

7 Views of other interested parties

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Introduction

7.1. In this chapter we summarize the views of other interested parties put to us in written and oral submissions.

Competitors

Amylum Europe NV

7.2. Amylum, a wholly owned subsidiary of Tate and Lyle, said that it competed with Cerestar and Cargill on all glucose syrups and blends. The market was very competitive, and volume was an important element in price negotiations. For the majority of glucose products customers were able to switch suppliers without any difficulty. Because the specifications and characteristics of different starch-derived sweeteners were quite different their interchangeability was limited, but within the same application (for example, where sweetness was relevant) certain glucose syrups could replace sugar or were partially interchangeable.

7.3. Amylum said that new entrants to the glucose and blends industry were always possible and there had been several in the EC market over the last few years. Existing competitors could always increase their production capacity, as they frequently did. Amylum could increase its UK production of glucose and blends if necessary. It told us that it had been investing recently in upgrading and expanding finishing legs for various end products in its UK plant. There were no physical constraints for expansion resulting from the geography of the Greenwich site.

7.4. In the past UK prices had increased in Europe as a result of the strengthening of sterling and this situation had triggered an increase in the volume of glucose imported into the UK from Continental Europe. Amylum said that its Continental plants were a viable source of glucose, blends and isoglucose and over the last two years [§] to [§] per cent of its UK sales had been imported. We asked whether all its plants ran both acid and enzymatic glucose lines. Amylum said that they did not, but that this did not prevent it from being able to ship to the UK every type of syrup that customers might require. [

Details omitted. See note on page iv.

]

7.5. Amylum said that, as in Continental Europe, transport costs that could be borne by a supplier depended on the type of product and the margin it generated. Transport costs to the UK from France, Belgium and the Netherlands would be higher than for shipments to Continental customers at the same distance, because of the Channel crossing. [

Details omitted. See note on page iv.

] However, the additional costs involved in supplying customers in the North of England, particularly small and medium-sized ones, might be prohibitive, not only because of the distance but also because of poor local connections to those regions. This also applied to some parts of Continental Europe where transport costs to Scandinavian countries, for example, might be problematic for producers in France, Belgium and the Netherlands. Amylum said that additional transport costs to the UK market were somewhat mitigated or compensated for by the fact that the raw material costs in Continental Europe tended to be lower than in the UK, and that there were certain economies of scale because of larger Continental plants.

7.6. Amylum did not believe that the proposed merger would be against the public interest because, if it went ahead, competition would remain very strong. The merger would allow the merged company to work at cost effectiveness, possibly by concentrating on a particular product at a particular plant. This would force other suppliers to intensify their own cost-saving programmes in order to remain competitive.

Pfeifer & Langen Corporation

7.7. Pfeifer & Langen believed that spray-dried glucose and sugar were not substitutes for glucose syrups and blends because of differences in their functionality and sweetening power. In addition, prices

for different types of sweeteners did not move in parallel. It said that customers could change suppliers without any difficulty.

7.8. Pfeifer & Langen considered that the market was Europe-wide and that transport costs to the UK were not prohibitive. However, Pfeifer & Langen said that costs were too high for worldwide deliveries and the demand was low. Pfeifer & Langen said that it imported glucose syrups to the UK from its plant in Chamtor, France. Transport costs were about [redacted] per cent of selling prices and it was economically viable to transport glucose syrups and blends over distances of about 1,000 km. Pfeifer & Langen estimated that EC demand for glucose syrups and blends was increasing by about 3 to 4 per cent a year.

7.9. Pfeifer & Langen were concerned that as the concentration in the glucose market increased as a result of the merger, so its position as a small company would worsen.

Roquette UK Limited

7.10. Roquette told us that its recent purchase of the business of ABR Foods at Corby was its first major incursion into the UK glucose manufacturing industry. Prior to that its products had been imported. This had put Roquette at a disadvantage compared with UK producers and one of the reasons for the ABR Foods acquisition had been to stop the imports. It estimated that the price differential between UK-produced and imported glucose was [redacted] per tonne.

7.11. Roquette said that it was increasing capacity at its plant at Lestrem. Its wheat starch capacity had already been expanded and was on stream. It anticipated that extra volumes of glucose and blends would be fully sold out during 2002. However, it was in the process of expanding its maize facility and would be on stream within the next few years. It would certainly export to the UK if commercial opportunities arose. Its strategy was to have full flexibility within its manufacturing site in Europe, which of course included the UK.

7.12. Roquette competed with Cargill, Cerestar and Amylum. It regarded the glucose syrup market as a separate one rather than part of the wider market for sweeteners. The high price of sugar meant that, particularly in the fermentation industry, manufacturers were investigating ways to substitute sugar with glucose syrup. Roquette saw the market as the wider European one rather than a UK one. It said that, leaving cost issues aside, the just-in-time requirements of many customers could be met as easily from Continental Europe as from the UK. There were no significant technical reasons why customers could not change suppliers. Products with the same specification were totally interchangeable. It noted that many big customers had a policy of multi-sourcing.

7.13. Roquette had no concerns over, or objections to, the proposed merger. It would just mean that Roquette's two largest competitors were now one. The industry was already highly competitive, and if the merger went ahead, the merged company would fight to maintain its market share.

Syral SA

7.14. Syral said that it was in direct competition with Cargill and Cerestar over a range of products. Because of high transport costs its major involvement in the UK was through its dry products. It did export some glucose syrup to the UK but the cost of transporting it was currently about €[redacted] a tonne (or [redacted] per cent of the cost) compared with €[redacted] a tonne on the Continent. Syral had no production in the UK and had no plan for it in the near future because, if necessary, it could supply the need by exporting.

7.15. Syral told us that its plant in Alsace currently transformed about [redacted] tonnes of maize into [redacted] tonnes of starch, which was then processed into glucose and other products. It said that it had started a wheat plant in 2001 that would produce [redacted] tonnes of starch from [redacted] tonnes of wheat. Although it had been high in the past, the cost advantage of wheat over maize was diminishing. This was because the spread between the wheat and maize price had recently been substantially reduced and in addition the price of wheat gluten was falling.

7.16. Syral told us that it delivered glucose syrups and blends to customers all over Continental Europe from its single plant in Alsace. [*Details omitted. See note on page iv.*] More and more companies were purchasing centrally and producers were increasingly setting the same 'package' price across Europe. Syral said that if it were asked to deliver to a large group in the UK, it would have to do so in accordance with the package price. It told us that its customers fell into three main categories. The first were the multi-national groups purchasing large volumes EC-wide under single-priced annual contracts. Syral told us that it could not be a global player in Europe unless it delivered to these customers' plants in the UK (including Northern Ireland). The second category of customer was the medium-sized company, purchasing between 5,000 and 30,000 tonnes of glucose annually. These customers typically had no presence in other EC countries and dealt with Syral through UK agents. The problem for Syral was how it could serve these customers cost-effectively. The third category of customer purchased non-reference starch-based products such as maltodextrins, sorbitol and dextrose. Because these products did not degrade as quickly as glucose syrups and blends and were higher value products, [*Details omitted. See note on page iv.*].

7.17. Syral said that as a minor player in the UK market it did not expect to be much affected by the proposed merger. The weight of the market leader in the UK would be increased and this would impact on the normal balance between the competitors. Syral believed that Cerestar had about 32 per cent of the UK market and that Cargill would add another 15 per cent. If the merger went ahead, other competitors would be able to increase production. Syral believed it unlikely that a new competitor would base production in the UK, because of the large available capacity already there. If the CC found that the merger was against the public interest and recommended that the merged company should divest one of its UK plants, Syral believed that competitors from elsewhere in the EC would be willing to buy the plant. Syral, itself, might be interested.

Customers

Boots Contract Manufacturing

7.18. Boots Contract Manufacturing said that it had no concerns over the proposed merger.

Britvic Soft Drinks Limited

7.19. Britvic Soft Drinks Limited said that it had no concerns over the proposed merger.

H P Bulmer Limited

7.20. H P Bulmer Limited (Bulmers), a manufacturer and distributor of long alcoholic drinks, said that UK food and drink manufacturers were increasingly using glucose as an alternative to sugar and for that reason it saw the market for glucose and blends as being distinct from the wider market for sweeteners. Glucose was cheaper than sugar and its increased usage had been driven by continuing pressure on the manufacturers to reduce costs. Many UK food and drink manufacturers had adapted their manufacturing plants to handle only liquid glucose, and Bulmers envisaged that the demand for glucose would continue to rise.

7.21. Bulmers estimated the additional cost of obtaining supplies from the Continent at about £20 a tonne. It said that transport costs and the difficulty of moving liquid glucose meant that there would continue to be barriers to the importation of liquid glucose. The market was therefore a national one. There were significant barriers to entry or expansion in the UK because of the high capital cost of constructing a glucose-manufacturing plant and the difficulties of sourcing glucose from Continental Europe.

7.22. Bulmers believed that if the proposed merger went ahead, one supplier would be supplying over 50 per cent of the UK market. It was concerned that there would be a sustained move by the other suppliers to increase prices. There might also be further attempts at consolidation in the glucose market in the UK. This could lead to shortages of supply.

7.23. We asked Bultmann about possible remedies if the merger was found to be against the public interest. It believed that a possible remedy might be to recommend divestment by Cargill of Cerestar's UK glucose and blends business to a third party that was not already active in the glucose and glucose syrups market.

Cadbury Schweppes Plc

7.24. Cadbury Schweppes said that sugar was a close substitute in some of its applications for its current supply of glucose syrups and blends, but was more expensive. Changing from glucose to a substitute would require considerable technical work to change the formulas of the final products. Characteristics and quality of the products would be affected and their cost would rise.

7.25. Cadbury Schweppes believed that the relevant geographic market for sweeteners was national, because glucose was a bulk commodity product and transport costs represented about 10 per cent of the commercial price. The price of glucose varied depending on where the products were delivered to, for example for the same product from the same factory there was a 7 per cent price difference between its delivery to the UK and to Ireland. Cadbury Schweppes would not easily be able to switch between suppliers in the UK because it had few approved suppliers. Approving other suppliers took time and money. After the proposed merger 60 per cent of Cadbury Schweppes' glucose syrup would come from one source. In Continental Europe the situation was different because there were more suppliers.

7.26. Cadbury Schweppes was supplied by the four major UK suppliers, which when necessary (and by exception) would supply from the EC, for the same price. It used these suppliers because they could provide the large quantity of glucose it required and a high quality service. It said that Cargill and Cerestar were businesses with different cultures. Cargill was accustomed to managing commodities whereas Cerestar focused on specialities and tried to create innovative technical solutions and add value to its business. One possible result of the proposed merger might be the disappearance of the Cerestar expertise. As far as prices were concerned, with more than 55 per cent of the UK glucose market, the merged company would have the ability to drive the market. Because the industry in the UK operated at full capacity it should be easy to control or limit the supplies. The maximum risk would be if the company decided to close one of the two factories, although Cadbury Schweppes did not envisage this happening. If it did, competitors would have difficulty in increasing the capacity quickly to meet this lack of product on the market. (It took about two years to build a new line in a factory and more than two years to reach the full efficiency.) During this time glucose consumers would have to pay higher prices to ensure supplies. To limit the risk of an abnormal increase in prices, Cadbury Schweppes believed that the CC should recommend that after the merger the DGFT should audit the merged company to ensure that it did not abuse its position and that prices were comparable with those elsewhere in the EC.

Centura Foods

7.27. Centura Foods (Centura) said that sugar offered a technical but not a commercial alternative to glucose syrups. Extensive trials would be required to replace glucose syrup with an alternative sweetener and this would be costly and time consuming. Supply was agreed by annual tender. Prices did not vary with geographical location of the delivery point.

7.28. Centura Foods had several approved suppliers, which offered an alternative product. However, Cerestar's glucose syrup was derived from maize whilst the rest of the UK industry used wheat. This caused variation in performance at the customers' factories and in the product. Alternative supplies within the UK would be available but the reduced level of competition within this market would not necessarily mean that they would be supplied at prevailing market prices. Supply chain performance was impeded by the distance between the supplier and Centura's factories. Uncontrollable factors in the channel such as industrial action and weather impaired the service offered by EC suppliers. This undermined their ability to meet Centura's just-in-time requirements. It required just-in-time deliveries for all its bulk materials, including glucose syrup, because its factories had finite storage space and deliveries were required to satisfy production needs.

7.29. As a major user of glucose syrups Centura believed its business would be adversely affected by the proposed merger because of the resulting reduction in the UK supplier base for glucose syrups. A smaller supplier base would lead to less competition and higher prices that Centura would have to pass on to the consumer.

Flemings

7.30. Flemings purchases glucose for its own use and also resells smaller volumes of glucose to customers, including some small companies. It said that the average size of its products consignment was between 5 and 10 tonnes. The smallest customers took between 1 and 20 tonnes of glucose per delivery. Flemings made its deliveries mainly by road and packaged in a range of cartons, pails and intermediate bulk containers.

7.31. Flemings thought that the proposed merger could disadvantage small customers and its own business as it would reduce purchasing options. Cerestar met 50 per cent of Flemings' glucose requirement.

Halewood

7.32. Halewood told us that in recent years competition between the main glucose suppliers had kept prices keen. Currently, Cargill and Cerestar together supplied all its glucose requirements. The main alternative to glucose was sugar that was more expensive and therefore not a viable option. Because Halewood had little storage capacity, it operated a just-in-time policy and therefore could not obtain supplies from outside the UK. Halewood expected to pay a slight premium for transport in the UK.

7.33. Halewood believed that no one supplier should control more than 33 per cent of the UK market. It thought that the effect of the merger on the market would be a decrease in competition resulting in increased prices. It considered that other European companies would be interested in obtaining production facilities in the UK.

Healy Group

7.34. Healy Group (Healy) said that it purchased glucose syrups and blends and sold them on to smaller food-ingredient customers on behalf of a supplier (Amylum), to which it was currently tied. It supplied customers that required less than 10 tonnes in single drop sizes and could supply larger amounts with approval from Amylum. Healy would break packages and repack them for certain customers and delivered mixed ingredient loads by road on set routes to maximize its carrying capacity and delivery costs.

7.35. Healy believed that it could, if necessary, find alternative suppliers of an equivalent product, both within the UK and the EC. The main issues involved in changing supplier would be price and reliability. There were few substitutes available for its current supply of glucose syrups and blends. It said that recent moves had been away from sugar or sugar replacement. Possible alternatives might include fructose, but this was twice as expensive as glucose and sweeter, and the change would mean extensive trial work. Healy said that price was generally affected by transport costs that were related to the point of supply.

7.36. Healy believed that the merger would affect the system of supply to smaller customers only if the merged company became too large compared with the rest of the market. It might increase prices or discontinue product lines and thus restrict choice. This could only benefit Healy who would continue to buy from Amylum and would be competing with the merged company. Glucose was a feedstock for caramel and Healy believed that there could be an impact on the UK caramel market because the two main suppliers in that market were in the UK and France. If the merger was found to be against the public interest divestment of a plant could be beneficial to the caramel business and a caramel producer without a presence in the UK market could be a potential buyer.

H J Heinz Company Limited

7.37. H J Heinz Company Limited (Heinz) said that it did not believe the merger would materially affect Heinz in the UK. It had no further comments to make on the merger.

Matthew Clark Brands Ltd

7.38. Matthew Clark said that it did not view spray-dried glucose and sugar as substitutable for glucose syrups and blends because of practicability and cost. Different types of sweeteners comprised markets with different drivers. It saw the glucose market as a national one because of the high cost of transport relative to a bulk commodity item, the limited storage capacity available to it, and the requirement for just-in-time deliveries. Although the market had been in a state of over-capacity, it now appeared to be in balance in terms of supply and demand.

7.39. Matthew Clark was concerned over the reduction of choice there would be as a result of the merger. With a preference for maize-based glucose syrups and blends as opposed to wheat, Matthew Clark would then have only one maize source of supply in the UK. It said that a reduction in choice and range of suppliers, and therefore in competition, was likely to lead to an increase in prices. If the CC found that the proposed merger was against the public interest, Matthew Clark believed that a possible remedy would be to require the company to sell one of the UK plants to a business with no current interests in the UK glucose market.

Premier International Foods

7.40. Premier International Foods (Premier) said that it currently obtained its glucose supplies from both Continental Europe and the UK. It believed that the market was Europe-wide. UK suppliers were forced to keep their prices down to prevent European-based companies from obtaining a foothold in the UK market. The market was supply and demand based and because demand was now greater than supply, the suppliers had the upper hand. Larger buyers could achieve a better price than the smaller ones.

7.41. Premier was currently supplied by five glucose suppliers including Cerestar. It said that in the UK glucose was a cheaper sweetener than sugar and this was the main reason why it was so widely used. Premier believed that the UK glucose market was growing at a rate of about 8 per cent a year.

7.42. Premier was concerned about the proposed merger. Elsewhere in Europe there were already problems with the diversity of glucose products available to the consumer. This made it harder for purchasers to obtain sufficient volume of a particular type of glucose, and was leading to a situation where choice was being reduced. Premier believed that this was due to a lack of investment in the glucose production industry.

J M Smucker (Scotland) Ltd

7.43. J M Smucker (Scotland) Ltd believed that the merger would reduce competition and therefore cause a rise in prices. It relied on a certain formulation of glucose and would have difficulty in changing suppliers. It assessed the market price by checking prices with its competitors in the UK. Its main considerations when selecting suppliers were the source of the product and GM issues.

Thorntons PLC

7.44. Thorntons PLC (Thorntons) said that transport costs played a major part in UK glucose prices and that this was the main addition to the relative cost per tonne of the glucose product. This caused Continental suppliers to be less cost effective in supplying the UK market than UK-based suppliers.

7.45. Most glucose customers would define the product as a commodity, i.e. price determined by supply and demand (with relatively few technical barriers to switching suppliers). Thorntons believed that as supply options reduced, the UK glucose market would be less competitive and therefore buyers were likely to be adversely affected.

7.46. Thorntons was opposed to the proposed merger because it would significantly reduce the number of glucose manufacturers in the UK. It believed that this concentration of the UK glucose market would increase price levels in the medium term.

Toms Confectionery Ltd

7.47. Toms Confectionery Ltd (Toms) said that it tendered for glucose suppliers every year and that it was not always possible to change from glucose products to a suitable substitute. It felt that there were no cost-effective substitutes for glucose syrups. Toms operated a just-in-time system and required its deliveries within a four-hour period. The prices it paid could be affected by the location of the supplier. The further away a supplier was the more likely price was to rise. Toms sourced its glucose syrups from the UK and Denmark, and in both countries it received the standard market price. Toms felt that the main impact of the merger would be a reduction in competition.

Unilever PLC

7.48. Unilever PLC (Unilever) told us that glucose syrups were used mainly in its various ice cream plants across Europe. It negotiated the purchase of its total European requirements centrally, and in 2002 a European supplier would provide the majority of its UK requirements from Continental Europe. Unilever believed that this demonstrated that the competitive environment for glucose syrups breached geographic barriers.

7.49. Unilever said that because of its cost-effective base, glucose syrup was used as a substitute for other products, namely sugar. The company considered that there were no close substitutes for its current supply of glucose syrup. It told us that glucose prices were under pressure, compared with recent years, mainly because of the increased demand in Europe.

7.50. Unilever said that the main glucose suppliers were pan-European and not restricted to one market. Variations in pricing were largely due to restrictions imposed by import regimes. Glucose being a relatively inexpensive material, high logistical costs plus import duties would hinder competition from outside Europe. As shown by its sourcing practice, Unilever PLC could switch between UK and Continental suppliers, providing the products met the required specification. Potential suppliers would have to be approved but this procedure did not usually give rise to major issues. Just-in-time management was relevant in negotiating with suppliers, but was only one variable in the process.

7.51. Unilever did not expect the merger to have any effect on its business.

A confectionery company

7.52. A confectionery company did not believe that there were any products that would be a practical alternative to glucose syrups and blends. It said that although there were competitors that could produce equivalent products, there would always be a slight difference between products due to a difference in the base material used, wheat or corn.

7.53. Just-in-time deliveries were essential to this customer, because it had small holding tanks and dextrose did not keep well in the tanks if not used almost immediately. It believed that the proposed merger would impact upon its business. The reduction in competition would create a risk of higher prices. Historically it had found that the prices offered by the major suppliers had been very close to one another and it believed that genuine competition had kept prices competitive.

A food processor

7.54. A food processor said that it obtained its supplies of glucose from the UK and had only recently started carrying out trials with companies in Continental Europe. It saw price as the most important factor in negotiations. Delivery times were also very important as the company utilized a just-in-time system. It said that the main reason for price difference between UK- and EC-sourced products was the transport costs. This made sourcing from the EC difficult. Glucose supplies were contracted annually, and this was usually timed to coincide with the European crop forecast and yield position. Changing suppliers would be difficult as it took about 12 months to judge whether a new supplier could meet delivery and product requirements. GM issues restricted the number of suppliers that the customer could source from.

7.55. The company was opposed to the merger, believing that it would lead to a reduction in competition and therefore a rise in price levels. Market competition was essential. At the very least there must be no lowering of the number of grades of glucose available on the market. If the CC recommended that the merged company should divest one of its plants, the company believed that other companies would be interested in the acquisition.

A fruit processor

7.56. A fruit processor said that it used a substantial tonnage of glucose each year in the production of jams and fruit fillings for the bakery trade. With four major competitors pricing was just competitive. If the number were reduced prices would increase. To obtain glucose supplies from Continental Europe would be unrealistic because it would need to carry a significant buffer stock and this would alter its current practice of using just-in-time management. It would also incur unnecessary transport costs and the practice could have an adverse affect on employment in the UK.

7.57. To move away from the use of glucose would represent a technical challenge to the company and require changes in its packaging declarations. Therefore, this could not be considered as an immediate option, if at all. The company believed that if the current sugar regulation were abolished then the EC price of sugar would float down to the world price for sugar and this could act as a competitive pressure on glucose suppliers. If glucose prices were to rise there would be an increase in the costs that, as a supplier, it would pass on to its bakery customers which, in turn, would result in the consumer paying higher prices, so increasing inflation. If it could not recover the full increase in the cost of glucose it might have to curtail investment in the company which was a major employer in a small country town.

7.58. The company therefore opposed the proposed merger on the grounds that the removal of a competitor would result in rising costs in the UK.

A large UK brewer

7.59. On the question of substitutability a large brewer said that its breweries were structured to use bulk liquid syrups. Although it might be technically possible to adapt the process to increase the use of other materials, this would have effects on brewery capacity and require significant capital expenditure. Bulk liquid sugar could be interchangeable with some grades of glucose syrup blends but large price differentials meant that hardly any sugar was currently used. The brewer said that it was possible to switch between suppliers in the UK and indeed in Europe. Suppliers not used before would have to be audited. The company currently used a full range of supply in the UK where available. It did not believe that the volume currently supplied by Cargill and Cerestar could easily be taken up by the other suppliers.

7.60. The brewer believed that the market was a national one first and a European-wide one second. The difference between the two was the transport cost differential. It did not currently source syrup from elsewhere in the EC, and estimated that haulage costs from northern France into southern England would be about £28 per tonne. Therefore, pricing levels in France would have to be much lower than the UK to make it worthwhile. The brewer did not require just-in-time deliveries.

7.61. The brewer said that if the proposed merger went ahead, the merged company would have a significant market share. The merging of two large players would remove a large part of the competitiveness within the market. As a result, prices would inevitably rise.

Another brewer

7.62. Another large brewer said that it obtained its glucose syrups and blends from the UK. It cited high transport costs as the prohibitive factor in supply from Continental Europe. The company used competitive tender to obtain the best prices, and logistical issues played a major part in the cost. If it were to source from Continental Europe, it would have to increase its storage capacity to offset the higher delivery costs. A Continental supplier would need to have warehousing in the UK in order to guarantee continuity of supply because the company's production sites only held storage capacity for up to two days.

7.63. The brewer said that it assessed potential suppliers on a number of factors including standards in production, safety, health and hygiene. In addition, new suppliers were subject to production and flavour-matching trials before being approved. No close substitute products were currently available to the company. Maize grits could be used as an alternative to glucose, but would require on-site heat treatment that added cost and time to the production process. Maize grits were a good technical substitute but not as effective. Their use reduced the output of the brewing vessels, limiting the ability to increase beer output without extra capital investment in the plant. Changing from glucose to maize grits would require brewing trials to optimize the production process. Flavour matching and capital expenditure would also be required.

7.64. The brewer was concerned that the merger would reduce potential suppliers and competition and that this could have an impact on the price of the glucose syrups. It believed that if the merger were found to be against the public interest and the CC recommended that one of the merged company's UK plants were divested it should be sold to a company without significant manufacturing operation in the UK.

A non-food company

7.65. A non-food company said that competitive bidding and negotiations determined the market price for glucose syrups and blends. For the lower value-added but high-volume bulk liquid products prices varied according to location of delivery point relative to the location of source. The company said that substitutes for its current supply of glucose syrups and blends were available for a small number of its products. However, their use would follow an evaluation process that could be costly and time consuming, and would probably increase the cost of the final product. There were other suppliers that could provide products equivalent to those it currently used, but such suppliers would need to have sufficient volume to meet all its requirements. The company took the view that transport costs from the Continent to the UK could not be absorbed on low-value commodity products, although they might be on high-value glucose syrups. Alternative supplies (to Cargill/Cerestar) from within the UK were available on a cost-competitive basis but transport costs (estimated to be an additional £15 plus a tonne from the nearest non-UK manufacturers) would make obtaining supplies from elsewhere in the EC uneconomic. In addition, service levels and order/schedule flexibility were reduced when sourcing from outside the UK. The storage, handling and shelf life constraints of liquid glucose, together with the company's volume usage meant that 95 per cent of its requirements had to be just-in-time.

7.66. The company said that the merger would have an adverse effect on its business. In recent years glucose suppliers had attempted to increase market prices but, with four alternative UK sources of supply and capacity outweighing demand, it had managed to sustain price levels. If the merged company found that operating two plants was not cost-effective and closed one of them, the resulting loss of 25 per cent of competition, and possibly capacity, would have a serious effect on the balance of supplier power in the UK. Thus, price increases and/or lack of availability of glucose would be inevitable.

The National Association of Cider Makers

7.67. The National Association of Cider Makers was concerned about the proposed merger. We were told by Bulmers (see paragraphs 7.20 to 7.23), a member of the Association, that the Association had seen a summary of its views, which it supported.

P MACKAY (*Chairman*)

D COYLE

C DARKE

C GRAHAM

P STODDART

R FOSTER (*Secretary*)

9 May 2002