

## **LINERGY/ULSTER FARM BY-PRODUCTS MERGER INQUIRY**

### **Summary of hearing with ABP Food Group on 18 September 2015**

#### **Background**

1. ABP Food Group (ABP) advised it had rendering facilities in Waterford and Tipperary including a new bone gel plant. It had various meat processing plants in the Republic of Ireland and Northern Ireland, and it had supplied material to Ulster Farm By-Products (UFBP), dating back to the 1970s.

#### **Bid of Ulster Farm By-Products**

2. ABP submitted bids for UFBP in April 2012. ABP stated that had it been successful in its bid for UFBP, it intended to keep both the Category 1 and Category 3 plants open. ABP said that the condition of the UFBP plant and equipment was poor, particularly the Category 1 plant, and it was aware of the environmental problems UFBP had been facing at the time. It had undertaken due diligence and the Managing Director (of the rendering side of the business) and environmental staff had all seen the plant. It felt all of the environmental problems could have been addressed and rectified. While it had not fully developed its plans for investment, its bids were based on an expectation of significant investment being required.
3. ABP stated it wanted to purchase UFBP to give itself a greater geographical spread of rendering capability as its current rendering facilities were in the south of the Republic of Ireland. Had it purchased UFBP it would have used the plant to deal with the materials both from its meat plants in Northern Ireland, and also meat plants in the northern part of the Republic of Ireland. It advised that previously it had sent materials from these meat plants to UFBP.
4. ABP said that the volume from its meat plants would not have filled the capacity of UFBP, so it would have sourced other material elsewhere.
5. Prior to the sale of UFBP it turned to its reserve capacity in its facilities in the Republic of Ireland, transporting its by-products previously sent to UFBP from its Northern Ireland plants for rendering in the Republic of Ireland. It said this decision was not due to changes in price, and it had never got into any price negotiations with the new owners of UFBP. Rather, it thought that the material was more valuable to it as a group when processed at its own facilities. All of

ABP's material on the island of Ireland is now processed at ABP rendering plants.

## **ABP's rendering**

6. ABP said that transport was a significant cost for renderers. It said that despite it having spare capacity at its Tipperary and Waterford plants, it had not approached meat processors in Northern Ireland because of the transport costs involved. It did however do substantial business with non-ABP meat processors in the Republic of Ireland.
7. ABP stated that it had not actively reviewed the market since it had taken the decision to process materials at its own facilities. At present it made commercial sense to continue to process its own materials and utilise its spare capacity. However, if it were offered a better price it could consider using an alternative renderer.
8. [✂]

## **The merger**

9. ABP stated that it did not have any concerns with Linergy taking over UFBP. Even if Linergy had purchased UFBP it would have been prepared to use UFBP had the price been good, ie if it could generate more revenue using UFBP rather than processing its own materials, immaterial of any vertical relationship the merged entity had with its parent companies.
10. ABP stated that it did not believe that there was enough material in the market in 2012 to justify Linergy opening a new Category 3 plant. It also thought that this was likely to still be the case, and remained so, even if the proposed reclassification of materials from Category 1 to Category 3 went ahead in 2018, in Northern Ireland, there still would not be enough material in the market to warrant opening a new Category 3 plant. It stated that there had been and still was excess Category 3 processing capacity in both the Republic of Ireland and Ulster, Northern Ireland.
11. Had Linergy opened a Category 3 plant with spare capacity there would have been far more competition in the market; this would have then result in better prices for customers, with SAPI likely to support UFBP during a process of competition, but it did not think that an extra Category 3 plant could have been a sustainable structure in the long term.
12. ABP held that renderers such as College Proteins, Dublin Proteins, Western Proteins and Farragh would provide competition to UFBP/Linerger; as those

renderers were not too far from the border, although they might be at a slight disadvantage to UFBP due to transport costs.