



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:LM031May16

In the matter between:

AFGRI Equipment (Pty) Ltd

Primary Acquiring Firm

and

AGRICO (Pty) Ltd

Primary Target Firm

Panel	: Medi Mokuena (Presiding Member)
	: Anton Roskam (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 24 August 2016
Order Issued on	: 24 August 2016
Reasons Issued on	: 15 September 2016

Reasons for Decision

Approval

[1] On 24 August 2016, the Competition Tribunal ("Tribunal") unconditionally approved the large merger between AFGRI Equipment Proprietary Limited ("AFGRI Equipment") and AGRICO Proprietary Limited ("AGRICO"). The reasons for approving the proposed transaction follow.

Parties to the transaction

[2] The primary acquiring firm is AFGRI Equipment. AFGRI Equipment is a 100% subsidiary of and controlled by AFGRI Operations Proprietary Limited ("AFGRI Operations"). AFGRI Operations is indirectly controlled by AFGRI Holdings Proprietary Limited (AFGRI Holdings). AFGRI Holdings and all its subsidiaries that are incorporated in South Africa will collectively be referred

to as “AFGRI Group”. AFGRI Group is involved in the agricultural commodity business.

[3] AFGRI Equipment is part of the Retail and Mechanization division. AFGRI Equipment mainly supplies John Deere agricultural equipment and accessories. It also supplies complementary agricultural products of other brands such as Lemken and Falcon. AFGRI Equipment mainly supplies its products to the Free State, Mpumalanga, Gauteng and Limpopo Provinces.

[4] The primary target firm is Agrico Proprietary Limited (AGRICO) a wholly-owned subsidiary of Agrico Machinery Proprietary Limited (AGRICO Machinery). AGRICO is a main supplier of John Deere agricultural equipment and accessories. AGRICO supplies complementary products of other brands such as JCB, Grimme, Goldoni, Eurospand and Siloking amongst others. AGRICO mainly focuses its supplies to farmers in the Western Cape Province.

Proposed transaction and rationale

[5] AFGRI Equipment intends to acquire the business of AGRICO. This acquisition entails the sale of assets and liabilities, which is embodied in the Sale of Business Agreement. This acquisition includes all the AGRICO branches situated in the Western Cape Province.

[6] AFGRI Equipment wants to expand its business where it does not have a presence in the Western Cape Province. AGRICO on the other hand wants to dispose off the business to realise its investment and focus on its core businesses.

Impact on competition

[7] The proposed transaction gives rise to a horizontal overlap.

[8] The Competition Commission (“the Commission”) identified the relevant product market as the market for the retail distribution of agricultural equipment in South Africa. The post-merger market share for the proposed

transaction is less than 15%. The Commission thus found that the proposed transaction is unlikely to result in a substantial lessening of competition in any market. However the Commission noted that the merging parties are both John Deere appointed dealerships who are encouraged to focus their sales within certain areas as allocated by their John Deere agreements. Also, the Commission noted that this is an industry-wide phenomenon, which is carried out by other upstream operators who are in competition with John Deere. The Commission also found that with or without the proposed transaction this phenomenon will continue post-merger. The merging parties during the hearing also confirmed this and submitted that the John Deere market allocations are not merger specific and will continue throughout South Africa absent of this merger.

- [9] We agree with the Commission's competition assessment that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

- [10] The merging parties submitted that the proposed transaction will not result in an adverse impact on employment. The proposed transaction further raises no other public interest concerns.

Conclusion

- [11] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Ms Medi Mokuena
Ms Medi Mokuena

15 September 2016
DATE

Mr Anton Roskam and Ms Andiswa Ndoni concurring

Tribunal Researcher: Caroline Sserufusa

For the merging parties: Shaun Van Der Meulen of Webber Wentzel

For the Commission: Maanda Lambani