

Farmers, consumers want right prices

The Competition Tribunal has asked for revised conditions before approving a joint-venture between two of SA's leading agriculture firms - Afgri Operations and Senwes - to ensure there will be no exchange of information between the divisions that will be competing.



The joint-venture will see the two agriculture firms integrate their farming retail stores. The tribunal has asked that the definition of an employee be extended to include temporary and contract workers, as well as new employees.

The Competition Commission has recommended the approval of the transaction, but with the condition that measures be put in place to ensure that the joint venture cannot be used as a platform to exchange of sensitive market information. The two firms will still be competing in grain handling and storage and financial and insurance services offered to farmers.

Afgri's chief executive Chris Strydom told the tribunal on Wednesday (11 April) that one of the benefits flowing from the transaction would come from shared head office costs and efficiencies with stock handling. He said increased volumes would enable the joint venture to negotiate better prices with suppliers.

When asked by the tribunal whether consumers would benefit from lower prices, Strydom remarked that retail prices never decreased. However, the range of products put on offer for farmers would be increasing, he said.

The parties have indicated that 50 people will be retrenched because of duplication at head office level, all of them skilled workers earning between R100,000 and R1.4m per year. The commission has also proposed as a condition for approval that no more than 50 people may be retrenched in the next 12 months as a result of the transaction.

Senwes is active in North West, Free State, Gauteng and the Western Cape, while Afgri Agri Service operates in Mpumalanga, KwaZulu-Natal, Gauteng and the Free State. Afgri Operations has three divisions. The Afgri Agri Services houses the grain management and retail outlets.

Strydom said the deal would also ensure benefits in terms of crop-specific risks. If there were crop failures in one area, stores in that area could source from stores in another geographical area.

Senwes has 28 stores in Gauteng, the Free State and North West. Afgri has 38 stores in Mpumalanga, KwaZulu-Natal,

Gauteng and the Free State.

Afgri will also transfer its farming wholesale business to the joint venture as part of the deal.

The tribunal said it would make its decision as soon as it received the revised conditions from the parties.

Source: *Business Day* via I-Net Bridge

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