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COMMERCE COMMISSION

Decision No. 454

Determination pursuant to the Commerce Act 1986 in the matter of an application for a clearance of a business acquisition involving:

MAINLAND PRODUCTS LIMITED

and

SOUTHERN FRESH MILK COMPANY LIMITED

The Commission: MJ Belgrave
PR Rebstock
PJM Taylor

Summary of Application: The acquisition by Mainland Products Limited, or any of its interconnected bodies corporate, of up to 100% of the shares in or assets of Southern Fresh Milk Company Limited and/or any of its interconnected bodies corporate.

Determination: Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition.

Date of Determination: 14 February 2002

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THE PROPOSAL

1. On 18 December 2001 Mainland Products Limited (Mainland) registered a notice with the Commission seeking clearance under s66 (1) of the Commerce Act 1986 for it or any of its interconnected bodies corporate to acquire up to 100% of the shares in or assets of Southern Fresh Milk Company Limited and/or any of its interconnected bodies corporate (Southern Fresh).

THE PROCEDURES

2. Section 66(3) of the Act requires the Commission either to clear, or to decline to clear, a notice given under section 66(1) within 10 working days, unless the Commission and the person who gave the notice agree to a longer period. An extension of time was sought by the Commission and agreed to by the Applicant. Accordingly, a decision on the application was required by Thursday 14 February 2002.

3. In its application, Mainland sought confidentiality for certain information contained in the application. A confidentiality order was made in respect of that information for a period of 20 working days from the Commission's determination of the notice. When that order expires, the provisions of the Official Information Act 1982 will apply.

4. The Commission's determination is based on an investigation conducted by its staff, and their subsequent advice to the Commission.

5. The Commission's approach is based on principles set out in the Commission's *Practice Note 4*.[1]

THE PARTIES

Mainland

6. Mainland is a private company which is 100% owned by Australasian Food Holdings Limited which is owned by Fonterra Co-operative Group Limited (Fonterra). Its main business activities include the acquisition of unprocessed milk from Fonterra for manufacture into fresh and UHT milk, cream, yoghurt, other cultured milk products and specialty cheeses; the packing, wholesaling and marketing of certain dairy products for the domestic market; the manufacture and packaging of specialty cheeses for export; the wholesaling of processed meats and small goods; and the wholesale supply of chilled food products.

7. The major brands of dairy products owned and used by Mainland are Mainland, Valumetric, Galaxy, Ferndale, Tararua and Meadow Fresh. Of particular relevance to this Application is Mainland's involvement in the processing and wholesale supply of town milk in the South Island and the supply of its Meadow Fresh milk brand.

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[1] Commerce Commission, *Practice Note 4: The Commission's Approach to Adjudicating on Business Acquisitions Under the Changed Threshold in Section 47 – A Test of Substantially Lessening Competition*, May 2001.

8. Mainland supplies the majority of the South Island from its Christchurch processing plant, and the Southland and Otago regions from its plant in Dunedin.

Southern Fresh

9. Southern Fresh is a processor and wholesaler of town milk. Invest South Limited, an investment company, holds 16% of Southern Fresh's shares, Southern Dairy Investments Ltd holds 8%, and the balance is held by its farmer suppliers through Southland Co-operative Milk Producers Ltd. Southern Fresh has a franchise agreement with New Zealand Dairy Foods Limited (Dairy Foods), under which it processes and sells milk under the "Anchor" brand in Otago and Southland. It also contract processes and packs milk under the "Anchor" brand for Dairy Foods for sale in Canterbury. It produces and supplies milk under its own "So Fresh" brand in the Otago and Southland regions and produces and supplies housebrand milk to Woolworths in Otago and Southland.

10. Southern Fresh also manufactures ice cream and white sauce for export.

OTHER RELEVANT PARTIES

Fonterra

11. The Dairy Industry Restructuring Act 2001 (DIR Act) authorised the amalgamation of New Zealand's two largest dairy co-operatives, the New Zealand Co-operative Dairy Company Limited and Kiwi Co-operative Dairies Limited, into Fonterra.

12. Fonterra's total annual turnover is about $14 billion. It generates over 20% of New Zealand's export revenues, and more than 7% of its GDP.

13. About 20,000 people are employed by Fonterra in approximately 120 countries. The company operates two major divisions. New Zealand Milk and New Zealand Milk Products ("NZMP"). New Zealand Milk accounts for about 41% of the company's turnover, and produces fast-moving consumer goods ("FMCG"). NZMP is responsible for about 55% of turnover, and handles milk collection and processing, as well as the global ingredients business.

Dairy Foods

14. Dairy Foods is currently 50% owned by Fonterra and 50% by approximately 6300 farmers. Section 9 of the Dairy Industry Restructuring Act 2001(the Dairy Act) requires divestment of Fonterra's shareholding in Dairy Foods to occur by September 2002. Dairy Foods advised that [

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15. Dairy Foods manufactures, markets and distributes chilled dairy products in the domestic and export markets. It has three divisions – Foods, Beverages and International. The Beverages division processes milk, cream and flavoured milk. Dairy Foods has a town milk processing plant in Takanini and has a 50% shareholding in Marlborough Milk Ltd.

Dairy Foods has a franchise arrangement with Southern Fresh under which Southern Fresh processes and sells milk under the “Anchor” brand in Otago and Southland. Southern Fresh also contract processes and packs milk under the “Anchor” brand for Dairy Foods for Canterbury.

16. Dairy Foods has completed building a new town milk plant in Christchurch. The plant which Dairy Foods intends to be operating on a commercial basis by April 2002, will have the capacity to produce [ ] million litres a year at that time. However it will not immediately have the demand or sufficient distribution infrastructure and will initially be producing approximately [ ] litres a day ([ ] million litres a year). This production will be augmented by milk from Marlborough Milk. It intends to be in a position to produce [ ] million litres a year by the end of 2002 and this can in time be expanded to [ ] million litres.

Marlborough Milk Ltd (Marlborough Milk)

17. Marlborough Milk is based in Blenheim. It is owned 50% by Dairy Foods and 50% by six farmers who supply raw milk to Marlborough Milk. Its current production is [ ] litres a year.

Gisborne Milk Co-operative Ltd (Gisborne Milk)

18. Gisborne Milk is an independent town milk company owned by 15 dairy farmers. It obtains its raw milk from its shareholders and produces approximately 14 million litres of town milk a year. It sells town milk under its own label, Gisborne Fresh, mainly in the Gisborne region and also supplies milk to Tussock Milk.

Tussock Milk Ltd (Tussock)

19. Tussock started selling town milk under its Tussock Milk label in Auckland four weeks ago. It supplies 12 Woolworths stores and various other retailers. It currently sells about 4000 litres a day (1.46 million litres per year). Its milk is supplied and contract packed by Gisborne Milk.

Supermarkets, Oil Companies and Milk Vendors

20. Forty percent of town milk in New Zealand is sold through supermarkets. The three supermarket chains in New Zealand are the Foodstuffs companies, Progressive and Woolworths. Supermarkets sell both the town milk companies’ brands, and their own brands, packed by the town milk companies (“housebrands”). The oil companies are significant retailers of milk through their service station outlets. Milk vendors also account for significant retail sales, delivering milk to the route trade, which includes dairies, service stations and other non-supermarket retailers, and through home delivery, which is still common in the South Island.

INDUSTRY BACKGROUND

21. The Commission has previously assessed the potential acquisition of Southern Fresh by Mainland, Decision 428, 18 May 2001. In addition it has assessed a number of business acquisition proposals involving dairy companies recently. These include:

- Mainland Products Limited/Nelson Milk Company, Decision 396, 7 June 2000;
- MergeCo Draft Determination, 27 August 1999;
- Kiwi Co-operative Dairies Limited/South Island Dairy Co-operative Limited (SIDCO) Decision 341, 26 February 1999; and
- Mainland Products Limited/South Island Dairy Farmers Co-operative Limited (SIDF) Decision 324, 12 May 1998.

22. These reports, particularly the MergeCo Draft Determination and Decision 428, provide detailed background to the dairy industry. The following is a description of the changes that have occurred in the industry since Decision 428.

23. On 16 October 2001, Fonterra Co-operative Group Limited (Fonterra) was formed. The Dairy Industry Restructuring Act 2001 (Dairy Act) came into force on the 26th of September 2001. The formation of Fonterra has brought together Kiwi Co-operative Dairies Limited (Kiwi) and The New Zealand Co-operative Dairy Company Ltd (Dairy Group). The activities of the New Zealand Dairy Board will be amalgamated into Fonterra by 27 September 2002.

24. Fonterra is continuing and proposes to continue the activities undertaken by Kiwi, Dairy Group and the New Zealand Dairy Board, prior to 16 October 2001. Fonterra's principal activities include:

    - the manufacture and sale of butter, cheese, dried milk or casein, and other milk products;
    - sale of milk and milksolids; and
    - the collection, treatment and distribution of milk and cream.

25. Fonterra is required by the Dairy Industry Restructuring (Raw Milk) Regulations 2001 to supply raw milk to anyone in New Zealand who seeks it, including competitors, up to a maximum of 400 million litres per year (around 3% of the Company's total annual milk production). Of the 400 million litres, Fonterra must supply Dairy Foods with up to 250 million litres a year and any other customer up to 50 million litres a year. The current total demand for raw milk for town milk production in the South Island is 90 million litres per year.

MARKET DEFINITION

26. The Act defines a market as:

> *…. a market in New Zealand for goods or services as well as other goods or services that, as a matter of fact and commercial common sense, are substitutable for them.*

27. For the purpose of competition analysis, a relevant market is the smallest space within which a hypothetical, profit-maximising, sole supplier of a good or service, not constrained by the threat of entry, could impose at least a small yet significant and non-transitory increase in price, assuming all other terms of sale remain constant (the 'ssnip test'). For the purpose of determining relevant markets, the Commission will generally consider a ssnip to involve a five percent increase in price for a period of one year.

28. It is substitutability that would occur in the counterfactual, which is relevant in defining markets. Where the Commission considers that prices in a given market are significantly different from competitive levels, it may be necessary for it to assess the effect of a ssnip imposed upon competitive price levels, rather than upon actual prices, in order to detect relevant substitutes.

29. The Commission will seek to define relevant markets in terms of four characteristics or dimensions:

- the goods or services supplied and purchased (the product dimension);
- the level in the production or distribution chain (the functional level);
- the geographic area from which the goods or services are obtained, or within which the goods or services are supplied (the geographic extent); and
- the temporal dimension of the market, if relevant (the timeframe).

30. The Commission will seek to define relevant markets in a way that best assists the analysis of the competitive impact of the acquisition under consideration. A relevant market will ultimately be determined, in the words of the Act, as a matter of fact and commercial common sense.

31. The Applicant submitted that the markets in which there would be an aggregation of business activities as a result of the proposed acquisition are the same as those accepted by the Commission in Decision 428. Those markets are:

- the acquisition/supply of raw milk in the South Island; and
- the processing and wholesale supply of town milk in the South Island.

Product Dimension

32. The delineation of relevant markets as a basis for assessing the competitive effects of a business acquisition begins with an examination of the goods or services offered by each of the parties to the acquisition. Both demand-side and supply-side factors are generally considered in defining market boundaries. Broadly speaking, a market includes products that are close substitutes in buyers' eyes on the demand-side, and suppliers who produce, or are able easily to substitute to produce, those products on the supply-side.

33. The Commission takes the view that the appropriate time period for assessing substitution possibilities is the longer term, but within the foreseeable future.[2] The Commission

[2] In *Tru Tone Ltd v Festival Records Retail Marketing Ltd* [1988] 2 NZLR 351 Smellie J and the Court of Appeal on appeal approvingly quoted an earlier decision of the Commerce Commission in *Edmonds Food Ind Ltd v W F Tucker & Co Ltd* (Decision 21, June 1984) where the Commission had ruled: "A market has been

considers this to be a period of one year, which is the period customarily used internationally in applying the 'ssnip' test (see below) to determine market boundaries. The Commission will take into account recent, and likely future, changes in products, relative prices and production technology in the process of market definition.

Demand-side and Supply-side substitution

34. Close substitute products on the demand-side are those between which at least a significant proportion of buyers would switch when given an incentive to do so by a small change in their relative prices.

35. Initially, markets are defined for each product supplied by two or more of the parties to an acquisition. Unequivocal substitutes are combined. For each initial market so defined, the Commission will examine whether the imposition of a ssnip would be likely to be profitable for the hypothetical monopolist. If it were, then all of the relevant substitutes must be incorporated in the market. If not, then the next most likely substitute good or service will be added to the initial market definition and the test repeated. This process continues until a combination of products is found which defines the product dimension of a relevant market, namely, the smallest combination of goods or services for which a ssnip would be profitable.

36. On the demand-side, the technical viability of one good or service as a substitute for another must be assessed. However, even where another product may technically be suitable as an alternative for the product in question, its price may be so much higher that it may be a poor substitute in an economic sense, at least for the great majority of buyers. In judging economic substitutability between products, the Commission will have regard to relative prices, quality and performance when assessing whether they are, in fact, close substitutes in the eyes of buyers.

37. Close substitute products on the supply-side are those between which suppliers can easily shift production, using largely unchanged production facilities and little or no additional investment in sunk costs, when they are given a profit incentive to do so by a small change in their relative prices.

Undifferentiated/Differentiated Products

38. In some instances, market definitional problems arise because of the differentiated nature of the goods or services involved in a business acquisition, caused by differing technical specifications, branding, packaging, warranties, distribution channels and other factors.

defined as a field of actual or potential transactions between buyers and sellers amongst whom there can be strong substitution, at least in the long run, if given a sufficient price incentive". See also *News Limited v Australian Rugby Football League Limited &Ors* (1996) ATPR at 41,687, where Burchett J stated: "Long term prospects that can be more or less clearly foreseen are, to that extent, a present reality, from the point of view of identifying the constraints upon commercial action. This fact emphasises the importance of the principle . . . that substitution possibilities in the longer run may be very significant for market delineation." Also *Re Tooth & Co Ltd v Tooheys Ltd* (1979) 39 FLR 1 emphasises longer run substitution possibilities.

39. In recent decisions, in particular Decision 428, the Commission has concluded that there is a market for the acquisition/supply of raw (unprocessed) milk. Raw milk is largely an undifferentiated product.

40. Pasteurised fresh milk sold in New Zealand is referred to as "town milk". The Applicant submits that town milk is largely an undifferentiated product where, for acquirers, price is the main driver of selection between market participants. From information obtained from industry participants it appears that there is a small amount of differentiation of product with respect to the service supplied by suppliers, the different brands of milk, and prices. However, the product is not so differentiated as to affect the market definition.

41. Studies both in New Zealand and overseas indicate that the price elasticity of demand for town milk is very low[3] which strongly suggests that there are no close substitutes for town milk. The applicant has claimed that demand has become more price elastic in recent years, but has provided no evidence to support this claim.

42. In previous decisions the Commission has determined that there is a distinct town milk product market. There is no evidence that this situation has changed. The Commission therefore concludes that for the purpose of assessing the competition implications of the proposed acquisition, the appropriate product markets are those for:

- raw milk; and
- town milk.

Geographic Extent

43. The Commission will seek to define the geographical extent of a market to include all of the relevant, spatially dispersed, sources of supply to which buyers can turn should the prices of local sources of supply be raised. For each good or service combination, the overlapping geographic areas in which the parties operate are identified. These form initial markets to which a ssnip is applied. Additional geographic regions are added until the smallest area is determined within which the hypothetical monopolist could profitably impose a ssnip.

44. Generally, the higher the value of the product to be purchased, in absolute terms or relative to total buyer expenditure as appropriate, the more likely are buyers to travel and shop around for the best buy, and the wider the geographic extent of the market is likely to be.

45. Where transport costs are high relative to the final value of a product, a narrower geographic market is more likely to be appropriate. Where product perishability and other similar practical considerations limit the distance that a product may be transported, this may limit the geographic extent of the market. The timeliness of delivery from alternative geographic sources is similarly relevant.

46. Although buyers and sellers of a particular good or service may interact in markets that are apparently local or regional in extent, those markets may themselves overlap and

[3] See, for example, R J Brodie, R G Moffitt and J D Gough, "The Demand for Milk: An Econometric Analysis of the New Zealand Market", Research Report No 147, Agricultural Economics Research Unit, Lincoln University, January 1984.

interrelate so as to form a market covering a larger geographical area. In these situations, the larger market is likely to be the appropriate one for analysing the competitive effects of a business acquisition.

47. The Commission has, on a number of previous occasions, defined the geographic extent of the market for the acquisition/supply of raw milk and for the processing and wholesale supply of town milk as being island-wide, with separate North and South Island markets.[4]

48. On the supply side, the market is still divided into North Island and South Island operations. Other than small amounts of flavoured milk, town milk and raw milk are not currently transported across Cook Strait. Although the Applicant states that in the past both Mainland and Dairy Foods have transported town milk across Cook Strait, this has only occurred on occasions when supply is short. Industry participants state that it is not economic to transport town milk between the North and South Islands on a regular basis.

49. The smaller town milk companies have tended to operate in more regionally defined areas. The main reason for the limited reach of the smaller companies is the cost and difficulty of establishing a large distribution network and a national brand. For example, Southern Fresh is currently supplying town milk to Christchurch, Otago and Southland only and Marlborough Milk supplies the Marlborough, Nelson and Canterbury regions. However, town milk is regularly transported over large distances in the South Island and large suppliers tend to favour supplying the whole of the South Island from a Christchurch base.

50. The Commission therefore concludes that the appropriate geographic market is the South Island.

Function Markets

51. The production, distribution and sale of a product typically occur through a series of functional levels – for example, the manufacturing/import level, the wholesale/distribution level and the retail level. It is often useful to identify the relevant functional level in describing a market, as a proposed business acquisition may affect one horizontal level, but not others.[5] Alternatively, some acquisitions, such as those involving businesses at different vertical levels, may raise issues related to vertical integration. Generally, the Commission will seek to identify separate relevant markets at each functional level affected by an acquisition and assess the impact of the acquisition on each.

52. The Applicant has submitted that the appropriate functional levels are the acquisition/supply of raw milk and the processing and wholesale supply of town milk.

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[4] Refer Decisions 324 and 396 and the *MergeCo* Draft Determination.

[5] *Telecom Corporation of New Zealand Ltd v Commerce Commission* (1991) 4 TCLR 473, 502 The High Court (Greig J, Shaw WJ, Prof M Brunt) noted: "If we ask what functional divisions are appropriate in any market definition exercise, the answer, …, must be whatever will best expose the play of market forces, actual and potential, upon buyers and sellers. Wherever successive stages of production and distribution can be co-ordinated by market transactions, there is no difficulty: there will be a series of markets linking actual and potential buyers and sellers at each stage. And again, where pronounced efficiencies of vertical integration dictate that successive stages of production and distribution must be co-ordinated by internal managerial processes, there can be no market."

This accords with previous recent decisions of the Commission such as Decision 428 and the Commission sees no reason to move from that position.

53. The Commission therefore concludes that the appropriate functional levels for assessing the competition implications of the proposed acquisition are:

- the acquisition/supply of raw milk; and
- the processing, and wholesale supply of town milk.

Conclusion on Market Definition

54. The Commission concludes that the relevant markets are:

- the acquisition/supply of raw milk in the South Island; and
- the processing and wholesale supply of town milk in the South Island ("the South Island town milk market").

COMPETITION ANALYSIS

Substantially Lessening Competition

55. Section 47 of the Act prohibits particular business acquisitions. It provides that:

> *"A person must not acquire assets of a business or shares if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market."*

56. Section 2(1A) provides that substantial means "real or of substance". Substantial is taken as meaning something more than insubstantial or nominal. It is a question of degree.[6] What is required is a real lessening of competition that is not minimal. The lessening needs to be of such size, character and importance to make it worthy of consideration.[7]

57. Section 3(2) provides that references to the lessening of competition include references to the hindering or preventing of competition.[8]

58. While the Act defines the words "substantial" and "lessening" individually it is desirable to consider the phrase as a whole. For each relevant market, the Commission will assess:

- the probable nature and extent of competition that would exist in a significant section of the market, but for the acquisition (the counterfactual);
- the nature and extent of the contemplated lessening; and

[6] *Commerce Commission v Port Nelson Ltd* (1995) 6 TCLR 406, 434; *Mobil Oil Corporation v The Queen in Right of NZ* 4/5/89, International Centre for Settlement of Investment Disputes, Washington DC, International Arbitral Tribunal ARB/87/2 (paras 8.2, 19, 20).

[7] *Dandy Power Equipment Ltd v Mercury Marina Pty Ltd* (1982) ATPR 40-315, 43-888; *South Yorkshire Transport Ltd v Monopolies & Mergers Commission* [1993] 1 All ER 289.

[8] For a discussion of the definition see *Commerce Commission v Port Nelson Ltd*, supra n 6, 434.

- whether the contemplated lessening is substantial.[9]

59. In interpreting the phrase "substantially lessening competition", the Commission will take into account the explanatory memorandum to the Commerce Amendment Bill (No 2). The memorandum notes that:

> *"Two of the 3 key prohibitions are strengthened to bring New Zealand into line with Australian competition law, which will facilitate a more economic approach to defining anti-competitive behaviour."*

and, in relation to s47:

> *"This proposed new threshold is the same as the threshold for these types of acquisitions in section 50 of the Trade Practices Act 1974 (Australia)."*

60. For the purposes of the analysis, the Commission takes the view that a lessening of competition and a strengthening of market power may be taken as being equivalent, since they are the two sides of the same coin. Hence, it uses the two terms interchangeably. Thus, in considering whether the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market, the Commission will take account of the scope for the exercise of market power, either unilaterally or through co-ordination between firms.

61. When the impact of enhanced market power is expected predominantly to be upon price, the anticipated price increase relative to what would otherwise have occurred in the market has to be both material, and able to be sustained for a period of at least two years, for the lessening, or likely lessening, of competition to be regarded as substantial. Similarly, when the impact of increased market power is felt in terms of the non-price dimensions of competition, these also have to be both material and able to be sustainable for at least two years for there to be a substantial lessening, or likely substantial lessening, of competition.

The Counterfactual

62. The Commission uses a forward-looking, counterfactual type of analysis in its assessment of business acquisitions, in which two future scenarios are postulated: that with the acquisition in question, and that in the absence of the acquisition (the counterfactual). The impact of the acquisition on competition can then be viewed as the difference between those two scenarios. It should be noted that the status quo cannot necessarily be assumed to continue in the absence of the acquisition, although that may often be the case. For example, in some instances a clearly developing trend may be evident in the market, in which case the appropriate counterfactual may be based on an extrapolation of that trend.

63. The following factors have formed the Commission's view of the counterfactual for both the markets defined at paragraph 52.

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[9] See *Dandy*, supra n 5, pp 43–887 to 43-888 and adopted in New Zealand: *ARA v Mutual Rental Cars* [1987] 2 NZLR 647; *Tru Tone Ltd v Festival Records Retail Marketing Ltd* [1988] 2 NZLR 352; *Fisher & Paykel Ltd v Commerce Commission* [1990] 2 NZLR 731; *Commerce Commission v Carter Holt Harvey*, unreported, High Court, Auckland, CL 27/95, 18/4/00.

64. The Commission has been advised that Southern Fresh's Board of directors and its suppliers/shareholders are [ ].

65. The financial position of Southern Fresh was adversely affected by a dispute with international ice cream maker Movenpick which led to the company mothballing the Southern Fresh Invercargill ice cream factory in April 2001.

66. Mainland has lent Southern Fresh [ ]. The CEO of Mainland [ ]

67. Southern Fresh [ ] stated that [ ]

68. Southern Fresh [ ] stated that [ ]

69. Dairy Foods has [ ]

70. The Commission investigated the potential impact of entry of another party into the South Island town milk market. Specifically it was interested in whether [ ]

71. [ ]

72. Southern Fresh [ ] indicated that [ ]

73. [ ]

74. From the perspective of what will be likely to happen if the acquisition does not proceed, the Commission concludes that [

]

75. This means that looking forward, the counterfactual applicable to both markets [

]

OVERALL CONCLUSION

76. The Commission has considered the impact of the acquisition with reference to the counterfactual. The Commission considers that the appropriate benchmark for comparison is [ ]

77. [ ]

78. The Commission also noted that greater competition against the merged entity is emerging in the form of Dairy Foods' stronger presence resulting from its new Christchurch plant.

79. The Commission therefore considers that the transaction would not have or be likely to have the effect of substantially lessening competition in the market for the acquisition/supply of raw milk in the South Island or the South Island town milk market.

DETERMINATION ON NOTICE OF CLEARANCE

80. Accordingly, pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for Mainland Products Limited or any of its interconnected bodies corporate to acquire up to 100% of the shares in or assets of Southern Fresh Milk Company Limited and/or any of its interconnected bodies corporate (Southern Fresh).

Dated this 14th day of February 2002

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MJ Belgrave
Chairman