

20 January 2012: Sugar production sector

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The *Autorité de la concurrence* clears the acquisition of Vermandoise by Cristal Union

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The *Autorité de la concurrence* has just cleared the acquisition of sole control of the **Vermandoise** group by **Cristal Union**. After conducting its investigation, it considered that this acquisition did not raise competition concerns.

Cristal Union is an agricultural cooperative with 5,350 beet grower members. The group's main activity is the production of industrial sugar, table sugar under the Daddy brand, beet molasses and pulp and the production of ethyl alcohol. Cristal Union has 5 sugar refineries located in the Marne, Aube, Bas-Rhin and Loiret départements. The Vermandoise group is a sugar-producing group having 4 sugar refineries located in the Seine Maritime, Somme, Eure-et-Loir and Loiret départements. It primarily produces and markets industrial sugar.

In view of market conditions and the existence of significant competition, the *Autorité* considers that the proposed acquisition will not raise competition concerns

The *Autorité* first noted that the acquisition was taking place in very particular market conditions, marked by lower sugar production quotas and reference prices set at European level, European markets increasingly open to European competition and the sharp rise in global sugar prices in recent campaigns. Exceptional measures have been taken by the European authorities to increase quotas so as to curb price rises and mitigate their volatility.

Inasmuch as the Vermandoise group does not sell table sugar, the Autorité's analysis primarily focused on the effects of competition on the market for sugar intended for the food-processing industry.

On the basis of industrial sugar sales in France in the 2010-2011 campaign, the acquisition will make Cristal Union the number-one producer, ahead of the Tereos group and Saint Louis Sucre (Sudzucker group). But these two groups are significant competitors: Tereos has a larger overall sugar production quota at national level than that of Cristal Union and the Vermandoise group combined; the Sudzucker group is the European leader on sugar markets. In addition, Tereos and Saint Louis Sucre currently export a large proportion of their output to other European countries but could satisfy any growing demand from French industrialists. Moreover, the countries bordering France to the North and East also enjoy surplus production and competitors based on the border, such as Pfeifer & Langen and Sudzucker, could also competitively increase their sales in France.

In view of these facts and the market context described above, the Autorité considers that the acquisition would not enable the newly merged group to raise its prices unilaterally. Lastly, it considers that the industrial sugar market is not sufficiently transparent for the acquisition to encourage concerted conduct by French producers, as their pricing is more often than not controlled by negotiated contracts.

>The full text of decision 12-DCC-06 of 20 January 2012 will be posted online shortly on the web site of the Autorité de la concurrence.

> Press contact: André Piérard - Tel.: +33 (0) 1 55 04 02 28