup> Concerns were voiced by one competitor in pork bacon with regard to the Parties' strong market position in premium pork bacon in the UK. In particular, according to the competitor, the Parties' combined market share with three major retailers in the UK (Tesco, ASDA and Sainsbury's) would be very high. The Commission notes that those mentioned retailers did not raise articulated concerns with regard to the Transaction. For instance: *'There will be sufficient competition to prevent the merged entity from raising prices in the UK in the retail segment of pork bacon should this merger go through.'* See email from Sainsbury dated 15 June 2015.

- (53) In particular, the Parties are not regarded as closest competitors for the sale of bacon in the UK; Cranswick (also for premium bacon) was named as the main competitor to the Parties, alongside with Karro.<sup>42</sup> In addition, Terbeke, Kerry Foods, Wood Head Brothers and Winterbotham Derby were listed as current suppliers of bacon.<sup>43</sup> All retailers who responded to the market investigation considered having a significant buyer power vis-à-vis suppliers of pork bacon in the retail segment.<sup>44</sup>
- (54) All retailers who have responded to the market investigation confirmed that there will be sufficient competition to prevent the merged entity from raising prices in the UK post-Transaction both for pork bacon and for the potential narrower segment of premium pork bacon.<sup>45</sup>
- (55) In view of the above, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the sale of bacon in the UK.

#### 5.4.2. *The UK – Vertical assessment*

- (56) A vertical relationship between the Parties exists in the UK insofar as Danish Crown and Tican sell fresh pig meat for further processing ([40-50]% combined market share, see paragraph (44) above) while they are active in the downstream market in processed pig meat products in the UK in several sub-segments. As set out above, the Parties' market share in the downstream market for the sale of bacon in retail is [20-30]%. All other market shares in the downstream markets for processed meat products remain well below [20-30]%.<sup>46</sup>
- (57) The Parties consider that post-Transaction they will have neither the ability nor the incentive to use their position on the upstream market for the sale of fresh pig meat to foreclose competitors of processed products.
- (58) According to the Parties, first, manufacturers of processed products in the UK are not dependent on Danish origin pig meat, regardless of the market definition. Second, considering the market share of the merged entity for the sale of fresh pig meat (in the UK or EEA-wide), UK processors will continue to have access to other suppliers, including vertically integrated companies. Third, the Parties' meat-processing activities in the UK are not sufficiently developed to justify pursuing a foreclosure strategy.
- (59) The Commission notes that given the modest combined market shares in the downstream markets, customer foreclosure strategies are not likely.

---

<sup>42</sup> See replies to Question 24 of Q6 – Questionnaire to retailers – UK.

<sup>43</sup> See replies to Question 23 of Q6 – Questionnaire to retailers – UK. See also email from Sainsbury dated 15 June 2015.

<sup>44</sup> See replies to Question 26 of Q6 – Questionnaire to retailers – UK.

<sup>45</sup> See replies to Question 31 of Q6 – Questionnaire to retailers – UK, e.g.: *'There are enough suppliers in the market to provide competition and keep prices competitive'* (Co-operative Group); *'[T]here will still be other large UK processors and independents as well as other EU sources to provide sufficient competition'* (Marks & Spencer)..

<sup>46</sup> With the exception of the sale of processed pork for cold consumption, where the Parties' combined market share is [20-30]%, with a minimal increment of [0-5]% from Tican.

- (60) No substantiated concerns were raised in the market investigations with regard to input foreclosure.<sup>47</sup> It is noted that several competitors were named as suppliers of fresh pig meat for further processing in the UK, see paragraph (46) above.
- (61) Moreover, the majority of meat processors in the UK confirmed that even if the merged entity reduced/stopped selling or increased selling prices for fresh pig meat for further processing to them, they would be able to find alternative suppliers for their pork bacon production both in the UK and in the EEA.<sup>48</sup> According to the majority of meat processors, the merged entity would not have the incentive to engage in an input foreclosure strategy.<sup>49</sup>
- (62) In view of the above, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the vertical relationships in the UK.

#### 5.4.3. *Poland – Horizontal assessment*

- (63) In Poland, the Parties' combined market share in the market for the sale fresh pig meat for further processing amounts to [20-30]% (Danish Crown: [20-30]%, Tican [0-5]%). Competition is fragmented and the biggest competitors include Pini Polonia ([5-10]%), Animex ([5-10]%) and PKM Duda ([0-5]%).
- (64) The Parties submit that the increment is limited to [0-5]%. The Parties argue that the Transaction would not alter competitive dynamics in the market.
- (65) No substantiated concerns have been raised by market participants. In particular, Pini Polonia, PKM Duda, Z.M. Skiba and Food Service were named as the closest competitors of the Parties for fresh pig meat for further processing.<sup>50</sup> No respondent to the market investigation stated that they would be unable to find alternative suppliers to the merged entity.<sup>51</sup> No responding Polish meat processor considered that the Transaction will have an impact on the market for the sale of fresh pig meat for further processing in Poland.<sup>52</sup>
- (66) In view of the above, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to fresh pig meat for further processing in Poland.

---

<sup>47</sup> One pork bacon competitor (Becketts) raised the issue of a potential input foreclosure. However, this competitor is currently not sourcing fresh pig meat for further processing from any of the Parties. Another meat processor (Oakwell) also voiced concerns with regard to the sale of fresh pig meat. This meat processor, however, does not compete in the downstream market of bacon with the Parties.

<sup>48</sup> See replies to Questions 56 and 57 of Q4 – Questionnaire to meat processors – UK.

<sup>49</sup> See replies to Question 58 of Q4 – Questionnaire to meat processors – UK.

<sup>50</sup> See replies to Question 7 of Q10 – Questionnaire to meat processors – Poland.

<sup>51</sup> See replies to Question 15 of Q10 – Questionnaire to meat processors – Poland.

<sup>52</sup> See replies to Question 18 of Q10 – Questionnaire to meat processors – Poland.

#### 5.4.4. Sweden – Vertical assessment

- (67) A vertical relationship between the Parties exists in Sweden. Danish Crown and Tican sell fresh pig meat for further processing<sup>53</sup> while they are active in the downstream market in processed pig meat products in Sweden (cooked pork sausages and processed pork for cold consumption), albeit with very low market shares and with a small increment.<sup>54</sup>
- (68) The Parties consider that post-Transaction they will have neither the ability nor the incentive to use their position on the upstream market for the sale of fresh pig meat to foreclose competitors of processed products.
- (69) The Commission notes first that Tican's share in the supply of those processed pig products in Sweden does not exceed [0-5]%. Moreover, the increment in market share in the upstream market is also minimal, being [0-5]%.<sup>55</sup>
- (70) The Commission notes that given the limited combined market shares in the downstream markets, customer foreclosure strategies are not likely.
- (71) No substantiated concerns were raised in the market investigations with regard to input foreclosure. It is noted in particular that several competitors were named as suppliers of fresh pig meat for further processing in Sweden.<sup>55</sup> HKScan and Skövde slakteri were named as the Parties' closest competitors.<sup>56</sup>
- (72) Moreover, no responding meat processor in Sweden rejected the statement that even if the merged entity reduced/stopped selling or increased selling prices for fresh pig meat for further processing to them, they would be able to find alternative suppliers for processed pig meat production both in Sweden and in the EEA.<sup>57</sup> None of the responding Swedish meat processors stated that it would be of risk being deprived of sufficient access to fresh pig meat for further processing in Sweden or in the EEA as a result of the Proposed Transaction.<sup>58</sup> According to the responding meat processors, the merged entity would not have the incentive to engage in an input foreclosure strategy.<sup>59</sup>
- (73) In view of the above, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the vertical relationships in Sweden.

---

<sup>53</sup> [30-40]% combined market share, with a minimal addition from Tican of [0-5]%. Due to this very limited increment brought about by Tican, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to fresh pig meat for further processing in Sweden.

<sup>54</sup> Cooked pork sausages: combined [0-5]% (Danish Crown [0-5]%, Tican [0-5]%); processed pork for cold consumption: combined [5-10]% (Danish Crown [5-10]%, Tican [0-5]%).

<sup>55</sup> See replies to Question 6 of Q9 – Questionnaire to meat processors – Sweden.

<sup>56</sup> See replies to Question 7 of Q9 – Questionnaire to meat processors – Sweden.

<sup>57</sup> See replies to Questions 13 and 14 of Q9 – Questionnaire to meat processors – Sweden.

<sup>58</sup> See replies to Question 12 of Q9 – Questionnaire to meat processors – Sweden.

<sup>59</sup> See replies to Question 15 of Q9 – Questionnaire to meat processors – Sweden.

## 6. CONCLUSION

- (74) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement with regard to the markets outside Denmark. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

*For the Commission*

*(Signed)*

*Margrethe VESTAGER*

*Member of the Commission*