

PRESS STATEMENT

25 MAY 2009

Competition Commission blocks Masscash and Finro merger

The Competition Commission has recommended to the Competition Tribunal that the proposed merger between Masscash Holdings (Pty) Ltd (“Masscash”) and Finro Enterprises (Pty) Ltd trading as Finro Cash & Carry (“Finro”) be prohibited. Masscash is a wholly owned subsidiary of Massmart Group.

Masscash and Finro compete in the market for the wholesaling of grocery products in the Port Elizabeth region and surrounding areas. Grocery products include, amongst others, food, health and beauty products. Masscash and Finro sell their products to independent traders and smaller retailers who then on sell to consumers, primarily those in the lower living standard categories.

“As part of our investigation, we surveyed nearly 400 retailers who buy from these wholesalers to have a clear understanding of the region. We saw this merger removing an effective competitor in the food sector, a priority sector for the Commission. All consumers are suffering under the burden of food inflation, but what is very concerning is this merger could have affected adversely the poorest of the poor who are suffering the most,” said Competition Commissioner Shan Ramburuth.

The Commission’s recommendation to prohibit the merger is based on the following findings:

- Masscash and Finro are the closest competitors to each other in the Port Elizabeth region and surrounding areas. This rivalry between the merging parties benefits consumers particularly those in the lower living standard categories.
- The acquisition of Finro by Masscash will allow the merged entity to significantly raise prices in the affected markets to the detriment of consumers.

The Commission, therefore, was of view that the proposed merger will substantially prevent or lessen competition in the affected markets. In addition, there were no efficiency or public interest gains that would outweigh the potential anti-competitive effects of the proposed merger.

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