

Case ME/7129/25

**ANTICIPATED ACQUISITION BY ASSOCIATED BRITISH FOODS PLC
(THROUGH ABF GRAIN PRODUCTS LIMITED) OF HOVIS GROUP LIMITED**

Parties' response to the CMA's Interim Report

1 Introduction and executive summary

1.1 The Parties welcome the opportunity to respond to the CMA's Interim Report dated 26 March 2026 (the "**Interim Report**"¹), and in particular support the CMA's provisional finding that Limbs 1 and 2 of the exiting firm scenario are met for AB's business in Great Britain ("**AB GB**") and that the most likely counterfactual is its exit. As regards AB's business in Northern Ireland ("**AB NI**"), ABF supports the CMA's provisional finding that Limb 1 is met, however does not accept the CMA's provisional conclusion that Limb 2 is not met and that the most likely counterfactual is the sale of AB NI to an alternative purchaser. On the contrary, the evidence is now clear the Limb 2 test is met, and new evidence since the Interim Report now demonstrates that this is the case. In particular, the recent developments in the ongoing sale process confirm that, as with AB GB, the most likely counterfactual in NI is an exit of AB NI. It is now clear that:

1.1.1 The sales process run by ABF for AB NI indicates that ABF would not be able to achieve a sale to a suitable purchaser in the counterfactual. If the transaction were to fail [§<] the only rational decision for ABF would be to close down AB NI. There is no realistic prospect now that any potential buyer would be prepared to acquire the bakery on terms that would justify the cost and risks associated with a transaction instead of liquidation.

1.1.2 Feedback received from potential purchasers that are present in the bakery sector and that have withdrawn from the sale process indicates they consider the business [§<] and/ or have indicated they [§<].

1.1.3 The developments in the sales process reflect the economic reality. Taking into account the total costs of running AB NI, AB NI is significantly loss-making, and – as the CMA confirmed in the Interim Report - its positive gross contribution profit is small and reducing over time. For a buyer to be found would therefore require substantial synergies capable of being achieved. ABF anticipated that this would be challenging – and indeed the most likely parties in a position to achieve any real synergies are those with operations in the island of Ireland such as [§<].

1.2 Whilst ABF currently remains committed to maximising the (now diminishing) chance of a successful sale process (as its ongoing engagement with potential buyers demonstrates), the probability of success is now comfortably below the "balance of probabilities" threshold that the CMA must apply when considering whether Limb 2 is met in NI, i.e. given the feedback received from those involved in the sale process, there is no reasonable basis upon which the CMA could conclude that a successful sale is now more likely than not in the counterfactual.

1.3 With regard to the CMA's competitive assessment, the Parties consider that they face significant competitive constraints in relation to plant bread, pancakes, soda farls and potato farls in Northern Ireland ("**NI**") and would continue to do so following the Transaction, and accordingly the Transaction would not lead to a substantial lessening of competition.

2 Counterfactual

¹ The Parties adopt the defined terms in their response to the CMA's areas of focus document, unless otherwise specified.

- 2.1 ABF supports the CMA's provisional finding that Limbs 1 and 2 of the exiting firm test are met for AB GB and that the most likely counterfactual is its exit. As regards AB NI, ABF supports the CMA's provisional finding that Limb 1 is met, however does not accept the CMA's provisional conclusion that Limb 2 is not met and that the most likely counterfactual is the sale of AB NI to an alternative purchaser. This section focuses on why Limb 2 is also met in relation to AB NI, such that the most likely counterfactual is an exit of the AB business as a whole (i.e. comprising both AB GB and AB NI).
- 2.2 In the Interim Report, the CMA assesses whether Limb 2 is met under three headings: (1) AB NI's liquidation value; (2) the attractiveness of AB NI to potential purchasers; and (3) the ongoing AB NI sale process. This section explains why Limb 2 is met for AB NI by reference to each of these headings.

AB NI's liquidation value [§<]

- 2.3 The CMA has undertaken its own calculation of the net liquidation value [§<] of AB NI which it has assessed as [§<] £[§<], i.e. [§<] of £[§<].² Whilst the CMA's calculation differs from that undertaken and relied upon by ABF, the figure is similar to that calculated by ABF and ABF therefore does not (for the purposes of this response) take issue with the CMA's figure.
- 2.4 ABF agrees with the CMA that, based on this figure, ABF has a rational incentive to sell AB NI to a third party [§<]³. However, on the basis of the sale process that ABF has undertaken and the feedback received as part of that process, [§<] ([§<] £[§<]). This is explained further below and is strong evidence that, in the counterfactual, ABF would be better off liquidating the business.

Attractiveness of AB NI to potential purchasers

- 2.5 The CMA considers that AB NI would be attractive to potential purchasers for various reasons.
- 2.6 First, the CMA finds that AB NI is profitable excluding central costs. However, this measure of profitability provides only a partial picture. As explained in **Annex 251**, after taking into account central costs, AB NI is loss-making by c. £[§<]. Even if a potential acquirer were to achieve a 50% reduction in the central costs allocated to AB NI, the acquired business would still be loss-making by c. £[§<]. Furthermore, there are operational risks associated with AB NI's future profitability, including higher input costs (e.g. for wheat, fuel or energy) and the impact of lower volumes which could further increase AB NI's losses (whether through market decline or lost business), and profitability estimates (including central costs) based on alternative assumptions of cost synergies and future risks are set out in **Annex 251**.
- 2.7 Achieving synergies in relation to these "central costs" would not be straight forward as many of them relate to key drivers of AB NI's sales and operational functions, including [§<]. A potential purchaser, even if already present in the bakeries sector, is unlikely to have existing capacity simply to absorb all these activities in its existing operations or put another way would likely need to scale-up its existing functions to operate its existing business and the AB NI business effectively. The precise extent of any such scaling up (and associated cost of this) cannot be calculated without detailed knowledge of potential bidders' existing operations. However, ABF's experience of the sale process suggests that those with existing operations in the bakery/ adjacent sectors were not in a position to absorb such activities as they could not in any event see a route to profitability or cash break-even for AB NI.
- 2.8 More specifically, feedback received from a potential purchaser with operations in the sector (and an adjacent sector), [§<]. Furthermore, as explained further below concerns about profitability have been raised by multiple potential purchasers, including [§<].

² Interim Report, paragraph 6.216.

³ Interim Report, paragraph 6.217.

- 2.9 Second, the CMA suggests that there may be potential purchasers who can generate the “*limited synergies required to operate the [AB NI] business profitably*”,⁴ which could be achieved either by purchasers who are suppliers of plant bread (such as those based in the ROI), or (to a lesser extent given the differences in distribution models) purchasers in adjacent markets. However, the feedback received from potential bidders suggests that neither other plant bread suppliers, nor third parties active in adjacent markets, are able to justify a purchase of AB NI on the basis of achieving synergies (at least in the short to medium term).
- 2.9.1 [§].
- 2.9.2 [§].
- 2.9.3 [§].
- 2.9.4 [§].
- 2.10 Third, the CMA considers that the potential funding requirements are likely to be much lower than for AB GB, on the basis that AB NI does not generate significant losses. To the contrary, prospective purchasers (including large, established ROI-based producers who may consider AB NI an attractive strategic opportunity to expand in NI) have declined to make an offer on the basis that material investment would be required to return the business to profitability. In particular:
- 2.10.1 [§].
- 2.10.2 [§].
- 2.10.3 [§].
- 2.11 Fourth, the CMA suggests that AB NI would be an attractive target because a potential purchaser could use AB NI to sell products to Great Britain (“**GB**”). However, whilst AB does currently supply products produced in NI into GB, it does so not because it is attractive to supply into the GB market from a commercial perspective, but to balance its activities effectively across its production sites and for operational reasons. For example, because NI is a smaller market, it would not make sense to establish crumpet, muffin and roll lines in NI as they would have to be run at a fraction of their capacity. Accordingly, AB arranges for supplies to be sent from GB into NI [§]. As the containers need to be returned to GB to pick up the next load, it is [§]. These supplies would not be economical were it not for AB being a UK-wide business that makes supplies from GB into NI and due to it being beneficial for AB to balance production between sites for operational reasons. The Parties are not aware of any examples of NI-based suppliers supplying a significant volume of products into GB, and consider it unlikely that a supplier would do so. The CMA has recognised in the Interim Report the challenges for a smaller provider to supply the relevant products profitably in GB on a DTS basis, and this is a key reason why it would be difficult for NI-based suppliers to successfully supply significant quantities of products into GB.⁵ The CMA suggests that the NI producer could “*make alternative distribution arrangements*” but it is unclear what those arrangements would look like.⁶
- 2.12 Fifth, the CMA provisionally finds that ROI-based producers looking to enter or expand in the NI market may find AB NI attractive from a strategic perspective. However, [§].
- 2.13 Sixth, when the CMA suggests that AB NI is more attractive for a potential purchaser than AB GB, the CMA points to differences in market dynamics in GB and NI (e.g. the customer base being broader in NI, differences in the competitor sets and shares of supply, and differences

⁴ Interim Report, paragraph 6.220(b).

⁵ For example, see Interim Report, paragraphs 6.194 and 6.204.

⁶ Interim Report, paragraph 6.220(d).

in consumer preferences) to explain why there could be a potential purchaser of AB NI but not AB GB. Whilst there are differences between GB and NI in each of these areas, ABF does not consider these differences to be significant enough to result in the emergence of a successful purchaser for AB NI for the reasons set out above. In any event, there are already a significant number of players active in NI as set out further in section 3 below. The market conditions and competitive constraints from these other players (including the recent Warburtons entry) increase the risk of investing in AB NI and as set out above, the most likely parties with material synergies (i.e. the ROI bakers) have already dropped out of the process.⁷

Ongoing AB NI sale process

- 2.14 As the CMA recognises, ABF has been running a sales process in parallel alongside the CMA's investigation which is currently ongoing.
- 2.15 ABF indicated to the CMA early in pre-notification that AB NI was also failing and that it would be shut down but that it was exploring a potential sale of AB NI. ABF indicated that [§<]. ABF indicated in the Merger Notice that [§<]. In early December, the CMA indicated that it had no objection to ABF progressing the potential sale of AB NI provided that: [§<].⁸ Shortly after receiving this confirmation, ABF instructed [§<] to review and consider the list of potential interested parties.
- 2.16 As explained in ABF's response to Question 1 of the P2 RFI(1) dated 14 January 2026, the pool of potential purchasers that were approached by [§<] in the first instance was intentionally framed widely. This involved the identification of potential buyers in the bakery space who it was expected would look to use AB NI's site to produce bread/ bakery products for the existing AB NI customer base⁹. The primary focus for this was on those parties which have existing bread operations in GB and/ or the island of Ireland given they would have existing infrastructure to support the site. [§<]/ ABF also considered international bakery players who might be interested in the site as a potential market entry strategy
- 2.17 After conducting this exercise, [§<] identified [§<] potential purchasers. [§<] did not reach out to [§<] at this time as [§<] had already indicated to ABF in [§<] that it was not interested in acquiring AB NI.¹⁰ It began reaching out to them [§<]. When the potential purchasers were first approached, [§<] intentionally did not limit the scope of the transaction in any way beyond describing it as a sale of the AB NI business. By [§<]:
- 2.17.1 [§<] companies expressed their potential interest in acquiring AB NI and had either signed an NDA or were in the process of doing so;
- 2.17.2 [§<] companies passed on the opportunity; and
- 2.17.3 [§<] companies had yet to provide feedback.
- 2.18 ABF/[§<] requested indicative offers by [§<]. By [§<] of the [§<] that had expressed potential interest or had yet to provide feedback:

⁷ For example, the CMA suggests that a key difference is that end customers in NI are brand loyal and retailers generally stock a lower proportion of private label products compared to GB. However, between 2022 and 2025 ABF's shares of supply of its branded plant bread (out of the total market for branded and private label) decreased from c. [§<]% to c. [§<]%, and Hovis' share of supply of its branded plant bread also decreased from c. [§<]% to c. [§<]% (See [§<], referred to in ABF's response to the CMA's P2 s.109(1) dated 16 January 2026). This suggests that there is movement in branded shares of supply similarly to GB where branded shares of supply have decreased in recent years.

⁸ See email from Macfarlanes to the CMA dated 5 December 2025 (15:48).

⁹ [§<].

¹⁰ See ABF's response to Question 11 of the CMA's Section 109 Notice of 21 November 2025, submitted on 4 December 2025.

- 2.18.1 [§<] submitted bids: [§<];
- 2.18.2 [§<] asked several clarificatory questions but chose not to bid [§<];
- 2.18.3 [§<]declined to bid; and
- 2.18.4 [§<] did not respond, despite follow-up calls.
- 2.19 It was only after the potential bidders had provided feedback/ submitted bids and the pool of potential purchasers was narrowed, that a transaction perimeter document was prepared and provided to certain potential purchasers via a virtual data room (“VDR”) to allow meaningful engagement with bidders, if they were minded to pursue the opportunity.¹¹
- 2.20 ABF also populated the VDR for the remaining potential purchasers to conduct due diligence. The status of each of the live bidders at that stage, in addition to additional bidders that have emerged during the process, are set out at **Annex 252**.

Summary of current status

- 2.21 Whilst there continue to be regular developments in the sales process, the current status as of the date of submission of this response is as follows:
- 2.21.1 [§<].
- 2.21.2 As explained above, the [§<].
- 2.21.3 ABF is awaiting further engagement from [§<] which has some bakery operations in GB. However, [§<].
- 2.21.4 [§<].

Conclusions on Limb 2

- 2.22 For the reasons outlined above, Limb 2 is met and there exists no less anti-competitive alternative purchaser for AB NI. The appropriate counterfactual against which the Transaction should be assessed is one in which AB exits in both GB and NI.

3 Competitive assessment: There are sufficient competitive constraints facing the Parties in relation to the areas where SLCs have been identified

Plant bread

- 3.1 Contrary to the CMA’s provisional findings, the Parties face significant competitive constraints in relation to plant bread and would continue to do so following the Transaction.
- 3.2 The CMA finds that its share of supply estimates, which in the CMA’s view show that the market is highly concentrated, provide a reliable indication of the relative competitive strength of the Parties and other suppliers. The CMA should be cautious in relying on these estimates and should instead focus on more meaningful evidence including the number and scale of competitors that would constrain the Parties, evidence of market developments and future competition, evidence of customer buyer power and the Parties’ internal documents. These other types of evidence are summarised below.
- 3.3 *Profitability:* Whilst the Parties appear to have a relatively high combined share of supply of [§<]%, comprising shares of [§<]% for AB and [§<]% for Hovis, the Parties’ modest financial performance in NI (as explained above for AB) reflects the reality that they face strong

¹¹ [§<].

competitive constraints. A relatively high combined share of supply in NI does not in practice translate into the ability to exercise market power.

3.4 *Competitors*: Competitors such as Warburtons, Irwin’s, Brennans and Gallaghers would be expected to significantly constrain the Parties going forward:

3.4.1 Irwin’s produces branded and private label plant bread and has a share of supply of over [§<]%. Whilst the CMA finds that Irwin’s has moved away from supplying private label plant bread, many customers identified it as an effective competitor for private label (having been identified by more customers than each of the parties themselves were identified), and only 1 out of 7 of the customers that identified Irwin’s suggested that it was not an effective supplier. Irwin’s is also monitored regularly in the Parties internal documents.¹² For example, a Hovis internal document suggests that the largest contribution to Hovis’ value loss in NI was driven by [§<] and that a driver of this was [§<]. This evidence suggests that Irwin’s is at least a strong a competitive constraint against Hovis in NI as AB. In contrast, the CMA downplays the impact of Irwin’s, finding that it “*will continue to exert a moderate constraint on the Parties*”.¹³

3.4.2 Brennans produces branded bread (and does not produce private label) and has a share of supply of c. [§<]. The CMA recognises that Brennans is consistently monitored by the Parties.¹⁴ Even though it is correct that Brennans was identified by customers less frequently than Irwin’s and the Parties, it was only marginal (by one customer), with the majority finding that Brennans is very or somewhat effective. This is not consistent with the CMA’s findings that Brennans exerts and will continue to exert a “*weak to moderate constraint on the Parties*”.¹⁵

3.4.3 Gallaghers produces branded bread (and does not produce private label) and has a share of supply of over [§<]%. Gallaghers is consistently monitored by the Parties.¹⁶ Based on the CMA’s survey, the vast majority of customers have rated Gallaghers as either very effective or somewhat effective.¹⁷ However, the CMA finds that Gallaghers “*exerts and will continue to exert a weak constraint on the Parties*”.¹⁸

3.4.4 Warburtons produces branded bread (and does not produce private label) and the CMA finds it has a low share of supply of [§<]%. However, it is understood that Warburtons only entered mid-way through 2025 and in those circumstances its share of supply could only be expected to be at low levels.¹⁹ ABF also understands based on recent conversations with a GB-based Grocery Multiple that [§<]. Warburtons is doing this without any bakery presence in NI, i.e. is doing this solely from GB. For this reason, AB disagrees with the CMA’s conclusion that Warburtons “*exerts and will continue to exert a very weak constraint on the Parties*”.²⁰

3.5 Much of the evidence relied upon by the CMA derives from its customer surveys. However, it is unclear how much reliance can be placed on these surveys given that there are numerous instances where a supplier has been identified as a supplier of private label in circumstances where that supplier does not in fact supply private label. For example, this occurs for Brennans (paragraph 7.33 and Figure 7.2), Gallaghers (paragraph 7.45 and Figure 7.2) and Warburtons

¹² Interim Report, paragraph 7.37.

¹³ Interim Report, paragraph 7.68(b).

¹⁴ Interim Report, paragraph 7.68(a).

¹⁵ Interim Report, paragraph 7.68(a).

¹⁶ Interim Report, paragraph 7.68(a).

¹⁷ Interim Report, figure 7.1.

¹⁸ Interim Report, paragraph 7.68(c).

¹⁹ As explained at paragraph 12.27.2.2 of the FMN, a social media post published in June 2025 suggests that Warburtons had only recently begun supplying their products to Tesco in NI.

²⁰ Interim Report, paragraph 7.68(d).

(paragraph 7.51 and Figure 7.2). The CMA's conclusions based on the survey data also appear to contain errors. For example, the CMA suggests that for private label, Fine Lady Bakeries was identified less frequently than the Parties and as frequently as Brennans.²¹ In fact, based on Figure 7.2 Fine Lady Bakeries was identified more frequently than Brennans and the same number of times as Hovis. Accordingly, the CMA should place limited weight on the results of the customer surveys.

- 3.6 *Customer buyer power:* Grocery Multiples have significant buyer power which the CMA recognises.²² However, the CMA then applies little weight to this in its competitive assessment on the basis that the buyer power in this case would not lead to new entry.²³ There are, however, clear examples of buyer power having previously led to new entry or expansion. For example, as explained at paragraph 14.91 of the Final Merger Notice, in 2019 Tesco switched private label suppliers from AB to support the substantial expansion of Fine Lady Bakeries' operations, and since then Fine Lady Bakeries has become the largest supplier of private label plant bread in GB (with considerable growth of private label having taken place during this period). Further, the CMA reveals in the Interim Report that Warburtons' expansion in NI was facilitated by one customer.²⁴ As explained above, ABF also understands based on recent conversations with a GB-based Grocery Multiple that [§]. This suggests that new entry can be supported by customers in relation to both private label and branded plant bread.
- 3.7 Grocery Multiples based in GB can (and do) exercise buyer power which applies to the UK wide purchases, i.e. a single price is negotiated for a product – irrespective of whether it is supplied in GB or NI. As such, any analysis of the exercise of buyer power for GB and NI should not be carried out independently of each other.
- 3.8 Grocery Multiples are not the only customers with buyer power. Convenience chains such as Hendersons, which are more prevalent in NI than in GB, also have significant buyer power. As the CMA recognises, a significant proportion of volume goes through convenience chains like Hendersons in NI, and their purchasing choices are significant drivers of suppliers' success and profitability.
- 3.9 *Customer views of the Transaction:* It is notable that only two customers appear to have expressed concerns about the merger out of a much larger number of customers that appear to have been approached.²⁵ The Parties' customers are in many cases large and sophisticated purchasers, and if they anticipated a substantial lessening of competition as a result of the Transaction they would be expected to object forcefully. The fact that the vast majority of customers have not responded in this way is strong evidence that the Parties would continue to be constrained and that there would not be a substantial lessening of competition.
- 3.10 *Out-of-market constraints:* In its competitive assessment, the CMA finds that suppliers of sourdough “*exert a very weak constraint on the Parties given there is limited evidence that sourdough bread is seen as an effective alternative to white, healthier white, seeded and wholemeal plant bread*”.²⁶ However, most of the evidence the CMA relies on to support this view is based on sourdough suppliers being identified by customers less than the Parties (and being rated lower than the Parties on average) and the CMA's assumptions of a low percentage share of supply for sourdough suppliers compared to other suppliers.²⁷ This fails to take account of the evidence the parties have put forward that demonstrates sourdough is closely related to plant bread and suppliers of sourdough exert significant constraint on the Parties. For example:

²¹ Interim Report, paragraph 7.57.

²² Interim Report, paragraph 7.61.

²³ Interim Report, paragraph 7.62.

²⁴ Interim Report, paragraph 7.53.

²⁵ Interim Report, paragraph 7.65(b).

²⁶ The CMA provisionally finds that the relevant product market comprises all types of traditional plant bread but does not include sourdough bread.

²⁷ See Interim Report, paragraphs 7.58-7.59.

- 3.10.1 As explained at paragraph 25.3 of ABF's response to the P2 s.109(1) dated 16 January 2026, [§<]. However, AB does not have data or evidence to be able to provide an estimate of the scale of replacement.
- 3.10.2 As explained at paragraph 3.8 of the Parties' response to the P2 RF11, ABF has provided the CMA with a number of documents that record substantial switching between sourdough products and other bread products and the fact that the growth of sourdough has come at the expense of traditional plant bread, particularly wholemeal and seeded.
- 3.10.3 Many traditional suppliers of plant bread are looking to or have recently started to produce sourdough bread in order to mitigate the decline in the market for plant bread.
- 3.10.4 Whilst [§<] and the above evidence reflects developments in GB, the Parties consider it reasonable to assume that the position in NI is similar to GB, particularly as [§<] in NI even in the context of a declining market overall. The main difference in NI is that growth of sourdough in NI is being driven not by Jason's products but by Gallaghers' sales (which AB understands currently represent c.90% of sourdough loaf sales by volume).

Morning goods

- 3.11 As an overarching comment, the Parties do not accept that a competitor's current low or modest share of supply is indicative of that competitor posing a weak or only moderate competitive constraint on the merged entity post-Transaction. The markets for pancakes, potato farls and soda farls in NI are very small (less than £[§<]m, £[§<]m and £[§<]m, respectively²⁸) and are characterised by a small number of large customers. For example, c. [§<]% of AB's revenues in NI in 2025 for branded sales in each relevant segment were generated by just [§<] customers; for private label sales, over [§<]% of sales were generated by [§<] (or, in the case of [§<], [§<]) customers. In small markets such as these, a switch in supplier by one customer (or a very small number of customers) can cause the shares of supply to shift significantly.
- 3.12 The Parties submit that the CMA has erred in its provisional conclusion that Irwin's will exert only a weak constraint on the parties going forward in the supply of pancakes in NI, and only a moderate constraint in the supply of potato farls and soda farls in NI. As noted above, current low shares of supply are not indicative of Irwin's ability to compete with and constrain the Parties going forward. For example, if [§<] decided to delist AB's branded pancakes and replace these volumes with Irwin's, Irwin's 2025 share of branded pancakes would increase by c. [§<]% (and, if [§<] (AB's largest customer in this segment) decided to switch instead, Irwin's share of branded pancakes would increase even further by c. [§<]%).²⁹
- 3.13 Irwin's will act as an effective constraint in each relevant market (pancakes, potato farls and soda farls) and the Parties submit that the CMA has mischaracterised the evidence it has received in this respect. In particular:
- 3.13.1 Pancakes: The CMA notes that Irwin's effectiveness ratings by customers were mixed, when in fact four out of five customers deemed Irwin's to be an effective or very effective alternative supplier of branded pancakes and two out of three customers deemed Irwin's to be an effective or very effective alternative supplier

²⁸ If assessed in isolation, each market would likely have been treated as a market of insufficient importance to justify a reference pursuant to the CMA's guidance on exceptions to the duty to refer.

²⁹ Share increases refer to the share of Irwin's-branded products, within the branded and PL combined market.

of private label pancakes. In both cases, Irwin's is the third-most frequently identified supplier after the Parties.

- 3.13.2 Potato farls: The CMA notes that Irwin's is the only other supplier (beyond the Parties) to operate a travelling hotplate to produce potato farls; the CMA also indicates that Irwin's was frequently identified by customers and generally viewed as an effective supplier.³⁰ In particular, Irwin's was identified as effective or very effective by three customers in respect of branded pancakes, the same number of customers that identified Hovis very effective.³¹ In respect of private label pancakes, Irwin's was identified as very effective the same number of times as each of AB and Hovis.
- 3.13.3 Soda farls: As with potato farls, the CMA notes that Irwin's is the only other supplier (beyond the Parties) to operate a travelling hotplate to produce soda farls; the CMA also indicates that Irwin's was frequently identified by customers and generally viewed as an effective supplier.³² The evidence presented in figures 7.7 and 7.8 of the Interim Report indicates that Irwin's was in fact identified as the second most effective alternative supplier in respect of both branded and private label soda farls (above Hovis for branded soda farls and above AB for private label sofa farls).
- 3.14 The Interim Report also states that Irwin's has substantial spare capacity in respect of the production of pancakes, potato farls and soda farls.³³ This again indicates that Irwin's will be an effective competitive constraint going forward as it has the capability (through its travelling hotplates) and capacity to produce pancakes, potato farls and soda farls at scale and compete with the Parties in these markets going forward. The threat of customers switching their pancake, potato farl and/ or soda farl volumes to Irwin's will act as a significant constraint on the Parties post-Transaction.
- 3.15 Although one customer stated that Irwin's distribution network is not as extensive as the networks operated by ABF and Hovis, the Parties note that:
- 3.15.1 this comment was made by only one customer (being the only customer to identify Irwin's as somewhat effective, rather than effective or very effective), while two others noted the strength of Irwin's route to market³⁴; and
- 3.15.2 NI is a comparatively small, densely populated geographic area and Irwin's could easily add addition delivery capacity and range to its distribution network if it won additional pancake, potato farl or soda farl supply contracts.
- 3.16 Without prejudice to the Parties' submission that they will continue to be constrained by a number of other national and regional suppliers across NI post-Transaction, the presence of Irwin's as an effective alternative supplier will act as a significant competitive constraint on the Parties. The threat of customers (who, as the CMA notes, are large, sophisticated Grocery Multiples) delisting the Parties' products in favour of Irwin's will discipline the commercial behaviour of the merged entity such that the Transaction will not give rise to a substantial lessening of competition in these markets.

³⁰ Interim Report, paragraph 7.162(i).

³¹ Interim Report, figure 7.5 (no customers identified Hovis as effective).

³² Interim Report, paragraph 7.215(i).

³³ Interim Report, paragraphs 7.115(b)(i) and 7.145.

³⁴ Interim Report, Appendix C, paragraph C.41 (in respect of pancakes).