

DETERMINATION OF MERGER NOTIFICATION M/23/064 – SYSCO FOODS / READY CHEF

Section 21 of the Competition Act 2002

Proposed acquisition by Sysco Foods Ireland Unlimited Company of sole control of Ready Chef Limited

Dated: 19 January 2023

Introduction

1. On 7 December 2023, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the “Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed acquisition whereby Sysco Foods Ireland Unlimited Company (“Sysco”), a wholly owned subsidiary of Sysco Corporation, would acquire sole control of Ready Chef Limited (“Ready Chef”) (the “Proposed Transaction”).¹

The Proposed Transaction

2. The Proposed Transaction will be implemented pursuant to a share purchase agreement, dated 5 December 2023, between two individuals, David Tallon and William Tallon (the “Sellers”) and Sysco (the “SPA”). Pursuant to the SPA, Sysco will acquire the entire issued share capital and thus sole control of Ready Chef.

The Undertakings Involved

The Acquirer – Sysco

3. Sysco Corporation is headquartered in Houston, Texas, USA and involved, primarily in the USA and Canada, in selling, marketing, and distributing food products and non-food products (including paper products and cleaning and janitorial products). Sysco Corporation’s customers include restaurants, healthcare and educational facilities, and lodging establishments. Sysco Corporation’s products also include equipment and supplies for the foodservice and hospitality industries.

¹ In this Determination, together, Sysco and Ready Chef are referred to as the “Parties”.

4. Sysco Corporation entered the Irish market through its acquisition of Pallas Foods in 2009. Pallas Foods Unlimited Company subsequently changed its company name to Sysco Foods Ireland Unlimited Company in 2021. Sysco operates from a base in Dublin and has eight regional centres. According to the notification, Sysco offers a range of over 10,000 fresh, frozen and ambient food products and non-food products to customers in the hospitality sector in the State, including hotels, restaurants and bars.
5. For the financial year ending ending July 2023, Sysco Corporation's worldwide turnover was US\$76.3 billion (approximately €72.8 billion)², of which €(...) was generated in the State.

The Target – Ready Chef

6. Ready Chef is a family-owned Irish business specialising in the supply of fresh and prepared produce to the Irish food service sector. Ready Chef has a wide product range consisting of fresh fruit, fresh vegetables, fresh salads and fresh herbs, as well as prepared fruit, prepared vegetables and prepared salads. Ready Chef's customers range from food service companies to contract caterers, food manufacturers, multinational companies, national restaurant brands, hotels, and health sector organisations. Ready Chef delivers its fresh and prepared produce from its purpose-built facility in the Dublin Industrial Estate, Glasnevin, Dublin 11.
7. For the financial year ending 2022, Ready Chef's worldwide turnover was €18.9 million, of which €(...) was generated in the State.

Rationale for the Proposed Transaction

8. The Parties state the following in the notification:

“From Sysco's perspective,(...)”

Third-Party Submissions

9. No third-party submission was received.

Competitive Analysis

Horizontal overlap

² The Commission used the average ECB exchange rate for the period 1 July 2022 to 1 July 2023, USD 1 = EUR 0.9185.

10. There is a horizontal overlap between the Parties in respect of the supply of food and drink products to the foodservice sector in the State. Sysco supplies a wide range of food and drink products to the foodservice sector in the State whereas Ready Chef is specifically active in the supply of prepared fresh fruit and vegetables to the foodservice sector in the State. A Bord Bia Report entitled “*Irish Foodservice Market and Consumer Insights 2022*” (the “Bord Bia Report”) defines foodservice as being “*all food and drink consumed and prepared out of home. It includes everything from restaurants, pubs, hotels and coffee shops to workplace, hospital and education catering*”.³
11. Sysco also supplies food and drink products to the food retail sector, but Ready Chef does not. Thus, no horizontal overlap exists in the supply of food and drink products to the food retail sector.

Vertical overlap

12. There is a vertical relationship between the Parties as Ready Chef supplies fresh and prepared food to Sysco. In addition, Sysco operates as a supplier of fresh fruit and vegetables for onward sale to customers.

Relevant Markets

Product market

13. In the notification, the Parties submit that the precise product market definition can be left open.
14. The Commission’s predecessor the Competition Authority (the “Authority”), and the European Commission (the “EC”) have considered the supply of food and drink products to the foodservice sector in previous determinations.
15. In *M.7986 Sysco/Brakes*⁴, the EC considered the distribution of food products to foodservices customers. The EC, while ultimately leaving the precise market definition open, considered

³ See the Bord Bia report entitled ‘Irish Foodservice: Market & Consumer Insights’ for 2022, [here](#).

⁴ See *M.7986 – Sysco/Brakes*, which is available [here](#).

whether a distinction should be drawn according to (i) mode of supply; (ii) national and independent customers; and (iii) product category.

16. In *M/12/010 Pallas/Crossgar*⁵, the Authority, while leaving the precise market definition open, noted that it may be possible to define the relevant market for the supply of food and drink products to the foodservice sector by reference to certain operator and product categories. The Authority further noted that it may be possible to divide foodservice distribution into segments corresponding to the various modes by which operators purchase foodservice products, such as delivered wholesale or cash and carry.
17. In *M/17/067 – Musgrave/La Rousse*, the Commission recalled the decisional practice of the Authority in *M/12/010 – Pallas/Crossgar* and the EC's decision in *M.7986 Sysco/Brakes*. While the Commission did not come to a definitive view on the precise relevant market definition, it assessed the competitive effects of the proposed transaction by reference to (a) the supply of food and drink products to the food retail sector; and (b) the supply of food and drink products to the foodservice sector.⁶
18. The Commission has previously considered the supply of food and drink products to the foodservice sector in its determination in *M/22/055 – Musgrave/Italicatessen*.⁷ In that determination, the Commission, while ultimately leaving the precise product market definition open, assessed the competitive impact of that transaction by reference to the supply of food and drink products to the foodservice sector.
19. As mentioned above, Sysco and Ready Chef overlap in the supply of food and drinks products to the foodservice sector. Ready Chef, in particular, is active in the supply of fresh fruit and vegetables to the foodservice sector.
20. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define the precise relevant product market since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the potential product market is defined narrowly (i.e., the supply of fresh fruit and vegetables to the foodservice sector), or more broadly (i.e., the supply of all food and drink products to the foodservice sector). For purpose of conducting its competitive assessment of the Proposed Transaction the Commission will

⁵ See *M/12/010 – Pallas/Crossgar*, which is available [here](#).

⁶ See *M/17/067 – Musgrave/La Rousse* which is available [here](#).

⁷ See *M/22/055 – Musgrave/Italicatessen*, which is available [here](#).

assess the competitive effects of Proposed Transaction by reference to the potential market for the supply of fresh fruit and vegetables to the foodservice sector.

Geographic market

21. In *M.7986 Sysco/Brakes* the EC, whilst ultimately leaving the relevant geographic market definition open, assessed that transaction by reference to a national geographic market. In *M/12/010 Pallas/Crossgar*, the Authority found that the geographic market definition could be considered to be the island of Ireland, due to the fact that both parties delivered products to both the Republic of Ireland and Northern Ireland. In *M/17/067 – Musgrave/La Rousse* and in *M/22/055 – Musgrave/Italiacatessen*, the Commission, whilst not coming to a definitive view on the geographic market definition, assessed that transaction by reference to a national market.
22. Sysco supplies the foodservice sector on the island of Ireland, from its Dublin location and eight regional centres located across the State. Ready Chef supplies products throughout the State from its facility in Dublin.
23. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define the precise relevant geographic market since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the potential geographic market is defined narrowly (i.e., the State), or more broadly (i.e., the island of Ireland). For the purpose of conducting its competitive assessment of the Proposed Transaction the Commission will assess the competitive effects of the Proposed Transaction by reference to the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State.

Conclusion on relevant markets

24. For the purposes of carrying out its competitive assessment of the Proposed Transaction, the Commission has assessed the Proposed Transaction by reference to the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State.

Competitive Assessment

Supply of fresh fruit and vegetables to the foodservice sector in the State

25. Table 1 below provides the Parties' estimated shares in the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State.

Table 1: Market shares by value in the supply of fresh fruit and vegetables to the foodservice sector in the State in 2022

Supplier	Share of supply (%)
Sysco	[10-15]%
Ready Chef	[0-5]%
Combined	[15-20]%
Others	[80-85]%
Total	100%

Source: The Parties⁸ based on their sales data and the Bord Bia Report

26. On the basis of the information available to the Commission during its review of the Proposed Transaction, the Commission considers that the Proposed Transaction raises no horizontal competition concerns in the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State for the following reasons.
27. First, as can be seen from Table 1 above, the Parties estimate Sysco's market share in respect of the supply of fresh fruit and vegetables to the foodservice sector in the State was [10-15]% in 2022. Following the implementation of the Proposed Transaction, the Parties estimate that Sysco's share of the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State would face a minimal increment of [0-5]%, with Sysco having an estimated [15-20]% share of the potential market after the Proposed Transaction, according to the Parties.
28. Second, following the implementation of the Proposed Transaction, there will remain a number of competitors to Sysco in the State including suppliers of food and drink to the foodservice sector such as: Musgrave; BWG Foods Unlimited Company; Lynas Foodservice Ireland Limited; and Henderson Foodservice Limited. Following the implementation of the Proposed Transaction, there will also remain a number of specialist suppliers⁹ of fresh fruit

⁸ The estimated market shares were provided to the Commission by the Parties on 2 January 2024 in response to follow-up questions.

⁹ Specialist Suppliers can be considered as suppliers that are suppliers that specialise in the supply fresh food and vegetables.

and vegetables in the State including: Total Produce Limited; Keelings Unlimited Company; Begleys Fresh Produce; Limerick Fruit Suppliers (Trading) Limited; and Allfresh Wholesale Limited.

29. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the potential market for the supply of fresh fruit and vegetables to the foodservice sector in the State.

Vertical Overlap

30. There is a vertical relationship between the Parties as Ready Chef supplies fresh and prepared food to Sysco for onward sale to foodservice customers. On the basis of the information available to the Commission during its review of the Proposed Transaction, the Commission considers that the Proposed Transaction raises no vertical competition concerns in the State for the following reasons.

Input foreclosure

31. First, the Proposed Transaction will not give Sysco the ability or incentive to foreclose suppliers of fresh fruit and vegetables in the State.
32. Following the implementation of the Proposed Transaction, there will remain a number of other suppliers of fruit and vegetables active in the upstream market, to supply those active in the downstream market for onward sale to end consumers. Ready Chef has a minimal market share in the supply of fresh fruit and vegetables in the State with an estimated market share of [0-5]%.

Customer Foreclosure

33. Second, the Commission considers that the Proposed Transaction will not give Sysco the ability to engage in customer foreclosure. Sysco is already Ready Chef's largest single customer, accounting for (...)% of Ready Chef's total sales by value in 2022. There will remain many other suppliers and foodservice companies for competitors of Ready Chef to supply fresh fruit and vegetables to following the implementation of the Proposed Transaction.
34. Therefore, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion of Competitive Analysis

35. In light of the above, the Commission has concluded that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

36. No ancillary restraints were notified.

Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Sysco Foods Ireland Unlimited Company, a wholly owned subsidiary of Sysco Corporation, would acquire sole control of Ready Chef Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission.

Úna Butler

Member

Competition and Consumer Protection Commission