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Our ref: IM-70647
Contact officer: Adrian Hughes / Madeleine Houghton
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28 May 2020

Dear Interested Party

Re: Request for submissions – Mitolo Group’s proposed acquisition of Thomas Foods International’s potato business

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of certain assets of the fresh potato business (the **TFI Potato Business**) of Thomas Foods International Fresh Produce Pty Ltd (**Thomas Foods**) by Mitolo Group (**Mitolo**) (the **proposed acquisition**).

Mitolo grows and packs fresh potatoes and onions, primarily in South Australia and New South Wales for wholesale supply nationally (other than Western Australia and Tasmania). The TFI Potato Business grows and packs fresh potatoes for wholesale supply nationally (other than Western Australia and Tasmania) and for export, predominantly from the Virginia region of South Australia. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC’s investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the impact of the proposed acquisition on prices for fresh potatoes
- whether Mitolo and the TFI Potato Business compete closely
- the likelihood of expansion by existing competitors.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 19 June 2020**. Responses may be emailed to mergers@acc.gov.au with the title: *Submission re: Mitolo Group / TFI Potato*

Business - attention Adrian Hughes/Madeleine Houghton. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Adrian Hughes on (03) 9658 6545 or Madeleine Houghton on (02) 9230 3816.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner
General Manager
Merger Investigations

Attachment A

Proposed acquisition

Mitolo proposes to acquire certain assets of the TFI Potato Business, including:

- Thomas Foods' Penfield, South Australia packing facility
- freehold ownership of Acacia Farm (Pinnaroo), South Australia
- a leasehold interest over a property, Blanchetown, South Australia.

Mitolo

Mitolo operates a vertically integrated fresh potato and onion, growing and wholesale supply business, primarily in South Australia and New South Wales.

Mitolo owns farm land and operating assets in South Australia and New South Wales. The majority of its produce comes from its own properties, with the remainder from external growers.

Mitolo's South Australian operations supply washed potatoes from its packing shed in Virginia, South Australia. Its New South Wales operations supply brushed potatoes from its Hillston packing shed.

Thomas Foods and TFI Potato Business

Thomas Foods owns and leases land in South Australia's Mallee, South East and Riverland regions, as well as some land in Victoria on which it grows potatoes, and also acquires potatoes from external growers.

The TFI Potato Business supplies potatoes from the Penfield packing shed. From this facility it wholesale supplies fresh washed potatoes in Australia and to export customers. The TFI Potato Business sources potatoes from Thomas Foods owned or leased properties, as well as various external growers, particularly in the Virginia region of South Australia.

Thomas Foods will retain most of its farm land acreage.

Potato industry background

Potatoes are grown in Australia for:

- fresh consumption
- processing (e.g. to produce French fries)
- for propagation (seed potatoes).

The majority of potatoes produced in Australia are used for processing. Neither Mitolo or the TFI Potato Business produce potatoes for processing.

Potatoes for fresh consumption can be either washed or brushed. Different potato varieties are typically grown for each use.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of Mitolo or Thomas Foods.

Relevant market(s)

3. The ACCC understands that the Mitolo and Thomas Foods overlap in the supply of fresh potatoes. Please describe your organisation's purchase/supply of fresh potatoes.

The ACCC would appreciate receiving information about the specific types of products/services you use/supply, how you source/produce these, how they are utilised by customers, and volumes/value of your purchases/supply.

4. Please discuss whether brushed potatoes can be substituted for washed potatoes (and vice versa) in the event of price increases.
5. Please address the geographic area over which customers who acquire wholesale fresh potatoes generally source fresh potatoes, and their ability to source fresh potatoes from further away in response to the combined "Mitolo/TFI Potato Business" attempting to increase prices by, for example, 10%. Please identify transport costs and any other relevant factors.

Competitive dynamics

6. Please address the closeness of competition between the merger parties for supply of fresh potatoes in Australia.

Relevant factors may include their product ranges, geographic areas of supply, winning and losing customers between each other, and/or participating in tender processes. Please provide specific examples where possible.

7. Please discuss whether there are any especially vigorous or effective competitors in the market, such as in terms of price discounting, promotional activity, product innovation or new technologies. Please provide specific examples where possible.

Potential competitive constraints

Competing suppliers

8. Please identify competitors to Mitolo and the TFI Potato Business in the supply of fresh potatoes in Australia.

If possible, provide estimated market shares for the supply of fresh potatoes in Australia.

Expansion and new entry

9. Please address the ability of competing suppliers of fresh potatoes to expand supply in response to the combined "Mitolo/TFI Potato Business" attempting to increase prices by, for example, 10%. In addressing this point, please consider competing suppliers' excess capacities, ability to source fresh potatoes and any obstacles to expansion.

10. Please identify potential entrants to packing and supply of fresh potatoes in Australia, in particular potential entrants in South Australia. In your response, please consider the likely timeframe for market entry and provide details about barriers to entry, such as:
- a. economies of scale and the minimum efficient scale of market entry;
 - b. costs of market entry, and the extent to which these costs would not be recoverable on market exit;
 - c. timeframe for market entry;
 - d. any regulatory barriers, such as environmental or planning regulations;
 - e. exclusive/long-term customer contracts or the extent of brand loyalty;
 - f. access to key inputs or distribution channels; and
 - g. market growth/decline, and examples of recent market entry and exit.

Countervailing power of customers

11. Please discuss whether it is possible for significant customers to bypass wholesale potato suppliers by vertically integrating into internal supply of fresh potatoes or by sponsoring new entry.

Questions for potato growers supplying Mitolo or the TFI Potato Business

12. If you are an external grower for either Mitolo or the TFI Potato Business, please:
- a. identify the region in which you grow potatoes
 - b. describe your supply arrangements with them
 - c. identify other companies you supply or could supply, and discuss whether there are any barriers to switching supply to a different company
 - d. discuss whether there are any geographic constraints for supplying your potatoes
13. Please discuss whether you can:
- a. switch to growing and supplying another company; and/or
 - b. switch to growing other crops,

if Mitolo/TFI Potato business decreases the price you obtain for your potatoes.

Other information or competition issues

14. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.