

Anticipated joint venture between ForFarmers N.V. and Boparan Private Office Limited

SUMMARY OF PHASE 1 DECISION

1. On 30 June 2022, ForFarmers N.V., via ForFarmers UK Holdings Limited, and Boparan Private Office Limited, via Amber REI Holdings Limited, entered into a series of agreements to establish a joint venture with the purpose of merging their respective businesses and operations in the production of animal nutrition products, namely ForFarmers UK Limited (**ForFarmers UK**) and 2 Agriculture Limited (**2Agriculture**) (the **Merger**).
2. The Competition and Markets Authority (**CMA**) found that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of (i) horizontal unilateral effects in the supply of meat poultry feed in a number of local areas in the UK; and (ii) as a result of vertical effects in the downstream supply of chicken in the UK, as the Merger could lead to foreclosure by the combined business of smaller poultry producers (including growers) in the same local areas. The Parties have until 30 December 2022 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).
3. One of the parties to the joint venture, the ForFarmers group, is a European manufacturer and supplier of animal feed based in the Netherlands, and listed on Euronext Amsterdam. It is active in the UK through its indirectly wholly owned subsidiary, ForFarmers UK. In this decision, **ForFarmers** refers to ForFarmers N.V. and its subsidiaries.
4. The other party to the joint venture is a group of companies operated by, and under the common ownership of, Ranjit Boparan and his family interests,

through Boparan Private Office Limited and Boparan Holdco Limited (collectively referred to, together with their subsidiaries, as **Boparan**).

5. Boparan oversees one of the UK's largest food businesses and manages a group of companies with activities covering (among others) food production and supply. A primary focus of Boparan's food business is the supply of poultry products, in particular chicken, and to a lesser extent turkey, in the UK.
6. Boparan, through 2Agriculture, is also active in the production and supply of conventional (ie non-organic) poultry feed. 2Agriculture is one of the UK's largest suppliers of poultry feed by volume produced and uses part of its production to supply a company affiliated with Boparan (Hook 2 Sisters Limited, **H2S**), and third-party growers.
7. ForFarmers and Boparan are together referred to as the **Parties**. For statements referring to the future, the businesses ForFarmers and Boparan are contributing towards the joint venture (generating combined UK sales exceeding £800 million per year) are together referred to as the **Merged Entity**. Post-Merger, ForFarmers will hold a 50.1% interest and Boparan a 49.9% interest in the Merged Entity.
8. In the UK, the Parties compete in the supply of conventional compound poultry feed (including both meat poultry feed and layer poultry feed, as defined below) in East Anglia, North Wales, the North of England and in the Scottish Borders.
9. The CMA has assessed the impact of the Merger on (i) the supply of conventional compound meat poultry feed (**meat poultry feed**); and (ii) the supply of conventional compound layer poultry feed (**layer poultry feed**). Meat poultry feed is primarily feed given to chickens raised for meat, and also includes feed given to ducks and turkeys raised for meat. Layer poultry feed is primarily given to egg-laying hens.
10. The CMA assessed how the Merger could affect competition in the local areas around the Parties' feed mills. In particular, the CMA considered competition in catchment areas of [70-80] miles around the Parties' 19 mills (reflecting where 80% of the Parties' customers are located on average around the Parties' mills). The CMA also considered how the Merger could affect competition on a national basis in UK.
11. The CMA determined that competition concerns would arise in any local area where the Parties would have a combined share of supply of 35% or more, with an increment brought about by the Merger of 5% or more. In determining this threshold, the CMA took into account a range of evidence and the specific circumstances of this case, including the limited spare capacity in the industry;

that both Parties are part of a limited set of national competitors, who present a stronger constraint than smaller local competitors; and the high proportion of customers that indicated concerns about the Merger. The CMA also took into account constraints from outside the local chicken feed markets, in particular from suppliers outside the relevant catchment areas, and from suppliers of pig feed who have some ability to switch to supplying chicken feed.

12. Applying the 35% threshold, the CMA believes that the Merger gives rise to competition concerns (ie a realistic prospect of an SLC) in the supply of meat poultry feed at a local level within the catchments centred on the Parties' Burston, Bury, Llay and Preston mills. These mills are located across East Anglia, North Wales, and the North of England. The CMA found that in each of these local areas, the Merged Entity would account for a significant proportion of meat poultry feed supplied to third parties (50-60% in the case of Burston, Bury and Llay and 40-50% in the case of Preston). The CMA is therefore concerned that the Merged Entity would not face sufficient competition after the Merger, which could lead to chicken growers paying more for their feed or getting feed of a lower quality or facing worse quality of service compared to the situation without the Merger.
13. The CMA is also concerned that in each of these four local areas, the Merged Entity could harm the competitiveness of downstream chicken producers (including growers) that compete with the Boparan chicken business (ie it could foreclose these competitors). For example, the Merged Entity could refuse to supply feed to Boparan's rival chicken suppliers or increase the price of the feed, or worsen the quality of the feed supplied to these customers. The CMA found that the Merged Entity would have the ability to take steps to harm competing chicken growers because the Merged Entity will supply a large proportion of chicken feed in these local areas, competing feed suppliers in those areas have limited capacity (and therefore limited ability to increase their supply to downstream chicken growers and processors), and chicken feed is an important input for downstream chicken growers. The CMA also found that the Merged Entity would have the incentive to harm competing chicken producers (including growers), taking into account a range of evidence, including the minimal losses that such a strategy would entail for the Merged Entity in the supply of chicken feed, and Boparan being well-placed to capture any downstream business that competing chicken growers and processors might lose as a result of this strategy.
14. Furthermore, the CMA concluded that such a strategy to harm the competitiveness of competing chicken growers could result in substantial harm to overall competition downstream in the supply of chicken in the UK. While large chicken suppliers that have their own in-house supply of meat poultry feed are unlikely to be harmed, the CMA is concerned that the foreclosure

strategy could substantially harm smaller chicken producers (including growers) that do not have their own in-house supply of feed. A foreclosure strategy could also make it more difficult for new suppliers of chicken to enter the UK market as they would likely find it more difficult to find suitable and affordable sources of feed. The CMA notes that the supply of chicken in the UK is already a concentrated sector and foreclosure of these smaller, non-integrated chicken growers and processors (or increased barriers to entry) could lead to further concentration in the supply of chicken.

15. The CMA therefore believes that the Merger gives rise to a realistic prospect of an SLC as a result of vertical effects in the downstream supply of chicken in the UK arising from the foreclosure by the Merged Entity of poultry meat producers (including growers) competing with Boparan at a local level, within the catchments identified in paragraph 12.
16. The CMA also investigated potential vertical effects arising from the foreclosure by the Merged Entity of rival meat poultry feed suppliers, and in particular AB Agri. This is because AB Agri currently supplies meat poultry feed to Boparan (through one of its affiliated companies). However, the CMA believes that the available evidence taken in the round indicates that the Merged Entity will not have the ability to foreclose rival meat poultry feed suppliers at a local level, and in particular AB Agri.
17. The CMA is therefore considering whether to accept undertakings under section 73 of the Act.