

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

NO. 5807

31 January 2025

NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:

RYMCO (PTY) LTD

AND

THAT PART OF THE BUSINESS CARRIED ON BY PIONEER FOODS GROCERIES (PTY) LTD IN PRODUCING, MANUFACTURING, MARKETING, SELLING AND DISTRIBUTING (I) BOVRIL AND MARMITE PRIMARILY TO RETAILERS; AND (II) YEAST EXTRACT AND HYDROLYSED VEGETABLE PROTEIN-BASED FLAVOURINGS, KNOWN AS SAVOURY FOODS INGREDIENTS PRIMARILY TO FOOD MANUFACTURERS

CASE NUMBER: 2024AUG0010

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission', that it has approved the transaction involving the abovementioned firms subject to conditions set out below:

Background and Parties

1. On 5 August 2024, the Competition Commission ("Commission") received a notice of an intermediate merger in terms of which Rymco (Pty) Ltd ("Acquiring Firm") intends to acquire part of the business carried on by Pioneer Foods Groceries (Pty) Ltd ("Pioneer Groceries" or "Seller") in producing, manufacturing, marketing, selling and distributing (i) Bovril and Marmite primarily to retailers ("Black Spreads Business") and (ii) yeast extract and hydrolysed vegetable protein-based flavourings known as savoury foods ingredients ("SFI Business") primarily to food manufacturers, hereinafter referred to collectively as the "Target Business".
2. The Acquiring Firm is a company registered in terms of the company laws of the Republic of South Africa ("Acquiring Firm") and is wholly owned and controlled by Lallemand Inc, a company with its principal place of business in Toronto Ontario, Canada ("Lallemand"). In South Africa, the Acquiring Firm owns and controls Rymco Africa (Pty) Ltd and holds a **[confidential]** controlling stake in JV Vitam International (Pty) Ltd (SA). The Acquiring Firm also has

[confidential] shareholding in Fermentos de Mozambique Limitada, a firm based in Maputo, Mozambique.

3. The Acquiring Firm, Lallemand and all the firms they control, as well as the firms controlled by those firms are collectively referred to as the “Acquiring Group.”
4. The Acquiring Group has no shareholding by previously disadvantaged persons (“HDPs”) as contemplated in section 3(2) of the Competition Act 89 of 1998, as amended (“the Act”).
5. The Target Firm is the Target Business carried on by Pioneer Groceries. Pioneer Groceries does not control any firm and is wholly owned and controlled by Pioneer Foods (Pty) Ltd (“Pioneer Foods”), which is in turn wholly owned and controlled by Pioneer Food Group (Pty) Ltd (“Pioneer Group”). Pioneer Group is controlled by PepsiCo South Africa (Pty) Ltd (“PepsiCo SA”), which is ultimately owned and controlled by PepsiCo Inc (“PepsiCo”), a listed company incorporated in accordance with the laws of the state of New York, with its primary listing on the NASDAQ. Pioneer Groceries is not owned or controlled by HDPs as contemplated in section 3(2) of the Act. However, the employees of the Target Business are participants in the PepsiCo Employee Share Ownership Scheme (Bašumi Trust).

Activities of the Parties

6. The Acquiring Group is involved in the production and distribution of fresh and dried yeast in South Africa. The Acquiring Firm sells various forms of yeast products and enzymes to retailers and wholesalers in South Africa.
7. The Seller is primarily focused on the provision of beverages and convenient foods in various countries including South Africa. The Seller’s savoury foods business houses the Target Business and comprises of Savoury Food Ingredients division (“SFI division”) and the Black Spreads division. The SFI division manufactures meaty savoury base flavours used in the production of soups, sauces, gravies and pies. The Black Spreads division concerns the production of the Bovril and Marmite spreads.

Competition Assessment

8. The Commission found that the proposed merger only raises vertical overlaps. In this regard, the Acquiring Firm supplies the Target Business with fresh liquid yeast as input for the manufacture of the latter’s products. The Commission however concluded that the vertical overlaps are unlikely to lead to input or customer foreclosure.

Public Interest considerations

9. The Commission found that the proposed merger is unlikely to raise any substantial employment concerns since the employees of the Target Business will be transferred to the Acquiring Firm post-merger. In addition, the merging parties agreed to the employment conditions set out in **“Annexure A”**.
10. In respect of section 12A(3)(e) of the Act, the Commission noted that the merger will result in the employees of the Target Business ceasing to participate in the PepsiCo Employee Share Ownership Scheme (Bašumi Trust). The merging parties confirmed that the employees will be paid all of their participation benefits from the Bašumi Trust until the date of their transfer from the Target Business to the Acquiring Firm. This was also confirmed by the Chairperson of the Bašumi Trust.
11. The merging parties offered the various public interest conditions in **“Annexure A”**, in order to countervail the adverse impact of the merger on worker ownership. The Commission found that the proposed merger, considered together with the set of remedies offered by the merging parties, adequately countervail the adverse impact of the merger on worker ownership.
12. The Commission approves that the proposed transaction with the conditions set out in **“Annexure A”**.

ANNEXURE A**RYMCO (PTY) LTD****AND**

**THE BUSINESS CONCERNING THE PRODUCTION, MANUFACTURING,
MARKETING, SELLING AND DISTRIBUTION OF (I) BOVRIL AND MARMITE PRIMARILY
TO RETAILERS, AND (II) YEAST EXTRACT AND HYDROLYSED VEGETABLE
PROTEIN-BASED FLAVOURINGS, KNOWN AS SAVOURY FOODS INGREDIENTS
PRIMARILY TO FOOD MANUFACTURERS OWNED BY PIONEER FOODS GROCERIES
(PTY) LTD**

CASE NO: 2024AUG0010

CONDITIONS

1. DEFINITIONS

1.1. The following expressions shall bear the meanings assigned to them below, and cognate expressions bear corresponding meanings –

1.1.1. **“Acquiring Firm”** means Rymco (Pty) Ltd;

1.1.2. **“Approval Date”** means the date referred to on the Commission's Merger Clearance Certificate (Form CC 15);

1.1.3. **“Commission”** means the Competition Commission of South Africa, a statutory body established in terms of section 19 of the Competition Act;

1.1.4. **“Commission Rules”** means the Rules for the Conduct of Proceedings in the Commission;

1.1.5. **“Competition Act”** means the Competition Act, 89 of 1998, as amended;

- 1.1.6. “**Conditions**” means these conditions and a condition means any one of the conditions;
- 1.1.7. “**Days**” means any calendar day other than a Saturday, a Sunday or an official public holiday in South Africa;
- 1.1.8. “**Implementation Date**” means the date, occurring after the Approval Date, on which the Merger is implemented by the Merging Parties;
- 1.1.9. “**Labour Relations Act**” means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.1.10. “**Merged Entity**” means the Acquiring Firm including the Target Firm following the Implementation Date;
- 1.1.11. “**Merger**” means the proposed transaction between the Merger Parties notified to the Commission under case number: 2024AUG0010;
- 1.1.12. “**Merger Parties**” means the Acquiring Firm and the Target Firm;
- 1.1.13. “**Target Firm**” the business concerning the production, manufacturing, marketing, selling and distribution of (i) Bovril and Marmite primarily to retailers, and (ii) yeast extract and hydrolysed vegetable protein-based flavourings, known as savoury foods ingredients primarily to food manufacturers owned by Pioneer Foods Groceries (Pty) Ltd; and
- 1.1.14. “**Tribunal**” means the Competition Tribunal of South Africa, a statutory body established in terms of section 26 of the Competition Act.

2. EMPLOYMENT

- 2.1. The Merged Entity shall not retrench any employees as a result of the merger for a period of (2) two years from the Implementation Date, including the period between the Approval Date and Implementation Date.

- 2.2. For the avoidance of doubt, this condition does not include (i) voluntary retrenchment and/or voluntary separation arrangements; (ii) voluntary early retirement packages, (iii) unreasonable refusals to be redeployed in accordance with the provisions of the Labour Relations Act; (iv) resignations or retirements in the ordinary course of business; (v) retrenchments lawfully effected for operational requirements unrelated to the Merger; (vi) terminations in the ordinary course of business, including but not limited to, dismissals as a result of misconduct or poor performance; or (vii) any decision not to renew or extend a contract of a fixed-term third party contract employee or contract with a third party.
- 2.3. For a period of (3) three years from the Implementation Date of the Merger, the Merged Entity shall give first consideration to any employees retrenched after the expiry of the moratorium period referred to in paragraph 2.1 above or at any time thereafter, for reasons unrelated to the Merger and in the event that employment opportunities arise within the Merged Entity, provided that such employees possess the necessary qualifications, skills, and experience required for the relevant roles.
- 2.4. The Merged Entity shall until 31 March 2025 maintain at least the same number of employees in the aggregate as are employed at the Target Firm in South Africa as at the Closing Date.

3. CAPITAL EXPENDITURE

- 3.1. Within a period of (30) thirty months from the Implementation Date, the Merged Entity shall expend approximately R10 000 000 (ten million Rands) towards the revitalisation of the Target Firm. The capital expenditure may be expended in respect of, among others, (i) improving and standardising spent yeast solids

(storage and settling tanks), (ii) process control upgrades (drying towers) and (iii) waste stream recovery (clarification of effluent for cell walls).

4. SKILLS DEVELOPMENT AND TRAINING

- 4.1. The Acquiring Firm shall extend its existing skills development and training initiatives to the employees transferred from the Target Firm.
- 4.2. For a period of (3) three years from the Implementation Date, the Acquiring Firm shall continue with its existing skills development and training initiatives and shall increase its annual expenditure in respect of the existing skills development and training initiatives by 5% over a (3) three year period.
- 4.3. The Acquiring Firm's annual expenditure in respect of the skills development and training initiatives during the 2024 financial year was approximately **[confidential]**.

5. MONITORING OF COMPLIANCE WITH THE CONDITIONS

- 5.1. The Acquiring Firm shall inform the Commission in writing of the Implementation Date within (5) five Days of the Implementation Date.
- 5.2. Within (10) ten Days of the Implementation Date, the Acquiring Firm shall circulate a non-confidential version of the Conditions to the Merged Entity's employees. As proof of compliance, the Acquiring Firm shall, within (5) five Days of circulating the Conditions, submit to the Commission an affidavit attested to by a senior official of the Acquiring Firm.
- 5.3. For a period of (3) three years, on each anniversary of the Implementation Date, the Acquiring Firm shall provide the Commission with a report in relation to the Acquiring Firm's compliance with clauses 2, 3 and 4 of the Conditions. Such a report shall be accompanied by an affidavit attested to by a senior official of the Acquiring Firm, confirming the Acquiring Firm's compliance with the Conditions.
- 5.4. The Commission may request such additional information from the Merger Parties, which the Commission may, from time to time, deem necessary for purposes of monitoring the extent of compliance with these Conditions.

6. APPARENT BREACH

- 6.1. Should the Commission receive any complaint in relation to non-compliance with the above Conditions, or otherwise determine that there has been an apparent breach of these Conditions, the breach shall be dealt with in terms of Rule 39 of the Commission Rules.

7. VARIATION OF CONDITIONS

- 7.1. The Merger Parties may at any time, on good cause shown, apply to the Commission for the Conditions to be waived, relaxed, modified and/or substituted. Should a dispute arise in relation to the variation of the Conditions, the Merger Parties shall apply to the Tribunal, on good cause shown and on notice to the Commission, for the Conditions to be waived, relaxed, modified and/or substituted.

8. GENERAL

- 8.1. All correspondence concerning these Conditions must be submitted to the following email address: mergerconditions@compcom.co.za and ministry@thedtic.gov.za.

Enquiries in this regard may be addressed to the Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3298