

## **LINERGY/ULSTER FARM BY-PRODUCTS MERGER INQUIRY**

### **Summary of hearing with Deerpark Collections Limited on 8 September 2015**

#### **Collection of fallen stock**

1. Deerpark Collections stated that the majority of fallen stock in Northern Ireland was dealt with by either Linergy or Foyle. Envirocare was a smaller incineration operation, largely serving its local area. It believed that over 95% of fallen stock in Northern Ireland went to one of these three (roughly 50% to Linergy and 35% to Foyle). Hunt kennels in the Belfast area would take some animals, mainly just small calves. It said that Northern Ireland farmers did not have the option to use renderers in the Republic of Ireland to deal with their fallen stock due to regulatory restrictions.
2. The farmer was charged a fee by the renderer that covered both collection and disposal of fallen stock. Gate fees charged to farmers varied according to the type of animal and its age, but did not differ according to how far the farmer was from the renderer. Deerpark Collections said that there were no substantial price differences between the renderers at the moment, currently being no more than about £1 within each category.
3. Linergy allowed farmers to deliver fallen stock directly to it; where a farmer did this he/she received a discount on the gate fee (as then Linergy did not need to pay a collection charge to the collector).
4. Deerpark Collections stated that farmers generally chose which renderer to use based upon previous relationships. It thought that while farmers were well aware of different gate fees, as these were published annually by the National Fallen Stock Company, there would need to be a significant price difference of £5 or more for many farmers to consider switching renderers.
5. Collectors generally just worked for one renderer. They were paid by the renderer on an animal basis with a minimum call out charge. Deerpark Collections' current charges started at £15 going through to £40 depending on the category of the carcass. Where several carcasses of the same category were collected from the same farm, it was not further remunerated for the volume of the material. Payments did not vary by the location of the farm within the collectors' operating area.

6. Deerpark Collections had 'intermediate' premises – the building was approved by the Northern Ireland Department of Agriculture and Rural Development where it could store fallen stock for a maximum of two working days before delivering these carcasses to the renderer. This improved efficiencies as it allowed Deerpark Collections to have a full container for delivery to the renderer.
7. Deerpark Collections said that the direct delivery to Linergy of fallen stock by farmers was proving detrimental to its business. A saving on the gate fee of say £40, irrespective of the mileage from the farm to Linergy's plant, was significant to farmers. Self-delivery was expanding and therefore was placing collectors in a difficult position.

### **Closure of Ulster Farm By-Products Category 1 plant**

8. A short time before Ulster Farm By-Products (UFBP) was sold to SAPI SPA (SAPI), it dealt with two collectors, Deerpark Collections and another bigger collector. The other collector pulled out and Deerpark Collections then took up most of its work and was doing very well for those months. When SAPI purchased UFBP, it indicated to Deerpark Collections that this boom in business would continue. Deerpark Collections invested in additional equipment as a result of those discussions.
9. Deerpark Collections was then advised by UFBP of the fire on the Cat 1 line. UFBP advised that in the interim, Deerpark Collections would still deal with collections but it should deliver to either Linergy or Foyle. UFBP told it where to deliver the stock on a day-to-day basis.
10. After a month UFBP informed Deerpark Collections that it would be closing its Cat 1 line. UFBP gave the reasoning that its main focus was the quality of the tallow and meat and bone meal produce; it explained that fallen stock did not yield high-quality tallow or meat and bone meal and as a result it would stop its Cat 1 line. Deerpark Collections did not have any detailed knowledge about the condition of the Cat 1 plant at this time but it was aware that UFBP had ongoing environmental problems.
11. Upon the closure of UFBP Cat 1 plant, Deerpark Collections managed to secure a contract with Foyle. Most of the farmers who had previously dealt with it stayed with Deerpark Collections. However, it found that it was not then cost effective to serve some areas, particularly County Down, due to the distance from the Foyle plant, and so stopped collecting there. Therefore the closure made it worse off financially due to changes in its geographical operating area. Deerpark Collections had considered utilising renderers in the Republic of Ireland but this was impractical due to regulatory restrictions, and

it had not pursued rendering options for fallen stock in Great Britain because of the cost of transport, refrigerating material etc.

12. Deerpark Collections believed that the closure of the UFBP Cat 1 plant had had no other effects on the disposal of fallen stock in Northern Ireland. It advised that there had not been any obvious changes in prices to farmers so far, and the stock that would have previously been sent to UFBP was being handled by the other renderers.

### **Effects of the merger**

13. Deerpark Collections raised a concern over Linergy becoming a larger company should the merger be cleared. It stated that it was concerned that Linergy would then control a large section of the market; this could then result in Deerpark Collections and other collectors closing down.
14. Farmers had a statutory duty to dispose of fallen stock under European Union legislation. Deerpark Collections stated that as Linergy acquired a larger share of the market by way of the merger, Foyle might not be able to compete effectively. If Foyle closed, Linergy would be at liberty to increase prices significantly as it would have no competition.
15. [✂]