



GAZDASÁGI
VERSENYHIVATAL

Csányi-group expansion in the fodder industry

The Hungarian Competition Authority (GVH) granted authorisation for CSIM Pte. (Singapore) to wholly acquire the animal feed producer Tendre. Tendre was also interested in another concentration, since it purchased Foring dealing with transportation. However, in this latter case Tendre failed to notify the transaction, hereby the GVH has imposed a fine of HUF 5 million on the undertaking.

In July 2009 CSIM Pte. Ltd. and Forrás Nyrt. entered into an agreement according to which CSIM would acquire the remaining 50% of the shares of Tendre Feed Industry Ltd. The acquirer is CSIM, registered in Singapore, was established at the end of 2008 by Bonitás 2002 Kft., which controls the Csányi-group and has a majority (77%) control over CSIM. The undertaking-group controlled by CSIM involves among others Tendre Kft., Sole-Mizo Zrt., Dalmandmen Zrt., Bóly Zrt., Pick Szeged Zrt., Csányi Pincészet Zrt., Bonafarm Zrt., Fiorács Kft. CSIM exercises property management over them.

Since its establishment in 2002, Tendre has gone through several owner and name changes; its principle activities have also changed on several occasions. Forrás, majority-owned undertaking of Arago Zrt., acquired 100% of the shares of Tendre in February 2007. In March 2007 the capital of Tendre was raised by around HUF 300 million, hereby decreasing the shares of Forrás to 50 %; the remaining 50% was acquired by Dr. ELF Kft. This latter 50% of the shares of Dr. ELF was purchased by Bonitás 2002, which is owned by Sándor Csányi and has control over the Csányi-group. Hereby, before the transaction concerned, Forrás and Bonitás 2002 jointly (50-50) controlled Tendre.

The GVH investigated whether the concentration would have potential detrimental effects to competition on the market. Almost the entire quantity of the sale of pre-mix fodder and ready-made fodder produced by Tendre is utilized in Hungary. Tendre has 7% of shares from the Hungarian fodder production and 5% from its sale. It has about 6% of shares from the pet feed production and sales.

Several members of the Csányi-group (Dalmandi Mezőgazdasági Zrt., Fiorács Kft., Möbiusz Trade Kft.) are also interested in fodder production. They have an aggregate share of around 12 % from the Hungarian animal feed production, however almost the entire quantity of their fodder production is sold to the other members of the Csányi-group (e.g. enterprises interested in milk and meat industry). Considering that each of the parties to the concentration only has a relatively low share from the fodder industry, and that around two thirds of the aggregate fodder produced by the members of the Csányi-group has not been sold to third parties outside the group, and that the GVH has not identified any potential detrimental effects to competition as a result of the concentration, the acquisition has been cleared by the GVH.

Tendre was also interested in another concentration, which had taken place before the above-mentioned transaction. On 16 May 2008 Tendre entered into a sale and purchase

agreement with a freight transportation company, Foring Kft. in order to purchase 100% of shares of the latter.

Since its establishment in November 2004, Foring is wholly owned by Forrás. The main profile of Foring is pre-packed and bulk fodder transportation. It is engaged in public road freight transportation by taking over the vehicle and human resources and also the activities of Trans Bábolna Kft. Ensuring 80% of Foring's revenues, Tendre is its most significant business partner.

Based on the Competition Act, a concentration of undertakings is effected, where a sole undertaking or more than one undertaking jointly acquire direct or indirect control of one or more than one other undertaking which have been independent of them. Since as a result of the above transaction Tendre has acquired sole direct control over Foring, this transaction qualifies as a concentration of undertakings.

It is also stated in the Competition Act that, for a concentration of undertakings, the authorisation of the Hungarian Competition Authority has to be sought in cases where the aggregate net turnover of all the groups of undertakings concerned exceeded HUF fifteen billion in the preceding business year, and the net turnover of each of at least two of the groups of undertakings concerned in the preceding business year was more than HUF five hundred million.

Since the undertaking-groups interested in the transaction met the above conditions, Tendre should have sought authorisation from the GVH. Since it had failed to notify the transaction in time, the GVH established the infringement and imposed a fine of HUF 5 million on Tendre for failure to submit an application for the authorisation of the concentration. When determining the amount of the fine, the GVH took into consideration that Tendre, though with a significant late, but fulfilled its notification obligation, and it is improbable that the undertaking deliberately failed to request the approval.

According to the Hungarian Competition Act, the GVH may not refuse to grant authorisation for a concentration where the concentration does not create or strengthen a dominant position, which would impede the formation, development or continuation of effective competition on the relevant market or on a substantial part of it. Since Foring only has an especially low share from the public road freight transportation market, and almost its entire capacity has been engaged in existing business relationship with Tendre, the GVH has cleared the concentration.