

Completed Acquisition by Eville & Jones (Group) Limited of Vorenta Ltd

ME/2023/22

Summary of the Competition and Market Authority's decision on reference under section 22(1) of the Enterprise Act 2002 given on 6 March 2023.

SUMMARY

Overview of the CMA's decision

1. The Competition and Markets Authority (**CMA**) conducted a Phase 1 investigation into the completed acquisition by Eville & Jones (Group) Limited (**E&J**) of Vorenta Ltd, including its subsidiaries Hall Mark Meat Hygiene Limited (**HallMark**) and Meat and Livestock Commercial Services Ltd (**MLCSL**) (the **Merger**). Vorenta Ltd and its subsidiaries are together referred to as **Vorenta**; E&J and Vorenta are together referred to as the **Parties**; and for statements referring to the future (if the Merger was to proceed), E&J and Vorenta are referred to as the **Merged Entity**.
2. After examining a range of evidence, the CMA believes the Merger meets the threshold for reference to an in-depth Phase 2 investigation, giving rise to a realistic prospect of a substantial lessening of competition (**SLC**) in relation to certain veterinary public health (**VPH**) services provided by the Parties.

Veterinary public health services

3. E&J and Vorenta are active in the VPH industry in the UK. VPH services play an important role in the food supply chain in the UK. VPH includes services such as the provision of specialist veterinarians and non-veterinary personnel at slaughterhouses and other meat production facilities to ensure compliance with food safety and animal welfare standards, the provision of specialist veterinarians at border control points to ensure animal products coming into the UK meet UK standards, and the provision of specialist veterinarians and non-veterinary personnel to carry out inspections on farms and other food production establishments, for instance to assess compliance with requirements for the payment of funds to farmers, traders and landowners under a number of funding schemes available in the UK. The Parties therefore provide services that ensure UK

consumers have access to food products that are safe for consumption and UK exporters are able to sell the animal products they produce.

How did the CMA investigate the Merger?

4. To assess the effects of the Merger on competition, the CMA has gathered information and documents from a variety of sources, including the Parties and other market participants. Based on this evidence, the CMA has assessed the effects of the Merger in relation to:
 - (a) Theory of harm (**TOH**) 1.A: the outsourced supply of document and physical checks of animals, carcase and offal to ensure compliance with hygiene, food and feed law and rules on animal health and welfare in meat production establishments (**Meat Official Controls**) to the Food Standards Authority (**FSA**) in England and Wales, including the supply of official veterinarians (**OVs**) and non-veterinary staff (referred to as Meat Hygiene Inspectors (**MHIs**)) to undertake such controls;
 - (b) TOH 2: the supply of export health certificates (**EHCs**) in relation to products of animal origin (**POAO**) being exported from Great Britain;
 - (c) TOH 3: the outsourced supply of OVs to undertake inspections over POAO being imported into the UK from certain third countries (**Border Inspections**) at border control posts (**BCPs**) in England; and
 - (d) TOH 4: the outsourced supply of OVs and non-veterinary personnel (together referred to as **Inspectors**) to undertake a range of inspection services in England on behalf of the Rural Payments Agency (**RPA**).
5. In addition to its assessment on the above areas, the CMA has also considered the effects of the Merger in relation to the outsourced supply of OVs and MHIs to undertake Meat Official Controls on behalf of Food Standards Scotland (**FSS**) in Scotland (TOH 1.B). The CMA found FSS insources most of its OV and MHI requirements and has no plans to outsource the large share of its requirements in the foreseeable future. For the small share of its requirements that it will put to tender, there will remain sufficient competition from other suppliers who are able to supply more limited amounts of OVs and MHIs to FSS. The CMA therefore considers the Merger does not give rise to a realistic prospect of an SLC in relation to TOH 1.B.
6. The CMA has summarised the reasons for its competition concerns below.

What could be the impact of the Merger?

Outsourced supply of Meat Official Controls in England and Wales

7. Meat Official Controls involves the supply of OV's and MHIs to slaughterhouses and other meat production facilities to ensure they are complying with food safety and animal welfare standards. Slaughterhouses cannot operate without an OV and meat produced at meat production facilities shall be inspected by MHIs. Contracts to supply OV's and MHIs in England and Wales are awarded through tenders run by the FSA.
8. In the last FSA tender, in 2019, E&J was awarded all six contracts to provide OV's and MHIs covering all of England and Wales. Vorenta has historically provided OV's and MHIs to the FSA and other competent authorities, and the CMA has found that it was a close competitor to E&J in the 2019 tender. The CMA found that, absent the Merger, Vorenta would likely be a significant competitor in the next FSA tender (which is expected to take place in 2024/25). The CMA also found that there are very few other suppliers who would be likely to bid in that tender, and that no other supplier has the same level of experience or capabilities as E&J or Vorenta.
9. While at a late stage in the CMA's investigation, the Parties submitted arguments suggesting that Vorenta might not, or might not be able to, compete in the next FSA tender, the CMA has found that the evidence overall indicates that Vorenta would likely have the capability to be a significant competitor in the next FSA tender. In particular, E&J's internal documents show that it considered Vorenta might bid in the next tender, and earlier submissions from Vorenta to the CMA also stated that Vorenta would consider bidding in the next tender.
10. As a result, the CMA found that there would be a realistic prospect of an SLC in relation to the outsourced supply of Meat Official Controls to the FSA in England and Wales following the Merger.

Supply of POAO EHCs in Great Britain

11. Food suppliers in the UK who wish to export their products to other countries typically must obtain an EHC. Exporters in Great Britain requiring POAO EHCs vary from small individual traders with a single export site and ad hoc POAO EHC requirements to large multi-national corporations with multiple export sites and regular POAO EHC requirements. The CMA found that, while there are a range of smaller suppliers of EHCs who may be able to support smaller exporter, larger exporters with multiple sites often require the services of a supplier that can provide national coverage.

12. The CMA found the Merger would create a clear market leader and reduce from four to three the number of large national suppliers of POAO EHCs in Great Britain.
13. The CMA also found that the Parties have competed closely in past tenders and in non-tender competition across different customer groups, including large, national customers, and it considers that the Parties would continue to compete closely absent the Merger.
14. The CMA found that the two other large national suppliers, IVC Evidencia (**IVC**) and AIO Partners Ltd (**AIO**), would continue to compete with the Merged Entity. However, the CMA found that these two suppliers would not make up for the competitive constraint lost due to the Merger.
15. The CMA found that the long tail of small, regional providers, which supply close to half of the total POAO EHCs issued in Great Britain, would constitute only a limited constraint on the Parties and there is no evidence that they would act as a more significant constraint on the Merged Entity in the future, especially for large, national customers. In addition, there are material barriers to expansion preventing smaller suppliers from expanding to compete effectively with national suppliers.
16. As a result, the CMA found that there would be a realistic prospect of an SLC in relation to the supply of POAO EHCs in Great Britain following the Merger.

Outsourced supply of OVs to undertake POAO Border Inspections at BCPs in England

17. Some animal products coming into the UK are subject to inspection at BCPs to ensure they comply with UK food safety and animal welfare standards. Many BCPs contract with service providers to supply OVs to carry out POAO Border Inspections. The UK may impose a further requirement for POAO Border Inspections for products arriving from the European Union (**EU**), which may result in a need for more OVs to carry out POAO Border Inspections in the future.
18. The CMA found the Parties are close competitors for the outsourced supply of OVs to undertake POAO Border Inspections at BCPs in England. They bid for the same tenders in recent years and either E&J or Vorenta had the winning bid in each of them.
19. Besides the Parties, there is currently only one other active supplier, which currently supplies OVs to a single BCP in England. In addition, the Merged Entity would face very limited constraint from potential entrants.

20. BCPs can insource OV's, and the CMA found that insourcing may provide some constraint on the Merged Entity. However, the CMA found this constraint is limited by the expressed preference of some BCPs to outsource OV requirements, particularly in response to variable demand. Accordingly, the CMA found that significant demand is likely to remain for the outsourced supply of OV's to undertake POAO Border Inspections in England.
21. As a result, the CMA found that there would be a realistic prospect of an SLC in relation to the outsourced supply of OV's to undertake POAO Border Inspections at BCPs in England.

Outsourced supply of Inspectors to undertake Agricultural Inspections for the RPA in England

22. The Rural Payments Agency (**RPA**), an agency sponsored by the Department for Environment, Food and Rural Affairs requires that certain Agricultural Inspections are carried out, for instance before it makes grants or payments to farmers, traders, or landowners under a number of funding schemes available in the UK. RPA enters contracts with service providers to supply Inspectors to carry out Agricultural Inspections in England.
23. The CMA found that the Parties were close competitors in the most recent RPA tender in 2021. Vorenta won this tender and is currently the sole supplier of Inspectors to undertake Agricultural Inspections in England, while the CMA has found that E&J was Vorenta's closest competitor. The Parties did not face strong competition from alternative suppliers.
24. In relation to future tenders, the CMA found that Vorenta, the incumbent, would be a very strong competitor, and E&J would remain a close competitor. Evidence indicates that E&J has the capability to bid and fulfil future RPA contracts.
25. The CMA found that alternative suppliers would provide limited constraint, as it has not seen evidence of third-party interest to bid for future tenders, and third parties cited barriers to both bidding and fulfilling the RPA contract. The CMA also found that insourcing would provide a limited constraint on the Merged Entity, with the RPA having some ability to insource Inspectors, but significant demand for outsourcing is likely to remain for the foreseeable future.
26. As a result, the CMA found that there would be a realistic prospect of an SLC in relation to the outsourced supply of Inspectors to undertake Agricultural Inspections on behalf of the RPA in England.

The CMA's decision on the investigated TOHs

27. On the basis of the evidence received during its Phase 1 investigation, the CMA considers the Merger gives rise to a realistic prospect of an SLC in relation to each of the four theories of harm outlined above.