



Australian
Competition &
Consumer
Commission

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NEWS RELEASE

ACCC TO NOT OPPOSE BEGA CHEESE'S PROPOSED ACQUISITION OF WARRNAMBOOL CHEESE AND BUTTER

The Australian Competition and Consumer Commission will not oppose the proposed acquisition of Warrnambool Cheese and Butter Factory Company Holdings Limited (Warrnambool Cheese and Butter) by Bega Cheese Limited (Bega).

The ACCC has reviewed the proposed acquisition at Bega's request following its offer to acquire all of the shares in Warrnambool Cheese and Butter on 11 September 2013.

Bega and Warrnambool Cheese and Butter each operate dairy manufacturing plants that produce a range of processed dairy products and compete for the acquisition of raw milk from dairy farmers that are located in areas surrounding each of their manufacturing plants.

The dairy products manufactured by both Bega and Warrnambool Cheese and Butter include cheddar cheese, butter, milk powders and whey products. These products are sold to customers in Australia and also exported.

"The ACCC considered that there was limited overlap between Bega and Warrnambool Cheese and Butter in relation to the acquisition of raw milk in the dairy region in south west Victoria (and areas of northern Victoria)," ACCC Chairman Rod Sims said.

"The ACCC concluded that a merged Bega and Warrnambool Cheese and Butter would continue to be constrained by other dairy manufacturers that they compete more closely with in the acquisition of raw milk, including Murray Goulburn and Fonterra."

"Murray Goulburn and Fonterra are also the largest suppliers of each of the processed dairy products supplied by Bega and Warrnambool Cheese and Butter, and would be likely to competitively constrain the parties, in the event that they merge, in the future," Mr Sims said.

The ACCC recognised that many dairy manufacturers in Australia currently export significant quantities of the relevant dairy products supplied by Bega and Warrnambool Cheese and Butter and would be able to redirect exports into the domestic market to increase supply in Australia.

The ACCC also found that significant volumes of dairy products are being imported into Australia. Currently most imports are from New Zealand, but imports from the United States have been increasing in recent years.

The ACCC considered that in addition to competition from domestic dairy manufacturers, imports are also likely to exert a degree of competitive pressure in the wholesale supply of the dairy products supplied by Bega and Warrnambool Cheese and Butter.

In reaching this decision, the ACCC consulted widely with a range of interested parties, including dairy farmers, rival dairy manufacturers, wholesalers of dairy products, customers of bulk and packaged dairy products and dairy industry bodies.

The ACCC's decision will be available at www.accc.gov.au/MergersRegister

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