

MEDIA RELEASE



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ACCC FLAGS CONCERNS ABOUT SAPUTO-MURRAY GOULBURN DEAL

The ACCC says its concerns around the proposed acquisition of the assets of Murray Goulburn (ASX:MGC) by Saputo are solely in relation to Murray Goulburn's Koroit dairy plant in western Victoria, in particular the impact the acquisition will have on competition for farmers' milk in the area.

The ACCC outlined its concerns in a Statement of Issues paper today and is seeking responses from interested parties by 13 March.

The ACCC says Saputo's Allansford plant and Murray Goulburn's Koroit plant would have over two thirds of the raw milk processing capacity in the south-west Victoria / south-east South Australia region. The two plants currently acquire the majority of raw milk from dairy farmers in the area.

"While Saputo is proposing to acquire most of the Murray Goulburn business, our only concern is in relation to Murray Goulburn's Koroit plant," ACCC Chairman Rod Sims said.

"Our view is that Saputo owning the Koroit plant would substantially lessen competition for the acquisition of dairy farmers' raw milk in the region."

Fonterra is the only other major competitor with a processing plant in the region. The ACCC's concerns are that Saputo and Fonterra would be more likely to offer lower prices if Saputo acquired Koroit, and that there would be very limited alternatives for many farmers.

"When Murray Goulburn dropped its prices in 2015–16, Fonterra was quick to follow. Our analysis has shown that many farmers switched to Saputo in response, the only other major processor nearby," Mr Sims said.

"We are concerned this transaction would ultimately lead to lower prices being paid to dairy farmers in the region."

The ACCC says during its extensive consultations with farmers in the area, it heard from dairy farmers who just want the Saputo transaction to proceed.

"We understand Murray Goulburn faces an uncertain future, and that many farmers just want certainty after a tumultuous few years," Mr Sims said.

"However, if the acquisition of Koroit by Saputo proceeds, our view is that dairy farmers in the region will be worse off and face lower raw milk prices in the longer run. It's important to preserve competition in these markets so dairy farmers get a price for their product determined by healthy competition."

"The ACCC considers that Koroit would remain in the market, continue to operate, and would likely be acquired by another business if the Saputo acquisition does not proceed," Mr Sims said.

There are unlikely to be competition concerns in other regions where there is currently no overlap between Murray Goulburn plants and Saputo plants, or in downstream dairy product markets, such as fresh milk, butter, cheese and cream.

While concerns were expressed by industry participants in relation to bulk cream, the ACCC considered that those concerns arose primarily from a recent decrease in bulk cream production overall rather than any potential impact on competition from the proposed acquisition.

The ACCC invites further submissions from interested parties in response to the Statement of Issues by 13 March. The ACCC's final decision is due on 29 March.

The Statement of Issues is available on the ACCC's public register.