

SONOCO/WEIDENHAMMER MERGER INQUIRY

Summary of hearing with Mondelez on 20 March 2015

1. Mondelez purchased composite cans for its beverage products only, mainly for Cadbury drinking chocolate powder. Mondelez used some alternative packaging formats for its drinking chocolate, such as rigid plastic containers in the UK and flexible pouches in Germany. For its coffee brands such as Kenco and Millicano, Mondelez currently used both composite cans and metal cans for its packaging.
2. Presently, Weidenhammer and Sonoco supplied composite cans to Mondelez. Mondelez didn't wish to multi-source the supply of its composite cans, as it had undertaken a project to attempt consolidation to a single supplier in Weidenhammer. This was in order to simplify the management of composite cans for its business.
3. The type of composite can that Mondelez purchased from Weidenhammer and Sonoco had aluminium barrier properties and a foil diaphragm on top. Drinking chocolate and coffee required different properties in the can. For drinking chocolate powder an aluminium foil barrier, metal base and aluminium membrane were required by Mondelez. Coffee powder products required similar properties, but a different type of barrier in the can. Mondelez required a European supplier for these composite cans.
4. In 2013 Mondelez agreed that Weidenhammer would act as its supplier of composite cans. [REDACTED] Weidenhammer had the capabilities in terms of product, location and volume to supply Mondelez. [REDACTED]
5. [REDACTED] Mondelez believed that the cans Can Packaging produced were primarily formed from paper and were more sustainable than the traditional composite can model. To Mondelez's knowledge, the can included an aluminium liner and Can Packaging could produce a can that met the requirements of Mondelez's coffee and drinking chocolate powder. However, an additional factor affecting Mondelez's decision to switch to Can Packaging would be the shelf life of its product in the Can Packaging model. This was research that had not been undertaken by Mondelez. [REDACTED]
6. [REDACTED]
7. Mondelez had considered moving other products into composite cans such as baking powder and vanilla powder, which were currently in tins. However, this

move into composite cans had been rejected by its marketing department as it believed metal tins had a more 'premium look' and they would be able to sell more products on this basis.

8. Mondelez was unsure if single wrap spirally wound food cans such as those produced by Huhtamaki and Seda had been considered as suitable packaging types. It was also unsure whether Amcor and Smurfit were able to supply composite cans that were similar to Sonoco and Weidenhammer. It was uncertain that they had the capabilities to produce the same diameters, heights and volumes. Further, Mondelez had not considered Multi Packaging Solutions as a potential supplier, as it wasn't a food packaging supplier. It thought that the relevant competition was with Sonoco, Weidenhammer and Can Packaging competing for lines and hadn't made enquiries with these suppliers. Any supplier would need to have quality certification related to food contact and the supplier would ideally be based in the UK.
9. Mondelez stated that it was using a co-packer to pack its Green and Blacks drinking chocolate product. There were a number of reasons for doing so including volumes, production capabilities and line utilisation. The composite cans for the product were supplied by Weidenhammer.
10. Mondelez was not aware of any new suppliers of composite cans to enter the UK. Regarding Can Packaging, it believed that it currently had no customers in the UK. Mondelez wasn't looking to sponsor entrance of a new supplier. The volumes required by Mondelez made sponsored entry of a supplier unrealistic.
11. [✂]
12. Following the Merger, Mondelez was afraid of a lack of competition for supply of composite cans in the UK. In future, it was concerned that price negotiation would be more difficult. It didn't believe that the merger would be a problem for capacity or supply, but the merger would limit negotiations. It was unable to comment upon whether the relationship between itself and Sonoco had changed following the merger outside of the UK. This was owing to existing contract terms and prices being fixed and new negotiations yet to take place between the parties.