COMMERCE ACT 1986: BUSINESS ACQUISITION

SECTION 66: NOTICE SEEKING CLEARANCE

20 April 2005

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
Wellington

Pursuant to section 66(1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

PART I: TRANSACTION DETAILS

The business acquisition

1 PPCS Limited (**PPCS**) holds 19.9% of the shares in Venison Rotorua Limited (**VRL**). PPCS is looking to acquire the other remaining shares in VRL, namely the 19.9% held by Killin Limited (**Killin**); and 60.2% held by New Zealand Deer Farms Limited (**NZDF**). PPCS now seeks clearance from the Commission for the acquisition of VRL.

2 By way of background, PPCS was amalgamated with Richmond Limited (**Richmond**) on 30 January 2005, following a successful takeover by PPCS completed in August 2004. This acquisition and subsequent amalgamation resulted in PPCS acquiring Richmond's deer processing and procurement operations in the North Island. VRL is a specialist deer processor, meaning aggregation within the market for deer procurement and slaughter in the North Island requires analysis under this application.

3 Attached as ***Appendix A*** is a table outlining PPCS' estimate of relevant shares in the market for the procurement and slaughter of deer in the North Island.[

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The deer industry

4 According to the New Zealand Deer Industry, there are approximately 5,000 farms in New Zealand stocking deer, ranging in size from smaller lifestyle properties to extensive stations.[1]

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[1] See the New Zealand Deer Industry website, www.deernz.org, which also provides further background relevant to this application.

5 These farms run an estimated 1.7 million deer - half the world's farmed population - with about 40% of these located in the North Island. There are an estimated 1 million female deer and 700 000 male deer.

6 Most of the New Zealand deer industry's products are exported. Attached as ***Appendix B*** is a table of New Zealand deer industry exports from 2000 to 2004.

The person giving notice

7 This notice is given by:

PPCS Limited
218 George Street
PO Box 941
Dunedin

Telephone: (03) 477 3980
Facsimile: (03) 477 0528
Attention: Craig Billows

8 All correspondence and notices in respect of this application should be directed in the first instance to:

Chapman Tripp
1-13 Grey Street
PO Box 993
Wellington

Telephone: (04) 499 5999
Facsimile: (04) 472 7111
Email: grant.david@chapmantripp.com
neil.anderson@chapmantripp.com
Attention: Grant David/Neil Anderson

Confidentiality

9 Confidentiality is not sought for the fact of the proposed acquisition.

10 However, confidentiality is requested for the specific information deleted from the attached "public" version of this notice, as that information is commercially sensitive to the applicant. Disclosure of such information would be likely to unreasonably prejudice the commercial position of the person who supplied the information in terms of section 9(2)(b)(ii) of the Official Information Act 1982.

Details of the Participants

PPCS

11 PPCS is a farmer co-operative based in Dunedin. It is currently owned by about 21,200 farmer suppliers and is New Zealand's largest meat

marketing company, exporting sheepmeat, beef, venison and associated products to about 60 countries.

12 PPCS is a 100% farmer shareholder owned co-operative governed by a shareholder elected board of directors. Farmers buy into the company through the supply of stock to PPCS under PPCS' rebate system, the more stock supplied, the greater the shareholding, until the maximum shareholding level is reached. PPCS has traditionally been a South Island company but, with the recent amalgamation with Richmond, significant North Island ownership interests have arisen.

VRL

13 VRL was incorporated in June 2001 with PPCS having a 19.9% stake, VRL then acquired Mair Venison Limited's Rotorua deer processing facility. Mair Venison Limited (**Mair**) was, at that time, controlled by PPCS. The incorporation of VRL and subsequent sale of Mair's Rotorua facility was at the time effected in part to address potential competition issues arising in connection with PPCS taking a controlling stake in Richmond.

14 These transactions were subject to a formal investigation by the Commerce Commission in August 2002, which is discussed further below. Importantly for the purposes of this application, the Commission found that VRL and PPCS were "associated" for the purposes of the Commerce Act 1986 **(the Act)**.

Persons interconnected to or associated with the participants

PPCS and VRL

15 In determining "association", the Commission noted in the PPCS/Mair Report that it has regard to such factors as:

15.1 the nature and extent of ownership links between the companies;

15.2 the presence of overlapping directorships;

15.3 the rights of one company to appoint directors of another; and

15.4 the nature of other shareholder agreements and links between the companies concerned.

16 Applying these criteria, the Commission found that the two participants in this transaction were "associated" for the purposes of the Act. In particular, in the Commerce Commission's Report on the PPCS acquisition of Mair Venison Limited and Richmond Limited dated 21 August 2002 (**the PPCS/Mair Report)**, at paragraph 81, the Commission stated there was:

> "... *sufficient evidence of PPCS having an ability to exert a substantial degree of influence over VRL either directly or indirectly."*

17 The Commission found this association despite a conscious effort having been made to have PPCS removed from the day-to-day operation of VRL and efforts to ensure that PPCS had no influence over the business activities of VRL.

18 It is clear that the factors that led to the Commission's finding of association between PPCS and VRL are still present in the relationship at present. For example:

18.1 PPCS still holds 39,800 ordinary shares in VRL which constitutes 19.9% of VRL's total issued share capital.

18.2 According to the Constitution of VRL, PPCS is entitled to appoint one of the four directors of VRL.

18.3 [

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18.4 The Heads of Agreement (as considered by the Commission in the PPCS/Mair Report) is still in place. The Commission found in the PPCS/Mair Report that this agreement was significant in creating a close relationship between PPCS and VRL.

19 There have been no material changes to the nature of the relationship between PPCS and VRL since the PPCS/Mair Report was published. This being the case, the Commission should still consider PPCS and VRL to be associated for the purposes of the Act.

PPCS

Shareholders

20 Being a widely held co-operative, PPCS is not interconnected with any of its shareholders.

Subsidiaries

21 PPCS's New Zealand subsidiaries are:

21.1 PPCS Investments Limited (100%);

21.2 PPCS Superannuation Limited (100%);

21.3 CFM Management Limited (100%);

21.4 Slink Skins Canterbury Limited (100%);

21.5 Richmond Enterprises (1996) Limited (100%);

21.6 Richmond Equities Limited (100%);

21.7 Richmond Group Holdings (100%);

21.8 Kiwi Fern Limited (100%); and

21.9 Farm Enterprises (Otago) Limited (73.58%).

Associated Persons

22 In addition to VRL, the Commission may also consider the following companies to be associated with PPCS as it holds 50% of the shares in:

22.1 Global Technologies Limited (50%);

22.2 Robotic Technologies Limited (50%); and

22.3 Stockco Limited (50%).

23 A diagram of the PPCS corporate structure showing all of PPCS's New Zealand subsidiaries is attached as ***Appendix C***.

VRL

Shareholders

24 The relevant shareholdings in VRL are:

24.1 New Zealand Deer Farms Limited (60.2%);

24.2 Killin Limited (19.9%);

24.3 PPCS (19.9%).

Subsidiaries

25 VRL does not have any subsidiaries or other "downstream" interests.

Beneficial interests/entitlements between participants

26 As stated above, PPCS is a 19.9% shareholder in VRL.

Formal links between participants

27 There is a supply agreement in place between VRL and PPCS. [

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28 The participants are also formally linked through PPCS's 19.9% shareholding in VRL. The constitution of VRL provides for PPCS to appoint one of the four directors on the board. Significantly, the VRL constitution also contains pre-emptive rights provisions which give PPCS first option

over any shares being offered by New Zealand Deer Farms Limited and a pro-rata option to take any shares offered for sale by Killin Limited.

DIRECTORSHIPS

29 PPCS has 12 directors, most of whom hold multiple directorships. None of these directors, however, hold directorships in other companies involved in the meat processing industry.

The business activities of each participant (and interconnected or associated parties)

PPCS

30 The principal activity of PPCS is the procurement, processing, marketing and exporting of lamb, sheep, beef, bobby veal, venison and goats from which it produces hundreds of different finished products.

31 PPCS owns stock processing plants throughout New Zealand. With respect to venison, it operates plants in the South Island at Burnside; Hokitika; Islington; Kennington; and Mossburn. Te Kauwhata is PPCS's only venison facility based in the North Island, although PPCS also employs [ ] in the North Island to process deer on its behalf.

32 PPCS also operates the following plants that do not process deer; Belfast; Canterbury; Dargaville; Fairton; Finegand; Hawera; Oringi, Pacific, Paeroa; Pareora; Richmond leathers; Shannon; Stortford, Takapau; Te Aroha; Tirau; Waitotara; Silverstream and Waitane. A map indicating the locations of all PPCS plants in New Zealand is attached as ***Appendix D***.

VRL

33 Based in Rotorua, VRL operates one plant which specialises in the procurement and processing of deer.

34 In carrying out its day-to-day functions, VRL interacts directly with farmers via its procurement activities. On the operational side, VRL processes deer and ensures plant compliance. VRL onsells [ ] product to PPCS for export [ ].

The reasons for the proposal and the intentions in respect of the acquired or merged business

35 PPCS has been approached by the only other shareholders in VRL, New Zealand Deer Farms and Killin Limited regarding the possibility of exiting the Company and offering their respective shareholdings to PPCS. New Zealand Deer Farms' approach is consistent with their public announcement in January 2005 that it is intending to sell its seven farms. [ ]. As discussed in

paragraph 28 above, the Constitution of VRL provides for a pre-emptive rights regime to operate in the situation where an existing shareholder wishes to transfer their shares.

36 The details of the proposed acquisition and the discussions surrounding it are at a very preliminary stage. PPCS has decided to seek Commission approval before proceeding any further with negotiations.

37 PPCS sees the acquisition as a logical one. PPCS, following its amalgamation with Richmond, has a significant presence in the North Island meat processing industry, [

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PART II: IDENTIFICATION OF MARKETS AFFECTED

Horizontal Aggregation

38 The Commission has considered issues relating to the meat industry at numerous stages over the years. From the various Commission reports it is easy to identify broad themes relating to market definition, namely:

38.1 The geographical dimension of the market extends to – but is limited to – each of the entire North and South Islands;

38.2 The product dimension of the market is generally defined narrowly by reference to specific types of stock; and

38.3 The functional dimension of the market is the procurement of stock for both slaughter and processing.

39 On that basis, the market affected by the present application is the North Island market for the procurement and slaughter of deer. Details of this market are set out below.

Product market

40 The Commission's earlier decisions found that the product dimension is defined in terms of each type of stock. VRL is a specialist deer processor and therefore the proposed acquisition only involves a possible aggregation relating to deer.

41 The PPCS/Mair Report investigated the present market and all of the parties involved with this application. This being the case, the PPCS/Mair Report provides a useful reference point on the issue of market definition. In the PPCS/Mair Report the product market was defined at paragraph 100 as being the market for the procurement and slaughter of deer.

42 The Commission came to this conclusion on the basis that, on the supply side, deer processing facilities were sufficiently different from other facilities to make the market distinct from other types of animal procurement and slaughter. A farmer would not take cattle to a deer processor for example.

43 A livestock plant needs to be specifically modified to take account of the type of animal being processed. The Commission recognised in the PPCS/Mair Report that plants in the long run could be converted from sheep or beef processing to venison processing, but not so easily that all livestock should come within the same market.

44 For similar reasons to those supporting the findings in the PPCS/Mair Report (and numerous other decisions dealing with the livestock industry), the product market should be defined as specifically relating to deer.

Functional market

45 The relevant functional level is the procurement of deer for slaughter. In previous decisions the Commission has acknowledged that processing is inextricably linked to procurement, (see for example *Weddell*, Decision 273, at paragraph 105).

Geographic market

46 In earlier Decisions (see for example *Richmond Limited and Lowe Walker NZ Limited*, Decision 316; *Richmond Limited and Waitotara Meat Company Limited,* Decision 371; *Canterbury Meat Packers Limited*, Decision 441) the Commission has defined the geographical extent of livestock markets as pertaining to either the North or South Island.

47 This approach of dividing the New Zealand livestock industry into markets encompassing a particular Island was due to the fact that animals are only rarely transported between islands for slaughter. This means processors source supply primarily from the particular island in which they are based. Although this is a conservative approach, as the Commission itself recognised in *Canterbury Meat Packers*, it has become the norm in regard to geographical market definition for livestock markets.

48 There is no reason to suppose that deer should be defined as being in a geographical market any different in extent to the ones found for other types of livestock. This fact was recognised in the PPCS/Mair Report, where the Commission specifically considered the geographic market for deer and stated at paragraph 108 that:

> *"Commission staff have not received any information suggesting that the extent of deer markets should be considered differently than geographic markets for other forms of livestock. Likewise, no compelling evidence has been produced that would suggest the market should be any narrower than the North or South Islands".*

49 The Commission has noted previously that the further that deer are made to travel, the greater the risk that the animals will injure themselves. This being the case, deer are less likely than other livestock to be transported between the North and South Island.

50 The reluctance to transport deer does not mean that the deer market should further be sub-divided into smaller localised or regional markets. Instead the numerous regional markets overlap and interrelate to form a market covering the entirety of each island. This is evident from the PPCS/Mair Report where the Commission considered (at paragraph 105) that as a result of a "chain of substitution", all animals were substitutable within a particular Island.

51 It is clear from this analysis therefore that the geographical dimension of the market for the procurement and slaughter of deer for the present acquisition is the entire North Island.

Summary

52 The relevant market for competition analysis of the PPCS acquisition of VRL is the North Island market for the procurement and slaughter of deer.

Differentiated Product Markets

53 Product differentiation is not a significant feature of domestic deer markets. This being the case, the application treats the market as one broad market only.

Vertical integration

54 The proposed transaction will not result in any additional vertical integration in the market for the procurement and slaughter of deer as both VRL and PPCS are already vertically integrated.

Previous notifications to the Commission or acquisitions

55 PPCS has been involved in recent acquisitions and notifications to the Commission with respect to the relevant market of deer procurement and processing.

56 The first transaction in April 2001 involved the acquisition by PPCS of all of Mair Venison Limited including:

56.1 Mair's Rotorua, Hokitika and Kennington deer processing plants; and

56.2 Mair's plant, equipment and consumables relating to its deer processing operations.

57 This was followed in June 2001 by PPCS increasing its shareholding in Richmond. The transactions involving Mair and Richmond were investigated by the Commission in The PPCS/Mair Report mentioned earlier in this notice and it was concluded that there was no breach of the Commerce Act.

58 In August of 2004 PPCS completed a full takeover of Richmond, acquiring the remaining 37% of the shares in the company. Subsequently, Richmond was amalgamated with PPCS effective as at the 30th of January 2005.

PART III: CONSTRAINTS ON MARKET POWER BY EXISTING COMPETITION

Existing Competitors

59 A table showing PPCS's estimates of the market shares of the existing competitors in the North Island deer procurement and processing market is attached as ***Appendix A***. The table shows that PPCS currently procures approximately [ ] of the available North Island market for the slaughter of deer. VRL has a [ ] share of the total North Island market. After the proposed acquisition takes place therefore PPCS will have approximately [ ] of the market. PPCS notes that the table specifies PPCS' estimates only and is incomplete due to PPCS having limited knowledge of the activities of its competitors. The Commission of course, in this respect is better positioned to extract accurate data.

60 Any market concentration should, however, be seen in the context of the Commission's findings in the PPCS/Mair Report that VRL is already associated, and therefore to a significant extent controlled, by PPCS. This being the case, the proposed acquisition will not materially alter any market power that may be exerted by PPCS.

Constraints imposed by existing competition

61 The constraint placed on PPCS by existing competitors within the market is significant. Such constraint exists primarily because of the low barriers to expansion of production for current market participants.

62 Existing participants can expand production by:

62.1 Instituting double shifts;

62.2 Utilising spare capacity;

62.3 Transferring capacity from one type of livestock to deer (in the case of plants involved in multi-species processing);

These options for expansion are discussed further below.

Double shifts

63 An important feature of livestock procurement and slaughter is the scope for existing capacity to be increased, for example by adding extra shifts. This means that plants can effectively double capacity without having to undergo the large costs involved with plant setup. Obviously there has to be enough labour available to staff double shifts but such issues are

relatively insignificant if the prospect of increased returns make this a profitable venture.

64 The ability for other participants to easily increase capacity greatly reduces the competitive impact of a market concentration. For example, the Commission was informed during its investigation of the PPCS/Mair transaction that deer processing plants (see paragraph 181 of the PPCS/Mair Report):

> *"have excess deer processing capacity, and can easily expand that capacity by double-shifting in response to a decrease in procurement prices".*

65 Before any excess capacity can be utilised, there must be sufficient security of supply. Farmers are very price sensitive and can (and do) easily switch their supply in response to better prices elsewhere. This further ensures that processors must offer competitive prices so that they can continue to obtain adequate supply.

66 These factors led the Commission to accept in the PPCS/Mair Report that the ability of existing deer processing plants to increase capacity by double-shifting provided constant protection against a player being able to exert any form of market power.

Spare capacity

67 There is also scope for existing competitors to utilise any processing capacity that is currently unused. Utilisation of "mothballed" plant is one possibility, but more likely is the utilisation of unused chains located within already operational facilities. Such chains can be easily and rapidly deployed at a fraction of the cost of reopening closed plants.

68 The main limitation on both the ability of processors to double shift and the ability to utilise spare capacity is often not that processors cannot kill any more deer, but rather that carcass chilling, boning and packing facilities are limited, affecting the ability to further process.

69 This limitation can be overcome by transferring carcasses to offsite boning rooms for further processing. This allows processors to increase slaughter to a level which exceeds its boning capacity, making it possible to increase output dramatically.

Transfer of capacity

70 Competitors that process a few different types of species at their plants have the opportunity to switch some (or all) of their capacity from other stock types to deer.

71 Taylor Preston and Auckland Meat Processors are examples of North Island multi-species plant that could potentially have more of their capacity

diverted to deer if procurement prices made it viable. Such plants are very responsive to price changes and will quickly divert capacity in search of greater margins.

Summary

72 The factors leading to the Commission's findings in the PPCS/Mair Report that existing competition provided sufficient constraint to the merged entity are still relevant for the present application. There are still enough participants who have the ability to increase capacity through double-shifts and some plants have excess capacity without instituting such shifts.

Market influences

73 The current state of the deer industry further increases the constraint provided by existing competition. In fact, constraint provided from existing competition is greater than at the time of the PPCS/Mair Report, despite the fact that constraints provided by existing competitors were described in that Report as "strong".

74 The New Zealand deer industry has been experiencing low prices for a number of years. As a result, the once expanding deer population is now contracting with large numbers of deer being slaughtered as farmers exit the industry. This high demand for slaughter has in turn corresponded to increased processing capacity being devoted to deer.

75 When these high killing rates subside (as the exit process runs its course) there will be surplus capacity as demand for processing declines. This will lead to enhanced competition between existing processors who will have to compete vigorously for supply from farmers who have remained in the industry.

76 It is unlikely any firm (including PPCS) could exercise market power in this new competitive environment.

Coordination effects

77 The Commission was concerned in the PPCS/Mair Report that the effective duopoly structure arising as a result of the Mair and Richmond acquisitions would raise the prospect of coordinated behaviour.

78 This should not be a concern of the Commission in the present application given that, following the PPCS/Mair Report, PPCS and VRL are already associated. This acquisition will not change the state of affairs in this regard.

79 Although there are some features to the market that are conducive to coordination (such as high market share and the custom of processing companies to publish price schedules), other features that can be conducive to coordination are not present, for example:

79.1 significant entry into the market is possible over a relatively short space of time and there are also a large number of potential competitors. In particular, in addition to the existing competition listed in Appendix A, there are a range of potential competitors active in the procurement of livestock for slaughter, but not specifically deer. These potential competitors are set out in ***Appendix E***;

79.2 there are a number of smaller competitors that are in a position to expand their operations and compete for deer. Importantly, there are no features of the market that militate against expansion by small competitors compared with the larger operators. Small operators have the same opportunities and the same limitations as any of the major processors;

79.3 the smaller firms involved in the market reduce the opportunity for coordination or collusion as the incentive for these firms to "cheat" would be high.

80 Furthermore, in the years following the PPCS/Mair Report, there has been no evidence of any coordinated behaviour in fact occurring. This being the case, the Commission should be satisfied that coordinated behaviour is not a relevant concern for the purposes of this application.

Summary

81 As noted, PPCS will be constrained after the acquisition by the conduct of existing competitors.

PART IV: CONSTRAINTS ON MARKET POWER BY POTENTIAL COMPETITION

Potential competitors

82 The most likely potential entrants into the market for deer processing and procurement in the North Island are procurers who employ a third party to process the deer they purchase.

83 Another category of likely entrants are those companies involved in the processing of livestock (particularly in the North Island) who do not currently process deer. Such companies have the necessary expertise in the industry, and are able to convert existing facilities for other livestock into deer processing facilities.

84 Attached as ***Appendix E*** is a table outlining participants in the North Island livestock procurement and slaughter industry who are not currently involved in the North Island market for deer.

85 Beef chains should be seen as capable of providing particularly strong constraint on any merged entity, as the similar size of beef and deer carcasses make beef chains especially easy to transfer to deer processing.

Options for new entry

86 There are four different ways in which a potential competitor could enter the North Island market for the procurement and slaughter of deer. A new entrant could choose to:

86.1 procure deer and employ a third party processor;

86.2 build a new plant specialising in deer;

86.3 convert an existing plant from another type of livestock to deer either partially or in full; or

86.4 purchase an existing deer processing plant.

Conditions influencing new entry

87 Of these options, the easiest and most likely is the procurement of deer for third party processing. This is the cheapest option, carries the least risk involved with capital expenditure, and is also the most timely.

88 The next most likely is the conversion of an existing plant into deer processing. As mentioned above, beef chains are especially easy to transfer to deer processing, so entry in this manner can be quick and easy.

89 New entry into processing is also a distinct possibility. In *Canterbury Meat Packers*, Decision 441, the Commission considered entry conditions for new processing plants and identified such conditions as:

89.1 satisfying regulatory requirements for new plant - including resource management requirements and MAF standards;

89.2 obtaining quota - to enable a firm to sell significant volume;

89.3 finance - raising sufficient capital to fund entry;

89.4 exit costs - risks associated include redundancy and clean-up costs.

90 The meat industry has a long history of new entry with all the requirements set out above satisfied in each case. The market for the procurement of deer for slaughter in the North Island can be more straightforward in that there are no quota restrictions on venison.

Likelihood of entry

91 This likelihood of such entry is crucial in ascertaining the extent to which potential competitors would provide constraint to incumbent players. In this case, the likelihood of entry is dependent upon the commercial returns that can be expected to be gained from entry.

92 In the PPCS/Mair Report the Commission consider the likelihood of entry by existing livestock processors to be strong, but that new entry was unlikely to occur from a source not already involved in the procurement and processing of livestock other than deer.

Time for entry

93 It is estimated that an existing livestock processor in the North Island could convert a plant from one type of livestock to deer in about 3 months. A greenfields plant however could be built in 6 months, while the entire project with consents could be achieved in 12 months.

Partial entry

94 Carcass transfers mentioned in paragraph 69 can also work in the other direction, allowing processors equipped with spare boning capacity to have animals killed offsite and transferred to their boning rooms. This is particularly relevant for meat processors that are not involved in deer processing. Whilst not providing complete entry, to the extent that slaughter occurs offsite, this partial entry can still provide effective constraint.

95 Whilst some effort must be put into transferring killing chains from one species to another, processors not usually involved with deer slaughter can have deer killed offsite at specialist deer processing facilities, and then transferred to their boning rooms. Similar skills are used in boning different species, so any required up-skilling of labour is relatively easy to achieve. New entry in this manner could be both fast and cost effective.

Conditions influencing de novo entry

96 The points made in paragraphs 86, 89 and 90 apply equally here. Any commercial incentive to enter must outweigh the risks of capital expenditure.

97 An important consideration affecting the decision to enter de novo is the high barriers to exit that exist due to the large sunk costs involved with setting up a new plant.

Summary – potential competitors

98 The threat of existing livestock processors switching to deer if the opportunity arose was sufficient to lead the Commission in the PPCS/Mair Report to conclude at paragraph 190 that:

> *"... entry of other livestock processors is sufficiently viable to be a constraint on the exercise of either unilateral or coordinated market power by the existing deer processors."*

99 Although true de novo entry (by an entity not involved in the procurement and processing of livestock) is less likely, barriers to entry are not likely to deter expansion – both of existing deer processing capacity and of capacity

currently committed to livestock other than deer. Potential competition is therefore likely to provide constraint on the merged entity post-acquisition.

PART V: OTHER POTENTIAL CONSTRAINTS

Constraints on Market Power by the Conduct of Suppliers

100 The suppliers to the market are farmers.

101 The markets for the procurement of livestock are characterised by the ability for farmers being able to switch supply to whatever plant offers the best price. This being the case, the merged entity will have to remain price competitive to ensure that supply from farmers continues.

Constraints on Market Power by the Conduct of Acquirers

102 There will be no party who will acquire products from the merged entity in the procurement and processing market.

THIS NOTICE is given by Stewart Barnett on behalf of PPCS Limited.

I Stewart Barnett, of Dunedin, Chief Executive Officer of PPCS am authorised to make this application on its behalf.

I hereby confirm that:

- All information specified by the Commission has been supplied;
- All information known to the applicant(s) which is relevant to the consideration and determination of this application has been supplied; and
- All information supplied is correct as at the date of this application.

I undertake to immediately advise the Commission of any material change in circumstances to the application.

Dated this 20th day of April 2005

Signed by Stewart Barnett

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Chief Executive Officer
PPCS Limited

APPENDIX A: EXISTING COMPETITORS IN THE NORTH ISLAND MARKET FOR THE PROCUREMENT AND SLAUGHTER OF DEER

Company	Daily Capacity	Approx Procurement Volume (000) Head*	Approx Processing Volume (000) Head*
PPCS Limited	[ ]	[ ]	[ ]
Venison Rotorua Limited	[ ]	[ ]	[ ]
Duncan & Co	[ ]	[ ]	[ ]
CERCO	[ ]	[ ]	
Crusader Meats	[ ]	[ ]	
Taylor Preston**	[ ]	[ ]	[ ]
Auckland Meat Processors**	[ ]	[ ]	[ ]
Progressive Meats	[ ]		[ ]
Venison Packers Fielding	[ ]		[ ]
Venex Wairoa	[ ]		
Egmont Venison			

*Figures based on actual kill for North Island for 12 months to end of December 2004. Percentages exclude unknown figures.
**Venison processing on beef chain therefore no set venison capacity.

APPENDIX B: NEW ZEALAND DEER INDUSTRY EXPORTS

2000 – 2004

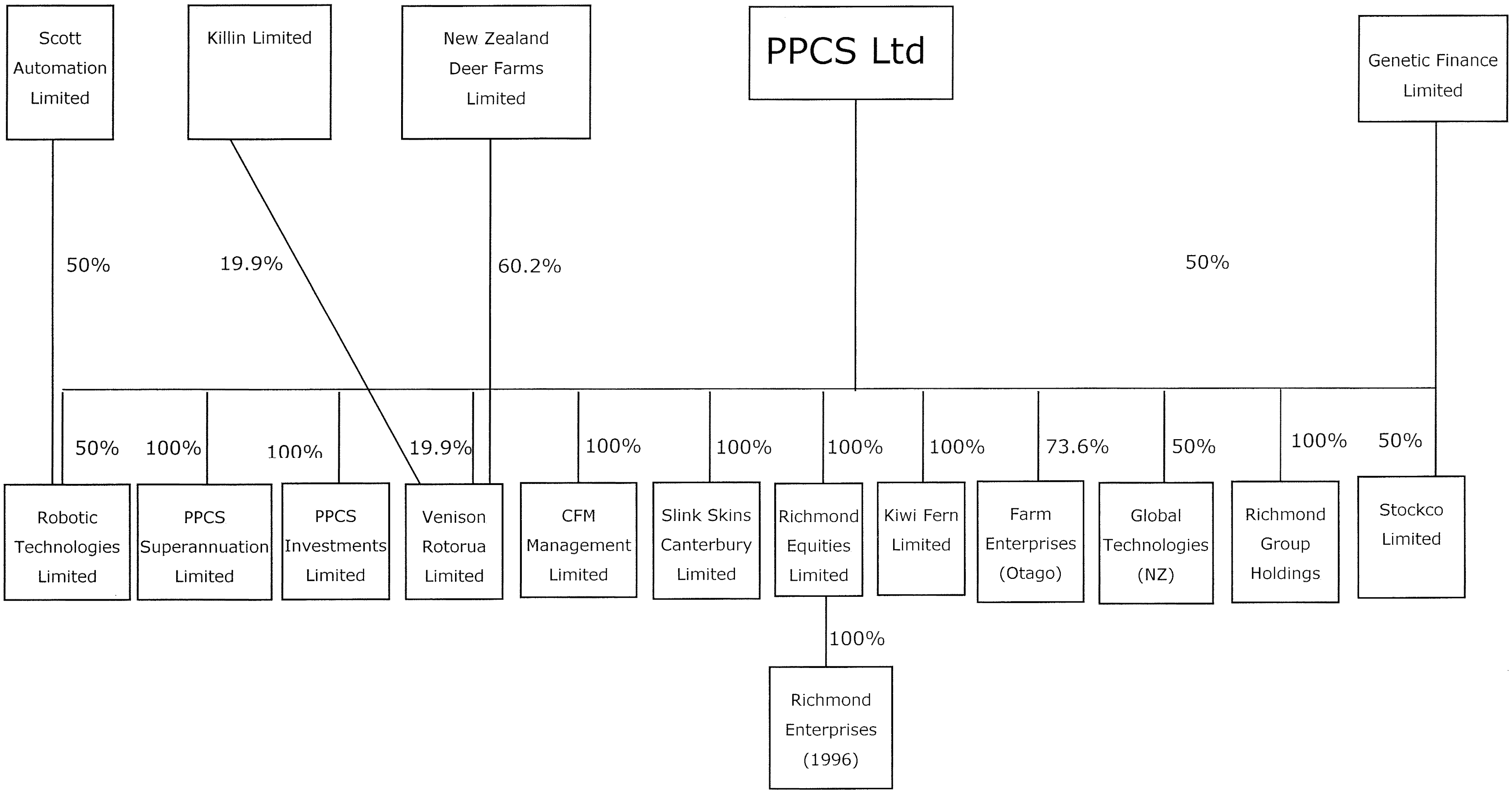
Volume of Total Deer Industry Exports

June Years	**2000**	**2001**	**2002**	**2003**	**2004** *Provisional*
Venison (Kg)	15,693,101	17,733,850	16,042,353	16,240,175	21,892,108
Velvet (Kg)	124,468	179,320	218,054	162,090	209,432
Hides (Num)	306,113	356,793	323,875	334,991	441,817
Co-Products (Kg)	1,572,601	1,592,922	749,529	527,397	944,388
Leather (Sq Metre)	82,777	121,161	70,066	87,382	98,026
Live Exports (Num)	41	66	0	280	18

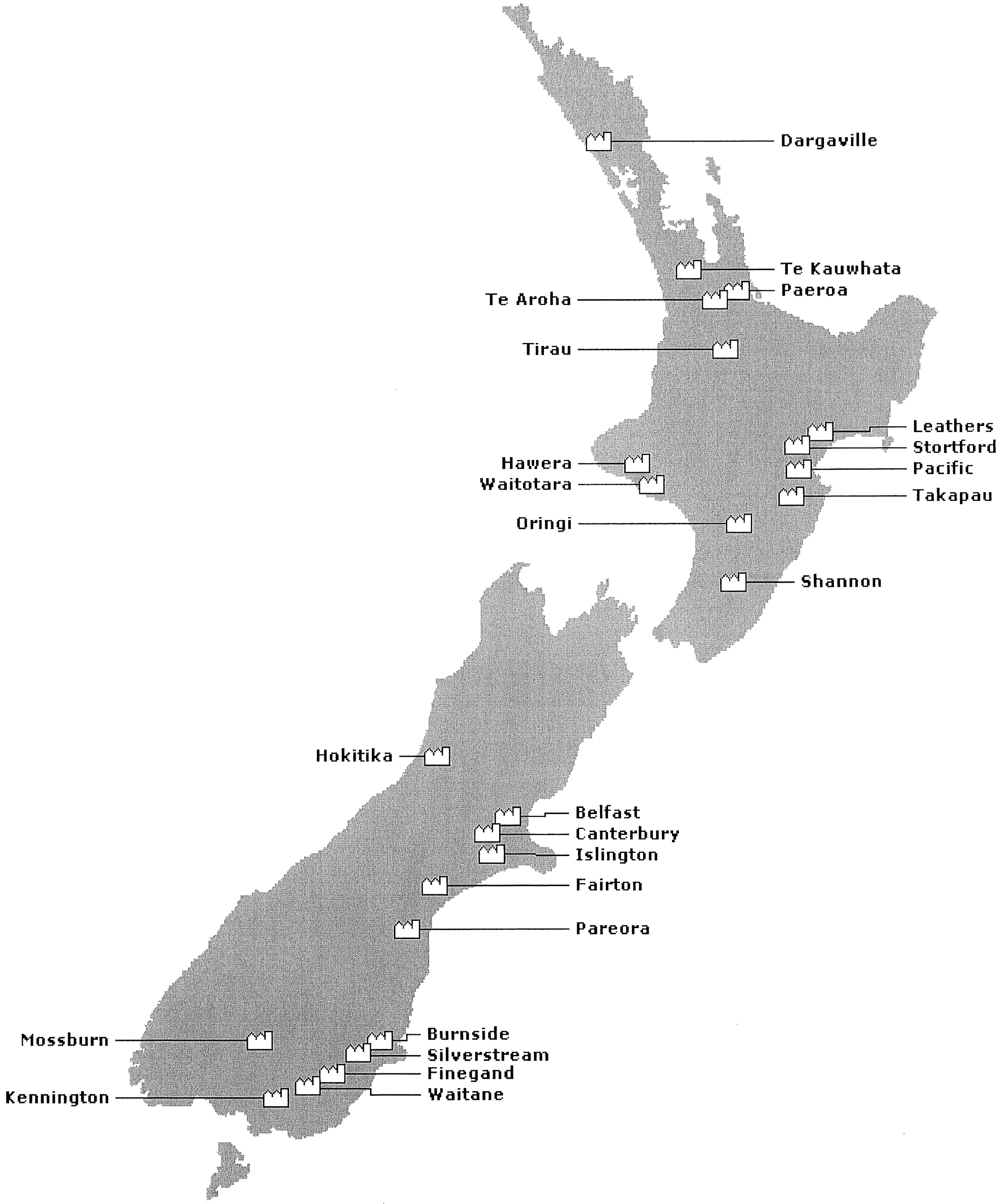
Value of Total Deer Industry Exports

June Years	**2000**	**2001**	**2002**	**2003**	**2004** *Provisional*
Venison	$157,384,754	$230,177,275	$214,801,600	$158,220,208	$176,241,764
Velvet	$34,291,898	$35,792,385	$37,927,221	$28,783,139	$27,038,628
Hides	$7,165,382	$8,430,391	$8,463,016	$8,417,022	$10,559,555
Co-Products	$12,982,371	$13,587,723	$9,208,336	$9,509,780	$8,616,318
Leather	$3,833,203	$7,459,308	$4,019,945	$5,450,414	$5,402,270
Live Exports	$60,114	$81,765	$0	$318,304	$13,872,080
TOTAL	$215,717,722	$295,528,847	$274,420,118	$210,698,867	$227,872,080

APPENDIX C: PPCS CORPORATE STRUCTURE



APPENDIX D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Te Kauwhata
Paeroa
Te Aroha
Tirau
Leathers
Stortford
Pacific
Takapau
Hawera
Waitotara
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Hokitika
Belfast
Canterbury
Islington
Fairton
Pareora
Mossburn
Burnside
Silverstream
Finegand
Kennington
Waitane

PLANT DETAILS

Name	**RMP ID**	**Process**	***Staff (Peak)***
Belfast	ME15	Beef	275
Burnside	PH353/HS 30	Venison	120
Canterbury	ME37	bobby veal, goat, lamb/mutton	445
Dargaville	ME125	Beef	250
Fairton	ME16	bobby veal, goat, lamb/mutton	515
Finegand	ME26	beef, goat, lamb/mutton	1065
Hawera	ME9	Beef	600
Hokitika	PH206	Venison	45
Islington	PH366	Venison	80
Kennington	PH21	Venison	35
Mossburn	PH58	Venison	35
Oringi	ME60	bobby veal, goat, lamb/mutton	750
Pacific	ME52	Beef	620
Paeroa	ME75	bobby veal	300
Pareora	ME34	beef, bobby veal, goat, lamb/mutton	730
Richmond Leathers	HS 34	Hides	85
Shannon	HS 35	Hides	110
Silverstream	ME113	Further processing	580
Stortford	PH 14	Further processing	45
Takapau	ME58	lamb/mutton	1200
Te Aroha	ME84	Beef	420
Te Kauwhata	PH507	Venison	45
Tirau	ME88	bobby veal, lamb/mutton	130
Waitane	ME112	bobby veal, goat, lamb/mutton	290
Waitotara	ME102	bobby veal, goat, lamb/mutton	335

APPENDIX E: POTENTIAL COMPETITORS

Participants in the North Island livestock procurement and slaughter industry not currently involved in the North Island Market for deer

Participant	Stock Processed	Plant Locations
AFFCO	Beef, Sheep, Lamb, Goat	Moerewa; Hamilton; Wairoa; Wanganui; Te Puke; Feilding
Bernard Matthews New Zealand	Sheep, Lamb	Waipukurau; Gisborne; Feilding
Crusader Meat New Zealand	Lamb	Benneydale (Te Kuiti)
Frasertown Meat Company	Sheep, Lamb, Goat	Wairoa
Greenlea Premier Meats	Beef	Morrinsville; Hamilton
Land Meat New Zealand	Beef, Sheep, Pigs	Wanganui
Riverlands	Beef	Eltham; Bulls
Te Kuiti Meat Processors	Sheep, Lamb	Te Kuiti
UPB Ltd	Beef	Te Kuiti
Wallace Corporation	Beef, Horse, Sheep, Lamb, Pigs	Waitoa; Thames