

Pork Farms Group Limited / Kerry Foods Limited: CMA Merger Inquiry

Submission from Greencore Prepared Meals Limited

Greencore submitted a response to the CMA's invitation to comment by referring the CMA to Greencore's submission made to the CMA as part of the CMA's phase 1 investigation. Set out below is Greencore's submission in response to the questions put by the CMA during the phase 1 investigation.

Note: Greencore provided its responses in a phone call. Greencore has confirmed the accuracy of this document.

Data:

1. Please list the chilled savoury pastry (CSP) products that you produce at each of your sites. For each of your sites please complete the table at Annex A (please expand the table to fit all your sites and all the CSP products produced).

Greencore only produces quiches.

Product Market

2. Looking at the CSP Products listed in the **first column** of the table below, do you consider that end customers find any of the CSP products in the **other columns** are good alternatives to those in the first column?

First column	Other columns					
	Pork pies	Hot pies	Sausage rolls	Pasties and slices	Quiches	Scotch eggs
Pork pies	X	No	Yes	No	No	No
Hot pies	No	X	Yes	Yes	No	No
Sausage rolls	Yes	Yes	X	Yes	No	No
Pasties and slices	No	Yes	Yes	X	No	No
Quiches	No	No	No	No	X	no
Scotch eggs	no	no	no	no	no	X

3. **Own Label / Branded Products:** Please explain to what extent you consider that 'own label' and branded CSP products are substitutes for one another from a demand side perspective:

Own label and branded are interchangeable, in particular when brands are on promotion. Quiches are frequently on promotion.

Brands have mainly 2 roles:

- Short term: promotional, to attract volumes
- Long term: less promotional (e.g. Higgidy). This also applies to brands of sausage rolls and pies (e.g. Walls, Pork Farms). These brands would be less substitutable with private label.

- a. If you consider that end consumers consider own label products to be more substitutable in some CSP product areas than others, please explain in more detail.¹ Please highlight any differentiation between value/economy, standard and premium own label products if appropriate.
- b. Please explain how important end consumers consider brands are in this market.

Brands allow customers a sense of choice, but in the CSP market, branded products are not materially different to private label products. In this market, consumers are less loyal to brands.

Geographic market

4. Are your CSP product contracts, pricing, distribution, or marketing strategies set on a UK basis? If not, please detail the areas your strategies cover and explain why you specialise in supplying a particular region or product group.

UK centric

Competitive assessment – Own label CSP products

5. Do you consider Pork Farms and the CSP business of Kerry Foods Limited (Kerry Foods), or any of their individual products, to be particularly close competitors?

Yes

- a. In which product(s) do the parties compete most closely?

All CSP products except quiches

6. Please list the main competitors to each of the parties' own label products. Please explain if there are any differences within each product type (e.g. value/economy, standard and premium products).

CSP Product (own label)	3 main competitors to	
	Pork Farms	Kerry Foods
Pork pies	1. 2. 3.	1. 2. 3.
Hot pies	1. 2. 3.	1. 2. 3.
Sausage rolls	1. 2. 3.	1. 2. 3.
Pasties and slices	1. 2. 3.	1. 2. 3.
Quiches	1. Greencore 2. Edmond Foods 3. Higgidy	1. 2. 3.
Scotch eggs	1. 2. 3.	1. 2. 3.

¹ In answering this question, please indicate whether, following a price increase of 5%-10% for one type of product, customers would switch to purchasing the other product listed, or accept the price increase.

Competitive assessment – Branded CSP products

7. Do you consider Pork Farms and the CSP business of Kerry Foods Limited (Kerry Foods), or any of their individual products, to be particularly close competitors? **Yes**
- a. In which product(s) do the parties compete most closely?
All CSP products except quiches

8. Please list the main competitors to each of the parties' branded CSP products.

CSP Product (branded products)	3 main competitors to	
	Pork Farms	Kerry Foods
Pork pies	1. 2. 3.	1. 2. 3.
Hot pies	1. 2. 3.	1. 2. 3.
Sausage rolls	1. 2. 3.	1. 2. 3.
Pasties and slices	1. 2. 3.	1. 2. 3.
Quiches	1. 2. 3.	1. 2. 3.
Scotch eggs	1. 2. 3.	1. 2. 3.

Greencore is very small in the branded segment, It operates a licenced brand model

There is not enough value or volume in the branded segment. Greencore would require more scale to produce branded products.

Contracts and negotiations

9. Please detail any CSP areas where you have not tendered for contracts in the last two years. Please explain whether you intend to bid for contracts in these areas in the future, and if not, why not.

Greencore have tendered in few occasions, there are more negotiations than tenders.
 Greencore has extended its current supply arrangements.

New contracts are negotiated every couple of years.

10. If you tried to increase the price of one CSP product by 5% - 10%, please explain how retailers would be likely to react (e.g. switching products, altering prominence/display of these products, etc.). Would that reaction be different for different CSP products and for branded/own label products? Please explain the process for retailers to implement these responses.

Retailers would put their volumes out for tender. Have experienced this type of reaction from retailers in the past, but it is not frequent. Larger retailers have more negotiation power.

Barriers to entry / expansion

11. In your view, are there any barriers to entry or expansion in this market? Please briefly explain what these are, including what costs would be involved and how long it would take to enter and recoup the costs. Please differentiate (if appropriate) by:
- CSP product
 - Own label/branded products
 - Own label product type (value/economy, standard, premium)

Entry is expensive because equipment is expensive (e.g. big ovens). Need to put capital when there is volume already there.

Your sales and capacity

12. Please explain what difficulties you would face, if any, in switching production between:
- different CSP products
 - between own label and branded products

In particular, please explain how long this switching would take, the costs that would be involved with switching and any issues or problems you would face making this change

The equipment to product quiche could produce other types of CSP products with modifications and additional equipment (e.g. lidding machines), although these modifications could cost in the order of the hundreds of thousands.

13. Are there any CSP products that you are not able to produce? Why?
14. Is your company able to expand output at short notice in response to large orders?

Yes

Please provide examples of output expansion.

- Please explain if you have faced any capacity restrictions that limited your growth or your ability to compete for particular contracts.

Quiche is a hot weather product. There is spare capacity except during peak times.

Greencore had a large contract with a top four multiple until they moved their manufacturing in-house in March 2014. Now Greencore has a large volume gap as a consequence of the loss of the contract with Morrisons.

Effect of the merger

15. Do you have any competition concerns about this transaction? Please explain if you have any concerns about:
- Competition in own label CSP products
 - Competition in branded products

No concerns

16. Which customers or customer types (e.g. supermarket, convenience) are most likely to be affected by this transaction? Is this different for own label and branded products?

General question

17. Leaving aside any effects that this merger may have, are you aware of any feature of the CSP product markets, or activities of the firms acting in them, that you consider to restrict or distort competition between firms? If so, please give details.

Other questions

Competition for promotional slots

Greencore does not compete with Pork Farms for promotional slots, Pork Farms and Greencore supply to a different set of retailers.

Competition with multi-product firms (e.g. Pork Farms)

Greencore cannot provide all CSP products, as Pork Farms can. Although this could put Greencore at a disadvantage, having several products also entails some risks, and therefore the effect is mixed.

Annex A: CSP Products produced at each site for Annual Year 2013²

Name of site	Types of CSP product produced	Own label			Branded		
		Value	Production volume	Capacity of site	Value	Production volume	Capacity of site
Site 1: Grencore Prepared Foods Kiveton	Pork pies	[X]	[X]	[X]	[X]	[X]	[X]
	Hot pies	[X]	[X]	[X]	[X]	[X]	[X]
	Sausage rolls	[X]	[X]	[X]	[X]	[X]	[X]
	Pasties and slices	[X]	[X]	[X]	[X]	[X]	[X]
	Quiches	[X]	[X]	[X]	[X]	[X]	[X]
	Scotch eggs	[X]	[X]	[X]	[X]	[X]	[X]

² If figures are not provided for the Annual Year ending 31 December 2013, please indicate at what point your year ends