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**PUBLIC VERSION**

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

**To the notifying party**

**Subject:** **Case M.9413 – LACTALIS / NUOVA CASTELLI**
**Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]**

Dear Sir/Madam,

(1) On 4 November 2019 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the 'Merger Regulation') by which Gruppo Lactalis Italia S.r.l. (Italy), belonging to the Groupe Lactalis S.A. (together 'Lactalis', France) acquires within the meaning of Article 3(1)(b) of the Merger Regulation of the whole of Nuova Castelli S.p.A. ('Nuova Castelli' or the 'Target', Italy), a wholly-owned subsidiary of Nuova Castelli Group S.p.A ('NC Group', France), in turn controlled by Charterhouse Capital Partners ('Charterhouse', United Kingdom) by way of purchase of shares (Lactalis and Nuova Castelli are designated hereinafter together as the 'Parties').[3]

1 OJ L 24, 29.1.2004 p. 1. With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

3 Publication in the Official Journal of the European Union No C 385, 13.11.2019, p. 9.

Commission européenne, DG COMP MERGER REGISTRY, 1049 Bruxelles, BELGIQUE
Europese Commissie, DG COMP MERGER REGISTRY, 1049 Brussel, BELGIË

Tel: +32 229-91111. Fax: +32 229-64301. E-mail: COMP-MERGER-REGISTRY@ec.europa.eu.

## 1. THE PARTIES

(2) **Lactalis** produces and supplies cheese such as mozzarella, mascarpone and ricotta, as well as drinking milk, butter, cream and industrial dairy products (milk powder, whey, etc.). Lactalis focuses on branded products, although it also achieves sales in relation to products sold under retailers' private labels.

(3) **Nuova Castelli** is a wholly-owned subsidiary of the NC Group, […]. NC produces and sells various Italian cheeses, mostly hard cheeses and soft cheeses (mozzarella, Parmigiano Reggiano, Grana Padano, Pecorino, ricotta, etc.) and has trading activities in relation essentially to mascarpone, Feta and butter. Nuova Castelli specialises in the supply of cheeses to retailers to be resold under private labels.

## 2. THE OPERATION

(4) The industrial and commercial activities of the NC Group are contained within the Target. Nuova Castelli is currently undergoing a legal reorganisation; however, this does not affect the structure of its ownership. Additionally, prior to the closing of the acquisition, Nuova Castelli will have acquired sole control over ILC La Mediterranea S.p.A. ('Mandara'). These activities have been taken into account as part of the perimeter of the present Transaction for the purposes of its competitive assessment.

(5) Pursuant to a Sale and Purchase Agreement ('SPA') signed on 29.5.2019, Lactalis will acquire all issued and outstanding shares of Nuova Castelli representing 100% of the share capital of the Target. Nuova Castelli will therefore be solely controlled by Lactalis (the 'Transaction').

(6) The proposed Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.[4]

## 3. EU DIMENSION

(7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[5] (Lactalis: […]; Nuova Castelli: […]). Each of them has an EU-wide turnover in excess of EUR 250 million (Lactalis: […]; Nuova Castelli: […]), but each does not achieve more than two-thirds of its aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

## 4. MARKET DEFINITION

### 4.1. Introduction

(8) Both Parties are active in the production and supply of dairy products. Their activities overlap and give rise to affected markets in (i) the procurement of milk; (ii) the production and sale of cheese (notably the Italian-type cheese and Feta) to

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4 The same concentration was already notified to the Commission on 9.9.2019, but the notification was subsequently withdrawn on 10.10.2019.

5 Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.4.2008, p. 1).

retailers[6]; (iii) the production and sale of other dairy products (dairy-based desserts) and (iv) the production and sale of butter.[7]

### 4.2. Procurement of milk

(9) Raw milk refers to milk which has not undergone any treatment (other than cooling) and has a perishable nature. It is produced by dairy farmers, who normally milk cows twice a day. Raw milk is subsequently stored in milk storage cool tanks at the farm which reduces its temperature to 4° C. Raw milk may be kept on the dairy farm for one or two days. It is then delivered to (or collected by) dairy companies like the Parties, where it is pasteurised. Once pasteurised, milk can be freely traded and transported over long distances.

#### *4.2.1. Commission's precedents*

(10) In previous decisions, the Commission considered that the procurement of milk should be divided between conventional milk and organic milk.[8] The Commission left the product market definition open in relation to Germany[9] and Spain[10], and assessed both segments together as a single market in relation to Italy.[11]

(11) The Commission also considered a further segmentation of milk procurement by species (cow, goat and sheep) because of the limited substitutability of the downstream end products, but eventually left the product market definition open.[12]

#### *4.2.2. Notifying Party's view*

(12) According to the Notifying Party, Lactalis procures almost exclusively conventional milk in Italy[13] and that Nuova Castelli has just started collecting limited volumes of organic milk.[14]

(13) The Notifying Party submits that segmenting milk procurement based on conventional or non-organic milk or by species is not relevant,[15] given that the Parties' activities only overlap in the market for the procurement of conventional cow milk.

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6 The Parties' activities also overlap in the supply of Italian-type cheese and related products to the industrial customers/out-of-home ('OOH') retail channel; however, based on the information submitted by the Parties, these overlaps would not lead to affected markets (see Form CO, Section 6-2.5) and thus are not further discussed in this Decision.

7 The activities of the Parties overlap in other areas; however, according to the data submitted by the Parties, these horizontal overlaps do not give rise to affected markets, and thus are not further discussed in this Decision.

8 Commission Decision in Case M.7434 – *Müller UK & Ireland/Dairy Crest Dairy Operations*, recital 10; Commission Decision in Case M.6627 – *Arla Foods/Milch-Union Hocheifel*, recital 17; Commission Decision in Case M.6611 – *Arla Foods/ Milk Links*, recital 10; Commission Decision in Case M.6441 – *Senoble/Agrial/Senagral JV*, recital 17.

9 Commission Decision in Case M.6348 – *Arla Foods/Allgäuland*, recitals 13; Commission Decision in Case M.6119 – *Arla/Hansa*, recital 11.

10 Commission Decision in Case M.5875 – *Lactalis/Puleva*, recital 17.

11 Commission Decision in Case M.6242 – *Lactalis/Parmalat*, recital 13.

12 Commission Decision in Case M.8549 – *Lactalis/Omira*, recital 11; Commission Decision in Case M.7573 – *DMK/DOC KAAS*, recital 15; Commission Decision in Case M.6441 – *Senoble/Agrial/Senagral JV*, recital 16.

13 […].

14 […].

15 Form CO, paragraphs 120 and 121.

(14) The Notifying Party submits that the product market definition may be left open as it has no bearing on the assessment of the Transaction.[16]

*4.2.3. Commission's assessment*

(15) As the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for procurement of milk under any plausible product market definition, the question whether the market for the procurement of milk should be further segmented can be left open.

### 4.3. Supply of Italian-type cheese and Feta

*4.3.1. Distinction of Italian-type cheese and Feta by category*

(16) The Notifying Party refers to mozzarella, mascarpone and ricotta as Italian fresh cheese; to Gorgonzola as an Italian soft cheese; and Parmigiano Reggiano, Gran Castelli, Grana Padano, Pecorino and Pecorino Romano as Italian-type hard cheeses.[17] Feta is a fresh Greek cheese made from ewe's and goat's milk.[18]

(17) The Parties manufacture and trade several cheeses that carry a protected designation of origin label ('PDO'). Nuova Castelli manufactures and sells: Mozzarella di Bufala Campana, Gorgonzola, Parmigiano Reggiano, and Grana Padano. Nuova Castelli also trades PDO Feta. Lactalis manufactures PDO Gorgonzola and PDO Feta, and it trades Mozzarella di Bufala Campana, Parmigiano Reggiano, and Grana Padano.

4.3.1.1. Commission's precedents

(18) The Commission has previously distinguished between different categories of cheeses such as "fresh cheese", "soft cheese", "semi-hard cheese", and "hard-cheese" among others.[19]

(19) According to Commission's precedents, each cheese category could be further segmented by type of cheese due to consumers' preferences[20] or the unique characteristics of product.[21] In this regard, the Commission assessed in previous decisions whether an Italian-type cheese, mozzarella, might constitute a separate market. The precise market definition was ultimately left open.[22]

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16 Form CO, paragraph 121.

17 Form CO, paragraph 342.

18 Form CO, paragraph 288; Commission Decision in Case M.4135 – *Lactalis/Galbani*, fotenote 8.

19 Commission Decision in Case M.6722 – *Friesland Campina/Zijerveld & Veldhuyzen and den Hollander*, recital 20; Commission Decision in Case M.6611 – *Arla foods/Milk link*, recitals 36; Commission Decision in Case M.6242 – *Lactalis/Parmalat*, recitals 51-53.

20 Commission Decision in Case M.4135 – *Lactalis/Galbani*, recital 12; Commission Decision in Case M.7573 – *DMK/Doc Kaas*, recital 24; Commission Decision in Case M.6611 – *Arla foods/Milk link*, recital 36; Commission Decision in Case M.4761 – *Bongrain/Sodiaal/JV*, recital 23, Commission Decision in Case M.6242 – *Lactalis/Parmalat*, recitals 52-53. In previous cases, the Commission also assessed and left open whether cheese categories could be further segmented by type of presentation (such as sliced cheese, cheese sold at variable and fixed weight) (see for example Commission Decision in Case M.6611 – *Arla foods/Milk link*, recital 36). The sales of the Parties include variable and fixed weight sales. In this Decision, a segmentation by type of presentation is unlikely to substantially change the assessment of the Transaction given that the majority of the sales of Parties are in fixed weight. Therefore, it will not be addressed further in this decision.

21 Commission Decision in Case M.4135 – *Lactalis/Galbani*, recitals 12 and 13.

22 Commission Decision in Case M.4135 – *Lactalis/Galbani*, recital 12; Commission Decision in M.7573 – *DMK/Doc Kaas*, recital 24; Commission Decision in M.6611 – *Arla foods/Milk link*,

(20) In *Lactalis/Galbani*, the Commission also considered whether each type of cheese could be further sub-segmented by the type of milk used for its production. In particular, the Commission analysed whether cow milk mozzarella and buffalo milk mozzarella might belong to separate product markets, notably due to differences in taste and price. The precise market definition was ultimately left open.[23]

(21) Additionally, in a previous case, the Commission considered further sub-segmentations of blue cheese by specialties; however, it ultimately left the precise market definition for blue cheese open.[24]

(22) In previous cases, the Commission has considered whether segmentation by products protected by designation of origin could be warranted. The Commission noted such segmentation could be justified given that consumers may attach value to the designation of origin, while producers are constrained by specific rules (e.g. origin, ingredients, manufacturing process, etc.). However, the precise market definition was left open.[25]

4.3.1.2. Notifying Party's view

(23) The Notifying Party argues that the relevant market could be segmented by cheese category, i.e. hard-cheese, fresh cheese, soft cheese; however, it submits that further segmentation by type of cheese does not appear relevant for the supply to retailers of Italian-type branded and private label cheese products.[26]

(24) As regards the supply of branded products to retailers, the Notifying Party argues that a segmentation based on the type of cheese does not always reflect consumer habits; in particular with regard to Italian-type hard cheeses.[27] The Notifying Party claims that, from a demand-side perspective based on consumers' consumption habits across different European countries except most likely Italy, Italian-type hard cheeses, such as Grana Padano, Parmigiano Reggiano and Pecorino, are substitutable because all cheese types can be used for the same consumption occasion, i.e. in pasta dishes.[28] The Notifying Party also explained that suppliers of Italian-type hard cheeses, such as Parmigiano Reggiano and Grana Padano with the PDO label, produce also their equivalents without the label.[29]

(25) With regard to the supply of private label Italian-type cheese to retailers, the Notifying Party submits that the segmentation by type of cheese does not appear relevant.[30] First, the Notifying Party argues that in the supply of private label Italian-type cheese the relevant factor is the capabilities of suppliers to respond to requirements of the tenders and not consumer preferences.[31] According to the Notifying Party, various types of cheese can be easily manufactured by the same

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recital 36; M.4761 – *Bongrain/Sodiaal/JV*, recital 23, Commission Decision in M.6242 – *Lactalis/Parmalat*, recitals 52-53.

23 Commission Decision in Case M.4135 – *Lactalis/Galbani*, recital 13.

24 Commission Decision in M.6611 – *Arla foods/Milk link*, recitals 39-40.

25 Commission Decision in Case M.4135 – *Lactalis/Galbani*, recitals 14 and 15.

26 Form CO, paragraphs 207 and 258.

27 Form CO, paragraph 258.

28 Form CO, paragraph 258.

29 Form CO, paragraph 300.

30 Form CO, paragraph 207.

31 Form CO, paragraph 188 et seq.

producers and they could belong to the same market.[32] Second, the Notifying Party also submits that some fresh cheese types are sold together to retailers under one contract and the same price (for example, ricotta and mascarpone).[33]

(26) As regards the segmentation of cheese based on the type of milk used to produce that cheese, the Notifying Party submits that, from the point of view of consumers, buffalo milk mozzarella and cow milk mozzarella are substitutable because both products satisfy the same need and there is a correlation between their prices.[34]

(27) Concerning geographical indications, the Notifying Party explains that the labelling of PDO products is subject to stringent rules and requires that the product originates in a specific region and that the ingredients originate and the production takes place in the defined geographic area. Accordingly, only producers located in the specific regions are able to produce PDO cheese.

(28) The manufacturers of Italian-type PDO cheeses are organized in consortia. These consortia require their members to manufacture PDO cheeses from Italian milk produced in specific Italian regions. For example, for Parmigiano Reggiano the milk must come from the provinces of Bologna to the left of Reno river, Mantua to the right of the Po river, Modena, Parma and Reggio nell'Emilia.[35]

(29) However, the Notifying Party argues that segmenting the market based geographical indications such as PDO does not reflect the nature of competition on the market.[36]

(30) The Notifying Party also submits that private label products are substitutable irrespective of the place of where they are manufactured and the origin of milk used.[37] The Notifying Party explains that mentioning the country of origin of the product is voluntary and submits that retailers procure mozzarella, mascarpone and ricotta without giving consideration to the country of origin.[38] As regards the origin of milk, some products carry the indication that milk is of "EU origin". […].[39]

4.3.1.3. Commission's assessment

(31) The market investigation confirmed the previous segmentation of supply of cheese by categories. The majority of responsive customers indicated that the different Italian-type cheese categories (e.g. fresh cheese, soft cheese, semi-hard cheese and hard cheese) were not substitutable among each other.[40]

(32) Moreover, the results of the market investigation also point to a further segmentation between types of cheese within these categories for most of the concerned products (Italian-type cheeses and Feta).

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32 Form CO, paragraph 205.

33 Form CO, paragraph 206.

34 Form CO, paragaraph 261 et seq.

35 Form CO, paragraph 244.

36 Form CO, paragraph 271. The Notifying Party submits that the Parties "*do not manufacture and supply cheeses with the same PDO. Nuova Castelli supplies (as branded products) Mozzarella di Bufala Campana, under the Mandara brand, Parmigiano Reggiano, Grana Padano, Gorgonzola, Taleggio and Pecorino under the Nuova Castelli brand, none of which Lactalis manufactures or supplies as PDO products.*" As regards Gorgonzola, Lactalis sells only very small quantities.

37 Form CO, paragraph 241 et seq.

38 Form CO, pages 77 and 78.

39 Form CO, pages 78 and 79.

40 Questionnaire to customers (Q2), question 9.

*(A)* Mozzarella

(33) The vast majority of customers responding to the market investigation considered that mozzarella is not substitutable with any other type of cheese.[41] Customer explained that "*[m]ozzarella is too specific and creates a specific market*"[42] and that "*[i]t is very hard to find the same taste and texture in another product*".[43]

*Cow and buffalo milk mozzarella*

(34) The results of the market investigation also indicate that, contrary to what the Notifying Party argues, cow and buffalo milk mozzarella are not substitutable.

(35) First, the large majority of customers and competitors that responded to the market investigation indicated that cow milk and buffalo milk mozzarella are not substitutable at all or only partially substitutable in terms of price and product characteristics.[44] As a customer explained: "*The quality of the product is superior in buffalo milk. The taste is more pronounced. The price is higher. Many consumers of mozzarella di bufala do not buy mozzarella made of cow milk because they find the product tasteless and unattractive*"[45]

(36) Second, the majority of customers and competitors that responded to the market investigation indicated that buffalo milk mozzarella commands a significant price premium (over 30% higher than cow milk mozzarella).[46]

(37) Third, the large majority of customers expressing their views submitted that even if the price of buffalo milk mozzarella increased by 5-10% they would not switch to cow milk mozzarella.[47] The majority of responsive competitors agreed.[48]

(38) Fourth, from a supply-side perspective and according to the market investigation, there is no substitutability between buffalo milk mozzarella and cow milk mozzarella.[49]

*PDO and country of origin*

(39) First, with regard to buffalo milk mozzarella carrying a PDO label, i.e. Mozzarella di Buffala di Campana, certain customers responsive to the market investigation indicated that PDO carries a certain premium value as it assures quality.[50] However, the large majority of the customers that responded to the market investigation indicated that PDO and non-PDO mozzarella were alternatives in terms of price and product characteristics.[51]

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41 Questionnaire to customers (Q2), question 12.

42 Questionnaire to customers (Q2), question 12.1.

43 Questionnaire to customers (Q2), question 12.1.

44 Questionnaire to customers (Q2), question 15; Questionnaire to competitors (Q1), question 19.

45 Courtesy translation from French: "*La qualité du produit est supérieure en lait de bufflonne. Le gout est plus prononcé. Le prix est supérieur. Beaucoup de consommateurs de mozzarella di bufala n'achète pas de mozzarella au lait de vache car trouve le produit insipide et sans intérêt*", Questionnaire to customers (Q2), question 15.1.

46 Questionnaire to customers (Q2), question 17; Questionnaire to competitors (Q1), question 22.

47 Questionnaire to customers (Q2), question 16.

48 Questionnaire to competitors (Q1), questions 20 and 21.

49 Questionnaire to competitors (Q1), question 19; Questionnaire to customers (Q2), question 15.

50 Questionnaire to customers (Q2), question 37.1: "*DOP is a sort of quality insurance which customers pay attention to*", "*Par exemple, l'origine de la matière première du Lait de vache (Italie) est un critère important pour le client.*"

51 Questionnaire to customers (Q2), question 37.

(40) Moreover, the majority of responsive customers indicated that if prices of PDO mozzarella increased by 5-10% end-consumers will switch to non-PDO mozzarella.[52] The responses from competitors were evenly split.[53]

(41) Second, with regard to the country of origin of non-PDO Italian-type cheese products (including country of origin of the milk), the market investigation points at the fact that this is a factor of differentiation recognised by end-consumers particularly in certain countries (e.g. Italy); however, the majority of respondents indicated that retailers do not impose any specifications as regard the origin of the milk of non-PDO Italian-type cheeses.[54]

(42) Third, customers that responded to the market investigation were evenly split between those that considered that mozzarella labelled "made in Italy" was fully or largely substitutable by and mozzarella not labelled as made in Italy and those that considered these products not or only partially substitutable.[55]

*Conclusion*

(43) In light of the results of the market investigation and for the purpose of this decision, the Commission considers that mozzarella constitutes a distinct product market from other Italian-type fresh cheeses and that it can be further segmented by type of milk species into buffalo milk mozzarella and cow milk mozzarella.

*(B)* Ricotta

(44) Ricotta and mascarpone are different types of fresh cheese that tend to be used as cooking ingredients.[56] The market investigation confirmed that they belong to separate markets.

(45) First, the results of the market investigation indicate that the large majority of customers consider that there are significant differences between ricotta and mascarpone in terms of consumption occasions and prices.[57]

(46) Second, the vast majority of customers indicated that ricotta is not substitutable at all or only partially substitutable with other type of cheeses in terms of price and product characteristics.[58] Moreover, the majority of competitors that responded to the market investigation indicated that customers do not switch to other products when prices of ricotta increase.[59]

(47) Third, from a supply-side perspective, ricotta is made from whey, a left over from the production of cheese (e.g. mozzarella and mascarpone) and mascarpone is produced from milk fat.[60] The majority of competitors that responded to the market investigation replied that producers of mozzarella could not start producing ricotta without incurring in significant costs and in a short period of time.[61]

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52 Questionnaire to customers (Q2), question 38.

53 Questionnaire to competitors (Q1), question 33.

54 Questionnaire to customers (Q2), question 11; Questionnaire to competitors (Q1), question 35.

55 Questionnaire to customers (Q2), question 13.

56 Questionnaire to customers (Q2), question 21.1.

57 Questionnaire to customers (Q2), question 21.

58 Questionnaire to customers (Q2), question 18.

59 Questionnaire to competitors (Q1), question 23.

60 Form CO, paragraphs 1054 et seq.; Questionnaire to customers (Q2), questions 22.1

61 Questionnaire to competitors (Q1), question 25.

(48) Moreover, the majority of the respondents to the market investigation indicated that suppliers active in ricotta could not start producing and selling mascarpone without incurring in significant costs and swiftly.[62]

(49) Fifth, with regard to the country of origin of non-PDO Italian-type cheese products (including country of origin of the milk), as indicated in paragraph (41) above, the majority of responsive customers do not impose any specifications as regard the origin of the milk of non-PDO Italian-type cheese products, including ricotta.[63]

*Conclusion*

(50) In light of the results of the market investigation and for the purpose of this decision, the Commission considers that ricotta constitutes a separate product market from other Italian-type fresh cheeses.

*(C)* Mascarpone

(51) As explained in Section (B) above, the market investigation confirmed that mascarpone and ricotta belong to separate markets.

(52) First, the results of the market investigation indicate that the large majority of customers consider that there are significant differences between mascarpone and ricotta in terms of consumption occasions and prices.[64]

(53) Second, the vast majority of customers indicated that mascarpone is not substitutable at all or only partially by other type of cheeses in terms of price and product characteristics.[65] Moreover, the majority of the customers and competitors that responded to the market investigation indicated that customers do not switch to other cheeses when prices of mascarpone increase.[66]

(54) Third, from a supply-side perspective, mascarpone is produced from milk fat and ricotta is made from whey, a left over from the production of cheese (e.g. mozzarella and mascarpone).[67] The majority of competitors that responded to the market investigation replied that producers of mozzarella could not start producing mascarpone without incurring in significant costs and in a short period of time.[68]

(55) Moreover, the majority of the respondents to the market investigation indicated that suppliers active in mascarpone could not start producing and selling ricotta without incurring in significant costs and swiftly.[69]

(56) Fourth, with regard to the country of origin of non-PDO Italian-type cheese products (including country of origin of the milk), as indicated in paragraph (41) above, the majority of responsive customers do not impose any specifications as

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62 Questionnaire to customers (Q2), questions 22 and 22.2; Questionnaire to competitors (Q1), question 26.

63 Questionnaire to customers (Q2), question 11.

64 Questionnaire to customers (Q2), question 21.

65 Questionnaire to customers (Q2), question 19.

66 Questionnaire to competitors (Q2), question 20; Questionnaire to competitors (Q1), question 24.

67 Form CO, paragraphs 1054 et seq.; Questionnaire to customers (Q2), questions 22.1

68 Questionnaire to competitors (Q1), question 25.

69 Questionnaire to customers (Q2), questions 22 and 22.2; Questionnaire to competitors (Q1), question 26.

regard the origin of the milk of non-PDO Italian-type cheese products, including mascarpone.[70]

*Conclusion*

(57) In light of the results of the market investigation and for the purpose of this decision, the Commission considers that mascarpone constitutes a separate product markets from other Italian-type fresh cheeses.

*(D)* Feta

(58) Feta is a fresh Greek cheese made from ewe and goat milk in the mainland Greece and its department of Lesbos bearing a PDO label.

(59) First, the majority of customers expressing views in the market investigation considered that Feta is a distinct product from other fresh cheeses and Feta fulfils different needs.[71]

(60) However, several customers indicated that there are alternatives to Feta for certain uses such as fresh salads. A Belgian customer indicated that *"Many alternative products can be substituted for Feta, especially for salad uses"*;[72] and French customers pointed out *"Feta and mozzarella can be 2 alternatives in many consumption occasions for example in a composition of salad […]"*[73] and *"Feta is mainly used for salads. It is substitutable with other cheeses"*.[74]

(61) Moreover, the majority of competitors that responded to the market investigation indicated that customers would switch to other cheeses if the prices of Feta were to increase.[75]

(62) Second, with regard to Feta carrying PDO labels, the majority of the customers that responded to the market investigation indicated that PDO Feta and non-PDO products were not alternatives in terms of price and product characteristics.[76]

(63) However, the majority of responsive customers and competitors submitted that end-customers would switch from PDO Feta to non-PDO products if the price of the PDO Feta were to increase;[77]

*Conclusion*

(64) In light of the results of the market investigation and for the purpose of this decision, the precise market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

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70 Questionnaire to customers (Q2), question 11.

71 Questionnaire to customers (Q2), question 29.

72 Courtesy translation from French: *"Beaucoup de produits alternatifs peuvent être substitués à la Feta, notamment pour des utilisations en salade"*, Questionnaire to customers (Q2), question 29.1.

73 Courtesy translation from French: *"[l]a Feta et la mozzarella peuvent être 2 alternatives dans de nombreuses occasion de consommation comme par exemple dans la composition de salade. […]"*, Questionnaire to customers (Q2), question 29.1.

74 Courtesy translation from French: *"[l]a Feta est principalement utilisée pour les salades. Elle est substituable avec d'autres fromages"*, Questionnaire to customers (Q2), question 29.1.

75 Questionnaire to competitors (Q1), question 31.

76 Questionnaire to customers (Q2), question 37.

77 Questionnaire to customers (Q2), question 38; Questionnaire to competitors (Q1), question 33.

*(E)* Gorgonzola

(65) Gorgonzola is a soft blue cheese carrying a PDO label. The production of PDO Gorgonzola follows the rules established by the consortium. Both Lactalis and Nuova Castelli are producers and members of the Consorzio per la Tutela del Formaggio Gorgonzola PDO.

(66) First, the vast majority of customers responding to the market investigation have submitted that Gorgonzola is not substitutable or only partially substitutable with other type of blue cheeses in terms of price and product characteristics[78] A customer explained that *"In some way, we could consider other "blue cheese" as "Roquefort", "Bleu" or "stilton" as substitutes. But, they are stronger than Gorgonzola and can't fit to all consumers. Gorgonzola is quite unique in terms of taste and texture"*.[79]

(67) Second, the majority of competitors that responded to the market investigation submitted that customers would switch to other blue cheeses (in particular roquefort) if the price of Gorgonzola would increase.[80] However, the majority of responsive customers indicated that, if prices of Gorgonzola were to increase, end-consumers would not switch to other blue cheeses.[81]

(68) Third, with regard to Gorgonzola carrying a PDO label, the majority of the customers that responded to the market investigation indicated that PDO and non-PDO Gorgonzola were not alternatives in terms of price and product characteristics.[82]

(69) However, the majority of competitors responsive to the market investigation submitted that end-customers would switch from PDO to non-PDO Gorgonzola if the price of PDO Gorgonzola were to increase; [83] while the majority of responsive customers indicated that if prices of PDO Gorgonzola increased by 5-10% end-consumers will not switch to non-PDO Gorgonzola.[84]

*Conclusion*

(70) In light of the results of the market investigation and for the purpose of this decision, the precise market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

*(F)* Italian-type hard cheese

(71) Both Parties sell different Italian-type hard cheeses, with and without PDO label, i.e. Parmigiano Reggiano PDO, Grana Padano PDO, Pecorino PDO, non-PDO Grana Padano-type and Parmigiano-type, as well as other hard cheeses.

(72) The production of Parmigiano Reggiano PDO and Grana Padano PDO is organised by a relevant consortia. Consortia, while not producing or selling the cheese itself, attributes the production quotas and defines the rules that consortia members have to observe in order to use the PDO label and. These rules typically relate to the

78 Questionnaire to customers (Q2), question 23.
79 Questionnaire to customers (Q2), question 23.1.
80 Questionnaire to competitors (Q1), question 27.
81 Questionnaire to customers (Q2), question 24.
82 Questionnaire to customers (Q2), question 37.
83 Questionnaire to competitors (Q1), question 33.
84 Questionnaire to customers (Q2), question 38.

origin of the milk used (e.g. determined by a specific geographic area), production methods and the packaging.[85] Nuova Castelli is a member of the Consorzio del Formaggio Parmigiano Reggiano and Consorzio Tutela Grana Padano. Lactalis does not produce Parmigiano Reggiano PDO and Grana Padano PDO.[86]

(73) First, the Commission's market investigation found that the consumption habits of customers may be different across Member States, with the large majority of customers in most countries considering Parmigiano Reggiano and Grana Padano to be substitutable or at least partially substitutable as Italian-type hard cheese for their main intended uses.[87] For example, a customer explained regarding the alternatives for Parmigiano Reggiano: *"there is pecorino, grana padano with similar characteristics and a lower price"*[88], or as another customer stated: *"Substitutable only by Grana Padano or [I]talian Hard Cheese"*.[89] Furthermore, some customers considered that, for example Parmigiano Reggiano can be substituted also with other hard cheeses: *"could switch to non Italian type hard cheese or Grano Padano"*,[90] or as another customer submitted: *"Grana Padano could be an alternative. Similarly as other hard cheeses for certain users who grate the cheese […]"*.[91]

(74) Second, the majority of customers and competitors expressing their views indicated that if prices of Parmigiano Reggiano or Grana Padano were to increase, end-consumers would switch to other cheeses.[92] The majority of competitors expressing their views indicated that in case of price variation of Grana Padano or Parmigiano Reggiano customers will substitute one with the other.[93] According to the market investigation, while the substitutability was particularly strong between Grana Padano and Parmigiano Reggiano, it was not limited to these Italian-type hard cheeses.[94]

(75) Third, with regard to substitutability between Parmigiano Reggiano and Grana Padano carrying PDO labels, the majority of customers that responded to the market investigation indicated that PDO and non-PDO Parmigiano Reggiano and Grana Padano were not alternatives in terms of price and product characteristics[95] and end-customers would not switch from PDO to non-PDO Parmigiano Reggiano and Grana Padano if the price of the PDO products were to increase.[96]

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85 Form CO, paragraphs 272-274.

86 Form CO, paragraph 279. According to the Notifying Party, Lactalis has a residual role as a seasoner (i.e. for aging the cheese) in Consorzio Tutela Grana Padano.

87 Questionnaire to customers (Q2), questions 25, 25.1 and 27.

88 Questionnaire to customers (Q2), questions 25.1.

89 Questionnaire to customers (Q2), questions 25.1.

90 Questionnaire to customers (Q2), questions 25.1.

91 Courtesy translation from French: *"Le Grana Padano fournit une alternative. D'autres produits à pâte pressée également, pour certains utilisateurs (qui râpent le produit par exemple)"*; Questionnaire to customers (Q2), questions 25.1.

92 Questionnaire to customers (Q2), questions 26 and 26.1; Questionnaire to competitors (Q1), questions 28 and 28.1.; Questionnaire to customers (Q2), question 28; Questionnaire to competitors (Q1), questions 29.

93 Questionnaire to competitors (Q1), questions 29.1 and 30.

94 Questionnaire to customers (Q2), questions 26.1 and 28.1; Questionnaire to competitors (Q1), questions 28.1 and 29.1.

95 Questionnaire to customers (Q2), questions 37 and 38.

96 Questionnaire to customers (Q2), question 38.

(76) However, the large majority of competitors expressing their views in the market investigation considered that, in case of a price increase of a PDO-type, the end-customers would switch to the non-PDO equivalent.[97] Moreover, when asked about alternatives for Grana Padano, for example, some customers indicated that it would be substitutable: *"With non PDO hard-cheese"*[98], or, as another customer explained, if the prices for Grana Padano were to increase: *"Some customers could switch to similar cheeses non PDO, with characteristics close to Grana Padano"*.[99]

*Conclusion*

(77) In light of, the results of this market investigation, the information provided by the Parties and for the purpose of this decision, the Commission considers that the relevant market is broader than a singular variety of an Italian-type hard cheese. For the purpose of this Decision, the Commission will carry out the assessment in relation to the plausible market for Italian-hard cheeses.

*4.3.2. Possible segmentation of the supply of private label and branded cheese*

(78) Both Parties supply branded and private label Italian-type cheeses to retailers. However, for the product markets considered, most of Lactalis' sales are in branded products, while Nuova Castelli focuses mainly on the supply of private label products.

4.3.2.1. Commission's precedents

(79) In previous decisions, the Commission considered the distinction between branded and private label products, and in some cases it came to the conclusion that they belong to the same, albeit differentiated market.[100]

4.3.2.2. Notifying Party's view

(80) The Notifying Party submits that private label products and branded products compete head to head when they are sold to the end consumers; however, when they are sold to retailers, it is necessary to distinguish the supply of private label cheese from the supply of branded cheese.[101]

(81) The Notifying Party argues that private label and branded products are procured separately and differently by retailers.[102] Moreover, the role played by suppliers and retailers in these procedures is different.[103] The Notifying Party explains that retailers procure private label products through separate tender procedures and they have full control over product characteristics (e.g. origin of milk, quality, packaging), as well as volumes, sales and marketing.[104] In contrast, retailers and suppliers negotiate the supply of branded products bilaterally, in over the counter negotiations. These negotiations are done on the basis of product characteristics already determined by the supplier.[105]

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97 Questionnaire to competitors (Q1), question 33.

98 Questionnaire to customers (Q2), questions 26.1 and question 25.1.

99 Questionnaire to customers (Q2), question 27.1.

100 Commission Decisions in Case M.6242 – *Lactalis/Parmalat*, recital 26; Commission Decisions in Case M.5046 – *Friesland Foods/Campina*, recital 529; Commission Decisions in Case M.4135 - *Lactalis/Galbani*, recital 16.

101 Form CO, paragraph 182.

102 Form CO, Section 2.1.1.

103 Form CO, Section 2.1.2.

104 Form CO, paragraphs 188 et seq.

105 Form CO, paragraphs 190 et seq.

4.3.2.3. Commission's assessment

(82) First, the Commission notes that the results of the market investigation suggest that large majority of customers and competitors consider that branded and private label Italian-type cheeses compete.[106] However, branded products can command a significant price difference even for products of very similar characteristics.[107] As one customer explained: *"In terms of texture, taste and smell, the private labels and branded labels are equivalent; the price of branded is generally higher."*[108] Given that the suppliers of branded products usually also supply private label products, the price difference would apply even for products manufactured by the same company.

(83) From a demand side perspective, in the perception of consumers, brand for fresh cheese products is an important and recognised element. The majority of customers expressing their views in the market investigation listed proprietary brands, such as Galbani (Lactalis), Zeta, Casa Azzurra (Granarolo) as the strongest brand for different Italian-type cheeses.[109] Only in few instances a private label was mentioned as the strongest brand. For example, a French customer mentioned that retailer's private label is the strongest brand for ricotta and Italian-type hard cheeses, or few Italian customers mentioned Italian-type hard cheeses.[110]

(84) Furthermore, the majority of customers expressing their views in the market investigation also considered that at least one of the Parties' has a "must have brand".[111] For example, a customer explained: *"Galbani is a must for cow milk mozzarella […]. It is also very important for buffalo milk mozzarella, ricotta and mascarpone";*[112] or as another customer submitted: *"Galbani Mozzarella (Lactalis) is the market leader in Brands and should be listed in every full-line food retailer".*[113] The internal documents of the Notifying Party also refer to Galbani as the *"Italians' most loved cheese brand"* and the *"strongest brand in Italian Cheese markets".*[114]

(85) Second, while customer recognition driven by a brand identifies a specific producers and is associated with specific qualitative expectation, which are driven by brand investment, advertising, packaging and indications; the private label products typically carry a retailer brand and are identified as a 'less costly' alternative which may be in a somewhat lower price segment.[115]

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106 Questionnaire to customers (Q2), questions 30 and 31; Questionnaire to competitors (Q1), question 32.

107 Questionnaire to customers (Q2), question 33.

108 Courtesy translation from French: *"en termes de texture, goût et odeur les privat labels et branded labels sont équivalents; le prix des branded labels est généralement plus élevé";* Questionnaire to customers (Q2), question 31.1.

109 Questionnaire to customers (Q2), question 50.

110 Questionnaire to customers (Q2), question 50.

111 Questionnaire to customers (Q2), question 51.

112 Courtesy translation from French *"Galbani est un incontournable de la mozzarella au lait de vache […]. Il est aussi très important sur la mozzarella au lait de bufflonne, la ricotta et le mascarpone"*; Questionnaire to customers (Q2), question 51.1.

113 Questionnaire to customers (Q2), question 51.1.

114 Form CO, Annex 5.2.D., slide 5.

115 See, for example, Questionnaire to customers (Q2), question 32.1.

(86) Third, the private label side of the market is also differentiated, with 'entry' products, or white label, carrying an alternative brand denomination and simpler packaging than retailer brands, possibly of lower qualitative specifications and an even lower price.[116]

**Figure 1 - Branded and private label: chain of substitution**




*Source: Commission's figure (e.g. Carrefour FR, 26/09/19)*

(87) Fourth, the procurement of branded and private label products is different. The majority of customers expressing views suggested that they have separate procedures for sourcing branded and private label products.[117]

(88) Branded cheese products are procured through bilateral negotiations. Branded cheese products are less substitutable and typically have to feature on shelves, particularly as regards the most recognised brands such as those held by Lactalis.[118] Private label cheese products are usually procured through tendering processes that are organised with concrete specifications.[119] Given that a supplier does not need to invest in brand development and marketing, there are lower barriers to entry. Similarly, given the regular competitive tendering processes based primarily on price as a selection criteria, switching barriers for retailers are likely also lower.[120]

(89) Fifth, despite such differentiation in terms of pricing, brand and characteristics, there is evidence that such a differentiated offer may be a 'continuum' of options available to the customer and for which there would be a chain of substitution. [121]

116 Questionnaire to customers (Q2), questions 5, 5.1, 33 and 34.1.

117 Questionnaire to customers (Q2), questions 35 and 36.

118 Questionnaire to customers (Q2), question 51.

119 See, for example, Form CO, Annex 6.1.2.1.5.A; and Questionnaire to customers (Q2), question 53.

120 Questionnaire to customers (Q2b), question 4; see also Questionnaire to customers (Q2), questions 75, 78, 78.2; Questionnaire to competitors (Q1), question 88.1.

121 Questionnaire to customers (Q2), question 32. In addition, as tender specifications provided in the file indicate certain private label products seem to be benchmarked against a specific branded product, (Form CO, Annex 6.1.2.1.5 A). [.

(90) Sixth, in this context, the different procurement mechanisms may not be sufficient to sustain a finding that pricing dynamics would significantly differ across the different products. Thus, even if, according to precedent, a separate market for procurement of private label products to be supplied under retailer brands may be considered, anti-competitive effects on such market, by affecting the constraint exerted by private label products in on-shelf competition, may eventually also lead to higher overall prices on the spectrum of products available including branded products.

(91) Seventh, consistent with this, the Parties' internal documents show that they track the market shares for both branded and private label products as competing in the same market.[122] In addition, the Notifying Party's internal document produced in the regular course of business reads for mascarpone market *"Galbani competes with minor brand and PL that are more aggressive in terms of price and distribution"*[123]. A further example regarding the SWOT[124] analysis for the ricotta market also shows that private label products exert direct competitive constraint on the branded products: Lactalis presents continuously growing private label as a 'threat', while Galbani - a leader brand – as a 'strength'.[125]

(92) Eighth, the Notifying Party explained that it considers private label when making strategic pricing and marketing decisions in order to avoid losing market shares to private label products.[126] Accordingly, if Lactalis takes into account the prices of the competing products, it would indicate that private label exert a competitive constraint on the supply of branded products, too.

(93) Furthermore, the Notifying Party's internal documents suggest that, as regards specifically the Italian-type cheeses, the share of private label supplies has been increasing over the last years and represents in many geographic markets an important part of the overall market.[127] The Commission notes that the market data submitted by the Notifying Party also indicate that for some Italian-type cheeses in certain countries, the increasing share of private label is achieved at the cost of branded products supplies.[128] This in turn may indicate that retailers gain a stronger negotiation position vis- à -vis branded label suppliers, which have to compete for smaller available shelf space and the risk that it may further shrink because of retailers' ability to increase volumes in private label segment. As the Notifying Party submits, the retailers decide on the amount of shelf space that they will

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122 Parties' response to the Commission's request for information RFI 13, annexes 13-7-5, slide 14; *13-6-4*, slide 12.

123 Parties' response to the Commission's request for information RFI 13, annex 13-7-5, Slide 7.

124 Strengths-weaknesses-opportunities-threats analysis.

125 Parties' response to the Commission's request for information RFI 13, annex 13-7-5, Slide 26.

126 Form CO, paragraph 122, Parties' response to the Commission's request for information RFI 13, question 7, explaining *"This is proof that Lactalis is under stringent competitive pressure from the private label products"*. Given that private labels are considered "competitors" in the internal documents, see for example Annex 13-7-1, slide 14, "*careful price management considering competitors' index*", and 13-7-3, slide 10, *"reducing our price gap Vs. competitor"*.

127 Form CO, Annex 5.4.G, referring to the multiple European countries, for example, slide 6 (mozzarella with reference to Germany, France, UK, Poland, Belgium, Spain, Sweden, Portugal, etc.: "[Private label] *MS growing everywhere*"); slide 10 (mascarpone with reference to Germany, France, Portugal, Sweden, etc.: to the advantage of [Private labels] that reaches 69% MS).

128 Third-party data show that the share of private label in the overall market was increasing in the period of 2016-2018, in some countries, for example, regarding cow mozzarella in Germany, Sweden; ricotta in France, the UK, Italy; Italian-type hard cheeses in France, the UK, Sweden; Parties' response to the Commission's request for information RFI 23.

allocate to branded products and on the amount of shelf space they will allocate to private label products.[129]

(94) Ninth, the Commission also observes that manufacturers of branded products, such as Italian suppliers Casa Azzurra, Lactalis and Nuova Castelli, as well as German suppliers Zott and Goldsteig, also feature on the Notifying Party's list as the main private label suppliers.[130] The Commission does not have evidence, which would indicate that manufacturers of Italian-type cheese would exclusively produce private label products. Accordingly, as manufacturing facilities for producing private and branded label products are the same, the suppliers would be able to switch from supplying branded to private label products and the other way around.

(95) Tenth, the Notifying Party also explained that for producers focusing on branded cheese supply the private label orders are important "*in terms of valuing idle capacities*"[131]. Accordingly, a shift in the output volumes of private label of the manufacturer focusing on branded products supplies would have an effect on the capacity utilisation and ultimately also on the cost structure and competitiveness of its supplies of branded products.

(96) In light of the findings and the results of the market investigation, the Commission considers that while private label products exert a constraint on branded products, this may not be sufficient to exclude that branded products primarily compete in a different market. In any event, for the purposes of the present case, the exact market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible market definition.

### 4.4. Production and sale of fresh dairy products

#### *4.4.1. Commission's precedents*

(97) In previous decisions, the Commission held that, within the supply of basic dairy products, a distinction ought to be made between fresh dairy products and long-life dairy products.[132]

(98) With regard to fresh dairy products, these are generally produced from dairy products such as milk and cream, in which, among others, eggs, thickening agents (such as starch), sugar, flavours and/or fruits are added.[133] Within fresh dairy products, the Commission has distinguished different products categories, namely fresh milk, fresh buttermilk or yoghurt.[134]

(99) Concerning fresh dairy desserts, they represent a variety of ready-made sweet dairy desserts including custard, portion packs such as mousse, (rice) puddings, profiteroles, tiramisu and porridges. The Commission considered that fresh custard

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129 Form CO, paragraph 192.

130 […].

131 Form CO, paragraph 85.

132 Commission Decision in Case M.6522 – *Groupe Lactalis/Skanemejerier*, recital 9; M.5046 – Friesland Foods/Campina, recital 141.

133 Commission Decision in Case M.6441 – *Senoble/Agrial/Senagral JV*, recital 45; Commission Decision in Case M.5046 – *Friesland Foods/Campina*, recitals 1225 - 1228.

134 Commission Decision in Case M.6522 – *Groupe Lactalis/Skanemejerier*, recital 139; Commission Decision in Case M.5046 – *Friesland Foods/Campina*, recital 167.

in gable top, porridge and portion pack dairy desserts constitute separate relevant product markets.[135]

*4.4.2. Notifying Party's view*

(100) The Notifying Party submits that, in many cases, consumers consider all types of desserts as substitutable. However, in the absence of any significant overlapping activities, the Notifying Party takes the view that the precise market definition may be left open.[136]

*4.4.3. Commission's assessment*

(101) According to the information provided by the Parties, Lactalis manufactures different types of fresh dairy desserts under its brand Galbani, including tiramisu;[137] and that (ii) Nuova Castelli sells in limited volumes one type of fresh dairy desserts, namely tiramisu.[138]

(102) As the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the production and sale of fresh dairy desserts (including tiramisu) under any plausible product market definition, the Commission considers that the precise market definition may be left open.

### 4.5. Production and sale of butter

*4.5.1. Commission's precedents*

(103) In previous decisions, the Commission held that separate product markets exist for butter sold in bulk and butter sold in packets.[139] Moreover, bulk butter constitutes a separate product market, different from the market for bulk yellow fats including margarine and liquid vegetable oils.[140]

(104) The Commission also came to the conclusion that dairy bulk butter can also be divided into (i) basic butter (with a 82% fat content); (ii) butter oil (or non-fractionated butter oil, i.e., with a 99,8% fat content) and (iii) fractionated butter oil (or fractionated butter).[141]

(105) In addition, the Commission held that vegetable fats (namely, margarine) are not in the packet butter market.[142] The Commission, however, left open the question whether plain packet butter and packet butter with additives constituted separate markets.[143]

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135 Commission Decision in Case M.6722 – *Frieslandcampina/Zijerveld & Veldhuyzen And Den Hollander*, recital 101 et seq.; Commission Decision in Case M.6522 – *Groupe Lactalis/Skanemejerier*, recital 14; Commission Decision in Case M.5046 – *Friesland Foods/Campina*, recital1272.

136 Form CO, paragraphs 390-394.

137 Form CO, paragraph 390.

138 Form CO, paragraph 391.

139 Commission Decision in Case M.6722– *Frieslandcampina/Zijerveld & Veldhuyzen And Den Hollander*, recitals 109-112.

140 Commission Decision in Case M.6119 – *Arla/Hansa*, recital 29; Commission Decision in Case M.5046 – *Friesland Foods/Campina*, recitals 824 - 825.

141 Commission Decision in Case M.5046– *Friesland Foods Campina*, recital 834.

142 Commission Decision in Case M.6119 – *Arla/Hans*, paragraph 30.

143 Commission Decision in Case M.6722 – *FrieslandCampina/Zijerveld & Veldhuyzen and Den Hollander*, paragraph 112.

*4.5.2. Notifying Party's view*

(106) The Notifying Party submits that the Parties are active on the market for the production and sale of butter and that the Parties' overlap is very limited.[144] Therefore, the Notifying Party takes the view that that the precise market definition may be left open.[145]

*4.5.3. Commission's assessment*

(107) As the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for the production and sale of butter under any plausible definition, the precise product market definition may be left open.

## 4.6. Geographic market definition

*4.6.1. Procurement of milk*

4.6.1.1. Commission's precedents

(108) In previous cases,[146] the Commission left open whether the geographic scope of the markets for the procurement of raw milk could be national or narrower, i.e., regional or even local. As regards the Italian market, the Commission left open whether the relevant market for the procurement of raw milk should be defined as narrower than national because raw milk is perishable in nature and the maximum storage duration prior to further processing is limited.[147]

4.6.1.2. Notifying Party's view

(109) The Notifying Party submits that the markets for the procurement of milk are at least national, if not wider, comprising clusters of countries.[148] The Notifying Party submits that this is particularly the case for Italy due to the fact that (i) procurement of milk may take place throughout Italy; (ii) milk can be easily transported from one region to another; (iii) imports of milk are frequent due to the insufficient level of Italian domestic milk production; and (iv) pricing conditions are broadly consistent throughout Italy.[149]

4.6.1.3. Commission's assessment

(110) The Parties' activities only overlap in the procurement of raw cow's milk in certain regions of Italy. Therefore, the competitive assessment of the Transaction will be carried out at a national level and to a certain extent in narrower areas in Italy.

(111) However, for the purpose of this decision, the precise geographic market definition can be left open the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible market definition.

144 Form CO, paragraphs 402-403.

145 Form CO, paragraph 407.

146 Commission Decision in Case M.6119 – *Arla/Hansa*, recital 35; M.6611 – *Arla Foods/Milk Link*, recital 54.

147 Commission Decision in Case M.6242 – *Lactalis/Parmalat*, recital 30 et seq..

148 Form CO, paragraph 130.

149 Form CO, paragraphs 131-140.

*4.6.2. Supply of Italian-type cheese and Feta to retailers*

4.6.2.1. Commission's precedents

(112) In previous cases, the Commission concluded that the markets for the supply of cheese are national in scope.[150]

4.6.2.2. Notifying Party's view

(113) In line with the Commission's precedents, the Notifying Party argues that the markets for the supply of branded cheeses are national due to consumer preferences, price differences between Member States, and to the importance of local brands and strong national trademarks.[151]

(114) However, the Notifying Party argues that the market for the supply of private-label cheese to retailers is wider than national because (i) customers are the retailers, therefore making consumer preferences and brands less relevant; (ii) retailers organise European-wide calls for tenders and some European retailers have regrouped their activities in buying alliances; (iii) suppliers from various Member States have the ability to supply cheeses across Europe; (iv) imports and exports of cheese are significant in the EU; (v) the labelling products does not constraint competition between suppliers from various Member States, and (vi) prices for private-label cheeses are homogenous across various Member States.[152]

4.6.2.3. Commission's assessment

(115) The market investigation confirms that the markets for the supply of cheese are national.

(116) First, the large majority of customers that responded to the market investigation indicated that they negotiate contracts for the supply of branded and private label cheese at national level.[153]

(117) Second, the vast majority of responsive customers indicated that the relevant geographic market for the supply of mozzarella, ricotta, mascarpone, hard Italian-type cheeses (Grana Padano, Parmigiano Reggiano) and Feta is national in scope.[154]

(118) Third, seven customers that responded to the market investigation indicated that customers' demand of Italian-type cheeses is substantially the same across EEA countries, while six customers indicated that it was different.[155] However, the majority of responsive competitors indicated that end-customers' demand for Italian-type cheeses and Feta are substantially different in terms of brands, customer preferences and product characteristics across EU countries.[156]

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150 Commission Decision in Case M.7232 – *Charterhouse/Nuova Castelli*, recital 15; Commission Decision in Case M.6522 – *Groupe Lactalis/Skanemejerier*, recital 28; Commission Decision in Case M.4135 – *Lactalis/Galbani*, recital 18; Commission Decision in Case M.6242 – *Lactalis/Parmalat*, recital 55.

151 Form CO, paragraph 305.

152 Form CO, paragraphs 219 et seq.

153 Questionnaire to customers (Q2), questions 41 and 42.

154 Questionnaire to customers (Q2), question 43.

155 Questionnaire to customers (Q2), question 44.

156 Questionnaire to competitors (Q1), question 40.

(119) Fourth, the majority of customers and competitors that responded to the market investigation indicated that prices of Italian-type cheeses are substantially different across different EEA countries. [157]

(120) For the purpose of this decision, the competitive assessment of the supply of Italian-type cheese and Feta to retailers will be carried out at the narrowest level, i.e. a national level; however, the precise geographic market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

*4.6.3. Production and sale of fresh dairy products*

4.6.3.1. Commission's precedents

(121) In previous cases, the Commission considered that the relevant market for fresh dairy desserts would be national but the exact market definition was left open.[158]

(122) Regarding portion pack dairy desserts, the Commission considered that it could be wider than national in scope.[159]

4.6.3.2. Notifying Party's view

(123) The Notifying Party takes the view that, in the absence of any significant overlapping activities, the precise geographic definition may be left open.[160]

4.6.3.3. Commission's assessment

(124) For the purpose of this decision, the competitive assessment of the Transaction will be carried out at a national level; however, the precise geographic market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

*4.6.4. Production and sale of butter*

4.6.4.1. Commission's precedents

(125) In previous cases, the Commission considered the geographic market for bulk butter, fractionated butter oil and non-fractionated butter oil to be EEA-wide.[161]

(126) With regard to packet butter, the Commission considered in previous decisions that the relevant geographic market was wider than national and left open whether it was EEA-wide but deemed to be at least regional (i.e. including more than one Member State).[162]

4.6.4.2. Notifying Party's view

(127) The Notifying Party considers that the markets for butter is EEA-wide, or at least regional. However, in the absence of significant overlapping activities of the

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157 Questionnaire to customers (Q2), question 45. Questionnaire to competitors (Q1), question 41.

158 Commission Decision in Case M.6119 – *Arla/Hansa*, recital 36; Commission Decision in Case M.5046 – *Friesland Foods/Campina*, recital 230.

159 Commission Decision in Case M.6722 – *Frieslandcampina/Zijerveld & Veldhuyzen And Den Hollander*, recitals 106-108.

160 Form CO, paragraph 295.

161 Commission Decision in Case M.6627 – *Arla Foods/Milch-Union Hocheifel*, recital 88.

162 Commission Decision in Case M.6627 – *Arla Foods/Milch-Union Hocheifel*, recital 88.

Parties on these markets, the Notifying Party submits that this question may be left open.[163]

4.6.4.3. Commission's assessment

(128) For the purposes of this decision, the competitive assessment of the Transaction will be carried out at the narrowest level possible, i.e. at a national level. However, the precise geographic market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

## 5. COMPETITIVE ASSESSMENT

### 5.1. Legal framework

(129) Article 2 of the Merger Regulation requires the Commission to examine whether notified concentrations are compatible with the internal market, by assessing whether they would significantly impede effective competition in the internal market or in a substantial part of it.

(130) The Commission Guidelines on the assessment of horizontal mergers under the Merger Regulation (the "Horizontal Merger Guidelines") distinguish two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely non-coordinated effects and coordinated effects.[164]

(131) Non-coordinated effects may significantly impede effective competition by eliminating the competitive constraint imposed by one merging party on the other, as a result of which the merged entity would have increased market power without resorting to coordinated behaviour. According to recital (25) of the preamble of the Merger Regulation, a significant impediment to effective competition can result from the anticompetitive effects of a concentration even if the merged entity would not have a dominant position on the market concerned. In this regard, the Horizontal Merger Guidelines consider not only the direct loss of competition between the merging firms, but also the reduction in competitive pressure on non-merging firms in the same market that could be brought about by the merger.[165]

(132) The Horizontal Merger Guidelines list a number of factors, which may influence the rise of substantial non-coordinated effects from a merger, such as: the large market shares of the merging firms; the fact that the merging firms are close competitors; the limited possibilities for customers to switch suppliers; or the fact that the merger would eliminate an important competitive force. The list of factors applies equally if a merger would create or strengthen a dominant position, or would otherwise significantly impede effective competition due to non-coordinated effects. Furthermore, not all of those factors need to be present to make significant non-coordinated effects likely and the list itself is not an exhaustive list.[166]

163 Form CO, paragraph 307.

164 OJ C 31, 05.02.2004, p. 5. The remainder of this decision focuses on non-coordinated effects.

165 Horizontal Merger Guidelines, paragraphs 24-38.

166 Horizontal Merger Guidelines, paragraphs 24-38.

## 5.2. Methodology for market shares data

### *5.2.1. The market shares submitted by the Notifying Party*

(133) According to the Horizontal Merger Guidelines and the Non-Horizontal Merger Guidelines, market shares constitute useful first indications of the market structure and of the competitive importance of the market players.

(134) The Notifying Party submitted market shares in volume and value, when available, for each plausible product and geographic market. The market shares were based on the Parties' actual sales of the Italian-type cheese and Feta-type cheese products as recorded internally at the wholesale level.

(135) The Notifying Party used retail data as a proxy for the total market size. Subject to availability, the market size for volume market shares was based on the Nielsen or IRI panel data providers, who record the total volumes of cheese sold to end-consumers at retail level nationally. Similarly, subject to availability, the market size for value market shares was based on the total value recorded by the panels.[167][168] For the plausible product markets where panel data for 2018 was unavailable, the Notifying Party used 2016 or 2017 panel data.[169] For the plausible product markets where panel data was not available to the Notifying Party for any years, the Notifying Party used market size estimates based on (i) Nuova Castelli's estimates recorded in internal documents[170]; (ii) Eurostat trade data[171]; (iii) per capita consumption approach[172]. Finally, for the plausible markets where no estimates for the market size were available, the Notifying Party confirmed that

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167 In order to estimate the total market size at wholesale level, the Notifying Party removed the retailers' margin from the total retail value, as recorded by the panels. The Notifying Party assumed that the retailers' margins on Parties' products are representative of their margins for the same cheese category. Briefing Memorandum, submitted by Analysis Group on 2019 October 23.

168 Panel data was missing for a number of markets. The Notifying Party claimed that given the lack of information, market value estimations were uncertain, and the value market shares provided for these markets are less reliable than volume market shares. The Commission only took into account the value market shares based on third-party panel data. Parties' response to Commission's request for information RFI 26, question 1.1.

169 For example, this concerns Italian-type hard cheese in Poland (Parties' response to Commission's request for information RFI 14); cow milk mozzarella, Feta, Italian-type hard cheese in Finland (Parties' response to Commission's request for information RFI 22).

170 This concerns Buffalo Mozzarella in Denmark, Poland; Italian-type hard cheese in Germany, Parties' response to Commission's request for information RFI 14.

171 The Notifying Party counted the consumption as a difference between imports and exports under the conservative assumption that no production takes place internally in the country of interest. The Notifying Party then assumed that 50% of all consumption takes place OOH, which provides a market size estimate for retail sector. This assumption is conservative; a 2018 document prepared for the French parliament indicates that OOH consumption represents 40% of all cheese volumes. The following methodology was applied to: Feta in Poland and Portugal; cow milk mozzarella in Bulgaria and Greece; buffalo mozzarella, Italian-type hard cheese, ricotta and mascarpone in Greece; Italian-type hard cheese in Bulgaria, Hungary and Malta. Parties' response to Commission's request for information RFI 22, Annex RFI 22-1-I.

172 The Notifying Party used the per capita consumption in other countries as a proxy. For example, missing markets for Finland were estimated using the per capita consumption in Denmark and Sweden. The following methodology was applied to buffalo milk mozzarella, Gorgonzola, mascarpone, ricotta in Finland; Italian-type hard cheese in the Netherlands, Bulgaria and Hungary. Parties' response to Commission's request for information RFI 22, Annex RFI 22-1-I.

their combined market shares would be below 20% for these markets due to low sales.[173]

(136) The Notifying Party argued that panels tend to underestimate the real size of the market, as they do not cover all outlets active the retail sector and do not capture small sales, and proposed to increase the market size by […] for branded cheese, and branded and private cheese when accounted together[174]. This methodology was applied for the market size estimates derived from the panel data. Moreover, the Notifying Party stated that panels tend to underestimate the market size for private label products to a greater extent that for branded products. This is because private label cheese products are also used internally by retailers to sell in their on-premises restaurants or are used as ingredient for the sale of deli foods, such as lasagne, and such sales would not be captured by panels.[175] Therefore, the Notifying Party proposed to amend the market size for the plausible markets of private label products by multiplying the total volume of private label products sold downstream by […] for mozzarella and by […] for mascarpone, ricotta and Gorgonzola due to the fact that such cheeses are more widely used as ingredients in deli dishes than mozzarella.[176] The Commission noted that although multipliers for the market size of private label supply were introduced, the Notifying Party's market shares are still likely overstated, as in some instances they are larger than 100% and are not in line with the market share estimates of other active players provided by the Notifying Party or the results from the market investigation.[177] The Commission notes that because different multipliers were used to adjust market sizes, the sum of estimated market sizes separately for branded (multiplied by […]) and private label (multiplied by […]or […]) does not fully match the estimated size for branded and private label combined (multiplied by […]).[178]

(137) The Commission examined the methodology and the market shares provided by the Notifying Party, and used the market shares in volume as a primary tool for determining the competitive strength of the Parties.[179] Moreover, in cases of differentiated products, sales in value and their associated market share also reflect the relative position and strength of each supplier. This notion does not apply to private label products, which are not differentiated. However, for branded goods,

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173 For example, this concerns Italian-type hard cheese in Belgium. Parties' response to Commission's request for information RFI 22.

174 Parties' response to Commission's request for information RFI 11, question 1.

175 Parties' response to Commission's request for information RFI 11, question 1.10.

176 Parties' response to Commission's request for information RFI 11, question 1.11.

177 For example, this concerns private label supply of ricotta in the UK, where the combined market shares provided by the Notifying Party are exceeding 100%, but the Notifying Party submitted that other players are active in private label supply of ricotta, and another private label supply provider was identified during the market investigation.

178 This is a conservative assumption because the assessment of the private and label markets combined disregards the fact that some of the private sales are used by retailers internally. Although they are not reflected in the estimated market size, all private label sales of the Parties are included when determining the market shares.

179 In line with the product market definition, the Commission assessed Italian-type hard cheeses as one market. The market shares were based on all the Parties' sales of Italian-type hard cheese. For Lactalis, they include Parmigiano Reggiano DOP, Grana Padano DOP, Gran Gusto (Parmigiano- and Grana-type cheese, without DOP) and other Hard Cheese. For Nuova Castelli, they include Parmigiano Reggiano DOP, Grana Padano DOP, Gran Castelli (Parmigiano- and Grana-type cheese, without DOP), Pecorino Romano DOP, Pecorino and other Hard Cheese. Parties' response to Commission's request for information RFI 14, question 1.1.

the Commission used market shares in value to supplement the examination of the Parties' competitive position in addition to market shares in volume.

*5.2.2. Market share analysis developed by the Commission*

(138) The Commission has conducted a further quantitative analysis to verify the accurateness of the volume market shares provided by the Notifying Party. Subject to availability, the Commission used the panel sales data as the basis for analysing the market structure and other competitors in the market for the calendar year 2018.[180] Typically, panel data records the sales of various brands and the total volume and value data per type of product in a given year. Although the sales of private label are recorded under one entry and do not specify the wholesale supplier, the sales information on branded goods allows further examination on the Parties' market share and evaluation of their competitors for the plausible markets of branded goods.

(139) The Commission undertook this approach as the Notifying Party also uses panel data in order to track their own and competitors' developments in the market in the ordinary course of business.[181] The panel data was provided by Lactalis, which noted that they request granular per-brand data only concerning their largest competitors. As a result, in some instances the sales of Nuova Castelli were included in the total sales captured by the panels, but were not specified under a stand-alone brand due to its insignificant sales share. To address this, the Commission identified such instances where the Parties had internal sales recorded, but no entry for these sales appeared in the panel. Based on the Parties' internal wholesale sales data[182], the Commission introduced sales of branded products in such instances, scaled down by […].[183] The Commission did not make any other adjustments to total market size and the sales that were actually recorded by the panels and allocated to various competitors, including Lactalis and Nuova Castelli.

(140) The Commission reconstructed market shares based on the Parties' sales and total sales recorded by the panel at retail level for branded products.

(141) Moreover, the Commission also used the panel data to determine the Parties' sales share in the combined markets of branded and private label goods. Given that panel data does not recognize the supplier at wholesale level for private label products, the Commission introduced the actual sales data of the Parties, scaled down by […], and reported the remaining share of private label for other unspecified competitors. This approach follows the same methodology as the one introduced by the Notifying Party for the market shares calculations. In some instances, the adjusted Parties' sales of private label goods were still larger than the total private label sales recorded by the panels. This confirms the Notifying Party's allegation that panels tend to underestimate the total market size for private label.

(142) By following this approach, the Commission used third-party data to evaluate the Parties share in the Italian-type cheese and Feta-type cheese products with the adjustments discussed in the paragraphs above.

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180 Parties' response to Commission's request for information RFI 23, Annex RFI 23-1.

181 Parties' response to Commission's request for information RFI 11, question 1.2.

182 Parties' response to Commission's request for information RFI 22, Annex 2019-11-18 - Country volume market shares.

183 The multiplier of […] was used to account for the fact the panels do not cover all market. The Commission used the same multiplier as suggested by the Notifying Party for the market share estimation, as explained above.

(143) The Commission finds that the market shares as recomputed (Adjusted market shares) are in principle a more reliable metric of overall market interaction as they rely on all available data, including third party data, adopt a credible approach concerning underlying assumptions, provide results which are consistent with the estimated total size of the market and do not result in shares higher than 100%, and are corroborated by qualitative evidence gathered in the market investigation.

(144) For the above principle, in principle, and subject to data availability, the Commission will use the Adjusted market shares based on panels as the primary and most reliable source of quantitative information to assess the Parties' position for the plausible markets of branded goods as well as branded and private label combined. When data is not available, reference will be made to shares as submitted by the Notifying Party.

## 5.3. Horizontal non-coordinated effects

(145) Based on the market share data submitted by the Parties, the concentration would give rise to putative horizontally affected markets in Italy (Section 5.4), France (Section 5.5), Belgium (Section 5.13), Denmark (Section 5.10), Finland (Section 5.12), Germany (Section 5.7), the Netherlands (Section 5.14), Poland (Section 5.8), Portugal (Section 5.11), Spain (Section 5.15), Sweden (Section 5.9), and the United Kingdom (Section 5.6).

## 5.4. Italy

(146) Based on the market share data submitted by the Parties and in light of the methodology used by the Commission (see Section 5.2), the Transaction gives rise to the following horizontally affected markets in Italy: cow milk mozzarella (Section 5.4.1); buffalo milk mozzarella (Section 5.4.2); ricotta (Section 5.4.4) and Gorgonzola (Section 5.4.3);.

### *5.4.1. Cow milk mozzarella*

(147) Both Lactalis and Nuova Castelli supply branded and private label cow milk mozzarella to retailers in Italy. As outlined by the market shares (see Table 1 below), the main overlap between the Parties is in the supply of private label cow milk mozzarella.

#### *(A) Branded cow milk mozzarella*

(148) For branded products, based on the Adjusted market shares, the Parties have a combined share of [40-50]% in the supply of branded cow milk mozzarella to retailers in Italy in 2018, with a limited increment of [0-5]%.[184]

(149) First, as regards branded cow milk mozzarella, the Transaction results in an affected market only because of Lactalis' large market presence with branded products, with strong and widely recognised brands, in particular Galbani, Vallelata, and Invernizzi.[185]

(150) Second, this is consistent with the fact that, in Italy, Nuova Castelli does not enjoy strong brand presence in cow milk mozzarella, but focuses primarily on private label supplies of this product to retailers. Thus, the Transaction will bring a limited increment to Lactalis' market share of [0-5]%.

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184 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, but both still overstate the Parties' position compared to panel data.

185 Parties' response to Commission's request for information RFI 7, question 1.

(151) Third, several other strong competitors of Lactalis are active in the branded space, for instance Granarolo, Sabelli and Brimi. Overall, the Parties' competitors in the branded segment have a strong presence with important brands, which account for over [50-60]% of this market segment in Italy.

(152) Fourth, the Adjusted market shares point at a fragmented set of suppliers of branded cow milk mozzarella in Italy, which are as large as or larger than Nuova Castelli.

(153) Moreover, the results of the market investigation reveal that a number of credible competitors can and do offer volumes of branded cow milk mozzarella to retailers in Italy and compete in the negotiations organised by retailers. Data collected from retailers show that a majority of them source from a relatively wide range of suppliers of branded cow milk mozzarella. In particular, the data shows that in 2018 most retailers have sourced from one or more suppliers other than the Parties.[186]

(154) Therefore, the branded segment of cow milk mozzarella will continue having a multitude of credible suppliers with established commercial relations with retailers in Italy.

(155) The Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, the ability to switch suppliers and the impact of the Transaction that also apply to the assessment of branded cow milk mozzarella.

(156) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in Italy.

*(B) Private label cow milk mozzarella*

(157) For private label, the Parties have a combined share in the supply of private label cow milk mozzarella to retailers in Italy of [20-30]%, with an increment of [10-20]%.

(158) First, in the private label segment, based on the Notifying Party's estimates, there is a significant number of alternative private label suppliers in Italy: Caseificio Pugliese: [10-20]%; Granarolo: [5-10]%; Centro Latte Bressanone: [5-10]%; Trevisanalat: [5-10]%; Caseificio Villa: [0-5]%; Caseificio Morozzese: [0-5]%; Palazzo SNC [0-5]%; Sabelli: [0-5]%; Sanguedolce: [0-5]%; Ecolat: [0-5]%; Alimenta SpA: [0-5]% and Bustaffa: [0-5]%.[187] These are viable competitors that currently offer volumes of cow milk mozzarella to retailers and will continue to compete with the merged entity in Italy in tenders organised by retailers. This is in line with the data collected from retailers that show that a majority of them source from a relatively wide range of suppliers of cow milk mozzarella. In particular, the data shows that a majority of retailers have sourced from two or more suppliers other than the Parties in 2018.[188]

186 Questionnaire to customers (Q2), question 66.

187 Parties' response to Commission's request for information RFI 22.

188 Questionnaire to customers (Q2), question 70.

(159) The Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, the ability to switch suppliers and the impact of the Transaction that also apply to the assessment of private label cow milk mozzarella.

(160) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label cow milk mozzarella in Italy.

*(C) Overall market for cow milk mozzarella in Italy*

(161) On the overall market for the supply of branded and private label cow milk mozzarella to retailers in Italy, based on the Commission's Adjusted market shares, the Parties have a combined market share in 2018 of [40-50]%, with a moderate increment of [5-10]%.

**Table 1**

**Italy 2018, Cow milk mozzarella[189]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis – branded | […] | [20-30]% |
| Lactalis – private label | […] | [0-5]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [5-10]% |
| Combined Parties PL + B | […] | [40-50]% |
| Granarolo | […] | [5-10]% |
| Brimi | […] | [0-5]% |
| Sabelli | […] | [0-5]% |
| Trevisanalat Spa | […] | [0-5]% |
| Others – branded | […] | [20-30]% |
| Others – private label | […] | [20-30]% |
| Total sales | 112464 | 100% |

(162) First, the Transaction will bring a moderate increment to Lactalis' market shares. This increment mainly relates to the supply of products to be resold under private label by retailers.

(163) Second, the Commission observes the overall market for branded and private label cow milk mozzarella in Italy appears to be extremely fragmented (see Table 1 below) with several active players both in the branded and private label and the production evenly distributed throughout the Italian territory.[190]

189 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

190 Parties' submission "Briefing Memorandum on Mozzarella", dated 23.10.2019, Annex 4-A.

(164) Third, as outlined in Section 4.3.2, the market for the supply of cow milk mozzarella to retailers is a differentiated market across sales channels, where suppliers can compete in branded and in private label cheese. Although the presence of suppliers in the same sales channel could be indicative of closeness of competition between them, the pricing of private label products has some effect on the pricing ability in the branded segment of the market.

(165) Beside the considerations concerning the structure and shares of the cow milk mozzarella market, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(166) First, the Commission finds, based on the results of the market investigation, that barriers to entry are not high for suppliers of cow milk mozzarella in Italy.

(167) Second, as regards barriers to expansion, the results of the market investigation suggest that a number of suppliers active in Italy could increase supply in the short term without incurring in significant cost.

(168) When market conditions are such that competitors have sufficient capacity and find it profitable to expand output sufficiently, the Commission is unlikely to find that the merger would significantly impede effective competition.[191] Conversely, when market conditions are such that the competitors of the merged entity are unlikely to increase their supply significantly should prices increase, the merged entity may have an incentive to reduce output below the combined pre-merger levels thereby raising market prices.[192]

(169) The Notifying Party argues that at the EEA level the production capacity for cow milk mozzarella is almost double than the total EEA supply.[193] The Commission was not able to verify the estimates of the Parties in its market investigation. However, the evidence in the file indicates that several competitors, including non-Italian manufacturers with production assets in the Italian territory, could profitably expand output with their current production assets.

(170) Some competitors have referred to their recent and on-going investments in capacity expansion.[194] Several market respondents indicated that the cost and time required to build additional lines to expand production are not significant.[195] In particular the majority of competitors that expressed a view in the market investigation indicated that they are able to quickly expand production in Italy of Italian-type cheese and, thus, can decide to enter another EEA market for Italian-type cheeses in a relatively short timeframe.[196]

(171) Moreover, the potential expansion of production capacity is not merely hypothetical but corroborated by specific examples relating to the Italian market. In particular, the Commission found that a number of the Parties' competitors in Italy

191 Horizontal Merger Guidelines, paragraph 33.

192 Horizontal Merger Guidelines, paragraph 32.

193 Parties' submission "Briefing memorandum No 3" dated 20 November 2019, paragraph 23, which includes dry mozzarella and mozzarella in brine.

194 Non-confidential minutes of a call with a competitor, 23 October 2019; Non-confidential minutes of a call with a competitor, 5 November2019.

195 Questionnaire to customers (Q2), question 78.

196 Questionnaire to competitors (Q1), question 60.

have expanded their production of cow milk mozzarella in the last 3 years without having to incur into any significant capital investments.[197]

(172) Furthermore, the Commission has assessed whether credible and imminent expansion of the existing production of cow milk mozzarella from the Parties' rivals would be likely to occur. The market investigation has revealed that more than one of the Parties' competitors in Italy is planning to expand significantly and structurally their production capability of cow milk mozzarella over the course of the next 3 years and have already mobilised funds to this effect.[198] The Commission, therefore, finds that there are no significant barriers to entry or expansion in cow milk mozzarella in Italy and that alternative suppliers seem to have sufficient capacity and incentives to expand the production volume, should the merged entity increase prices in Italy.

(173) Third, as regards logistics and distribution, competitors and customers in Italy confirmed in the market investigation that distribution on the Italian territory is already fragmented and organised in a way that it is possible to distribute fresh products on the Italian territory without incurring in significant costs, even for smaller manufacturers.

(174) Fourth, with regard to the use of milk from Italy in the production of cow milk mozzarella, this is regarded by many Italian customers as an important element of consumer preference, and it is the object of specific on-label indications. In this regard, however, the competitive constraint exerted by Nuova Castelli is low because the company sources most of the milk used to manufacture mozzarella from outside of Italy.[199]

(175) Fifth, the Italian market is also characterised by low barriers to switching for the products mainly supplied by Nuova Castelli. While the branded position of Lactalis seem to command customer loyalty, the vast majority of the retailers who responded to the Commission's requests for information stated that it is possible to switch to different suppliers of mozzarella for the type of cow milk mozzarella products supplied by Nuova Castelli.[200] Most of the retailers noted that they have switched to a different supplier of mozzarella over the past 3 years.[201] This suggests that customer switching costs for the supply of cow milk mozzarella in Italy are not significant. This also indicates that there is a dynamic and fragmented range of viable suppliers of cow milk mozzarella in Italy.

(176) Sixth, as regards the impact of the Transaction, the majority of retailers in Italy that expressed a view during the market investigation held that there will be no change post-Transaction with respect to the competitive conditions in relation to the supply of cow-milk mozzarella.[202] Moreover, the majority of responsive retailers in Italy believe that the Transaction will have no impact on the market or on their companies.[203]

197 Questionnaire to competitors (Q1b), question 10.

198 Non-confidential minutes of a call with a competitor, 23 October 2019; Non-confidential minutes of a call with a competitor, 5 November2019.

199 Form CO, paragraphs 435 and 436.

200 Questionnaire to customers (Q2), question 73.

201 Questionnaire to customers (Q2), question 72.

202 Questionnaire to customers (Q2), question 123.

203 Questionnaire to customers (Q2), question 125.

(177) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for private label cow milk mozzarella in Italy as well as branded cow milk market mozzarella in Italy.

(178) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market as regards the overall market for cow milk mozzarella in Italy.

*5.4.2. Buffalo milk mozzarella*

(179) Lactalis supplies only small volumes of branded buffalo milk mozzarella to retailers in Italy, whereas Nuova Castelli supplies both branded and private label mozzarella.

(180) The Parties' activities in buffalo milk mozzarella in Italy result in an affected market when considering the supply of branded buffalo milk mozzarella to retailers in Italy, as well as the overall market for buffalo milk mozzarella in Italy.

*(A) Branded buffalo milk mozzarella.*

(181) For branded products, based on the Commission's market share analysis, the combined Adjusted market shares for branded buffalo milk mozzarella are [20-30]%, with a moderate increment of [5-10]% due to Lactalis' moderate branded presence[204] As pointed out by the moderate increment in the market for branded buffalo milk mozzarella, in Italy Lactalis trades limited volumes of branded buffalo milk mozzarella produced by third parties through its brand Galbani (Vallelata). Conversely, in Italy Nuova Castelli enjoys brand presence in relation to buffalo milk mozzarella through its subsidiary Mandara. Additionally, Nuova Castelli supplies private label buffalo milk mozzarella to retailers.

(182) Second, the results of the market investigation point toward a fragmented market. Market participants named a broad number of potential supply options for buffalo milk mozzarella, in particular Fattorie Garofalo, Caseificio Tre Stelle, Spinosa, Cilento, Pettinicchio, Francia Latticini, Caseificio Cirigliana, Diano Casearia, Caseificio Principe and Podere dei Leoni.[205]

(183) This extremely diversified picture is evidenced by the fact that the combined share of the Parties' competitors in branded buffalo milk mozzarella exceeds [50-60]%, with Francia's and Spinosa's shares each approximately equivalent to the increment triggered by the Transaction.

(184) The Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, the ability to switch suppliers and the impact of the Transaction that also apply to the assessment of branded buffalo milk mozzarella.

(185) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded buffalo milk mozzarella in Italy.

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204 The combined value market shares for branded segment are in line with the volume shares provided by the Parties, and both underestimate the Parties' position compared to panel data.

205 Questionnaire to customers (Q2), questions 66 and 70.

*(B) Overall market for buffalo milk mozzarella in Italy*

(186) Based on the Commission's Adjusted market shares, the Parties' combined market shares are [20-30]%, with a moderate increment of [0-5]%.

**Table 2**

**Italy 2018, Buffalo milk mozzarella[206]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Nuova Castelli - branded | […] | [10-20]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [20-30]% |
| Francia | […] | [5-10]% |
| Spinosa | […] | [0-5]% |
| Others - branded | […] | [40-50]% |
| Others – private label | […] | [10-20]% |
| Total sales | 13603 | 100% |

(187) First, the Transaction will bring a moderate increment to Nuova Castelli' market shares, due to Lactalis moderate branded presence.

(188) Second, the presence of the Parties' competitors is strong and a significant number of producers are active in the market for buffalo milk mozzarella with access to retailers in Italy, for instance Francia and Spinosa's shares each approximately equivalent to the increment triggered by the Transaction (see Table 2 above).

(189) The above finding, based on the Parties' and their competitors' shares on the overall market for buffalo milk mozzarella, was corroborated in the market investigation, which pointed at multiple supplier options. As an illustration, an Italian retailer indicated that *"the market for buffalo milk mozzarella is extremely fragmented."*[207] This was confirmed by the Parties' competitors, a number of which qualified the market for buffalo milk mozzarella as particularly fragmented.[208]

(190) As indicated in paragraph (182) above, market participants named a broad number of potential supply options for buffalo milk mozzarella, in particular Fattorie Garofalo, Caseificio Tre Stelle, Spinosa, Cilento, Pettinicchio, Francia Latticini, Caseificio Cirigliana, Diano Casearia, Caseificio Principe, Podere dei Leoni.[209] In view of the Parties' activities, these competitors are closer to Nuova Castelli as manufacturers of their own product, as opposed to Lactalis which does not have manufacturing activities for buffalo milk mozzarella and only trades.

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206 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

207 Questionnaire to customers (Q2), question 78.2.

208 Questionnaire to customers (Q2), question 78.2.

209 Questionnaire to customers (Q2), questions 66 and 70.

(191) In both branded and private label, the existence of a number of credible competitors offering volumes of buffalo milk mozzarella to retailers in Italy and competing in the negotiations organised by retailers is not only confirmed by qualitative descriptions of market interaction by such customers, but also confirmed by actual sourcing information. Data collected from retailers shows that a majority of them source from a relatively wide range of suppliers of buffalo cow milk mozzarella. In particular, the data shows that most retailers have sourced from one or more suppliers other than the Parties in 2018.[210]

(192) Third, as outlined in Section 4.3.2, the market for the supply of buffalo milk mozzarella to retailers is a differentiated market across sales channels, where suppliers can compete in branded and in private label cheese. Although the presence of suppliers in the same sales channel will be indicative of closeness of competition between them, the pricing of private label products will have some effect on the pricing ability in the branded side of the market.

(193) Beside the considerations concerning the structure and shares of the buffalo milk mozzarella market, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(194) First, the Commission finds that retailers do not face significant barriers to switching across suppliers in Italy. The vast majority of the retailers who responded to the Commission's requests for information stated that it is possible to switch to different suppliers of mozzarella.[211] More importantly, most of these retailers noted that they have switched to a different supplier of any type of mozzarella over the past 3 years.[212] This suggests that customer switching costs for private label supply of buffalo milk mozzarella in Italy are not significant. This also indicates that there are little barriers to switching across the fragmented range of viable suppliers of buffalo milk mozzarella in Italy.

(195) Second, as regards barriers to entry, the market investigation suggested that a potential barrier could be the more limited availability of buffalo milk, which is scarcer than cow milk. However, and mainly in view of the range of players already active on the market, this is not regarded as particularly problematic by the Parties' competitors as well as retailers responding on the issue of barriers to entry or expansion to the market of buffalo milk mozzarella in Italy.[213]

(196) Third, and consistent with the above, Italian retailers responding to the market investigation generally did not express concerns as to the impact of the Transaction on the market for buffalo milk mozzarella in Italy. A majority of customers that expressed a view during the market investigation states that, post-Transaction, there will be no change with respect to the competitive conditions in relation to the supply of buffalo milk mozzarella.[214]

(197) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded buffalo milk mozzarella in Italy.

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210 Questionnaire to customers (Q2), questions 66 and 70.

211 Questionnaire to customers (Q2), question 73.

212 Questionnaire to customers (Q2), question 72.

213 Questionnaire to competitors (Q1), question 88; Questionnaire to customers (Q2), question 78.

214 Questionnaire to customers (Q2), question 123. See also non-confidential version of minutes of a call with a strategic market participant, 22 July 2019.

(198) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the overall market for buffalo milk mozzarella in Italy.

*5.4.3. Gorgonzola*

(199) Lactalis supplies both branded and private label Gorgonzola to retailers in Italy, whereas Nuova Castelli supplies branded Gorgonzola and very limited volumes of private label Gorgonzola.

*(A) Branded gorgonzola in Italy*

(200) In the supply of branded Gorgonzola to retailers in Italy, the Parties have a combined Adjusted market share of [40-50]%, with a limited increment of [0-5]%.

(201) First, as regards branded Gorgonzola, the Transaction results in an affected market only because of Lactalis' large market presence with branded products, with strong and widely recognised brands of Gorgonzola, and in particular Galbani and Gim Invernizzi.[215]

(202) Second, this is consistent with the fact that, in Italy, Nuova Castelli does not enjoy strong presence in Gorgonzola, in which Nuova Castelli is a much smaller player than Igor or Lactalis.[216] Thus, the Transaction will bring a limited increment to Lactalis' market share of [0-5]%.

(203) Third, several other strong competitors of Lactalis are active in branded Gorgonzola, including Igor, the market leader, as well as Mauri, Biraghi and Bassi, all of them enjoying market shares in the overall Gorgonzola market similar to that of Nuova Castelli (see Table 3 below). Overall, the Parties' competitors in the branded segment have a strong presence with important brands, which account for over [30-40]% of the overall Gorgonzola market in Italy (see Table 3 below).

(204) Consistent with these Adjusted market shares, which point at a fragmented set of suppliers that are as large as or, even larger than Nuova Castelli in the branded segment, the market investigation supports the finding that a number of credible competitors can and do offer volumes of branded Gorgonzola to retailers in Italy and compete in the negotiations organised by retailers. Data collected from retailers show that a majority of them source from a relatively wide range of suppliers of branded Gorgonzola. In particular, the data shows that most retailers have sourced from one or more suppliers other than the Parties in 2018.[217]

(205) The Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded Gorgonzola.

(206) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Gorgonzola in Italy.

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215 The combined value market shares for branded segment are higher (by less than 7 percentage points) than the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

216 Non-confidential version of minutes of a call with a third party, 24 July 2019.

217 Questionnaire to customers (Q2), question 98.

*(B) Private label Gorgonzola in Italy*

(207) First, Nuova Castelli had very limited sales of private label Gorgonzola in Italy in 2018.

(208) Second, in light of the above, the Transaction will bring a very limited increment to Lactalis' market share ([0-5]% of the overall market, see Table 3 below) in relation to this segment in Italy, therefore it is unlikely to affect the existing structure of the market.

(209) Third, the Commission observes that the private label segment of the market for Gorgonzola in Italy is rather fragmented and the production distributed among a number of producers throughout the PDO territory.

(210) The Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers and the impact of the Transaction that also apply to the assessment of private label Gorgonzola.

(211) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label Gorgonzola in Italy.

*(C) Overall market for gorgonzola in Italy*

(212) Based on the Commission's methodology, Adjusted market shares for the overall market for Gorgonzola in Italy are as follows.

**Table 3**

**Italy 2018, Gorgonzola[218]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [20-30]% |
| Lactalis – private label | […] | [5-10]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [0-5]% |
| Combined Parties PL + B | […] | [30-40]% |
| Igor | […] | [30-40]% |
| Mauri Emilio | […] | [0-5]% |
| Biraghi | […] | [0-5]% |
| Bassi Spa | […] | [0-5]% |
| Others – private label | […] | [30-40]% |
| Total sales | 6354 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel. The sales were reduced to match the unspecified branded difference in the panel.*

218 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(213) First, as explained in Section 4.3.1.3(E), the market for Gorgonzola is strictly regulated by the Consorzio Gorgonzola PDO, on the overall market for branded and private label, the Commission observes that it is rather fragmented and the production is distributed throughout the PDO territory, which includes the 10 provinces of Lombardy and 5 provinces in Piedmont.[219]

(214) Moreover, Italy enjoys the presence of a number of alternative suppliers of both branded and private label Gorgonzola, namely – among others – Igor: [30-40]%; Emilio Mauri: [0-5]%; Biraghi: [0-5]%; Bassi SpA: [0-5]% (see Table 3 above).

(215) Second, as outlined in Section 4.3.2, the market for the supply of Gorgonzola to retailers is a differentiated market across sales channels, where suppliers can compete in branded and in private label cheese. Although the presence of suppliers in the same sales channel will be indicative of closeness of competition between them, the pricing of private label products will have some effect on the pricing ability in the branded side of the market.

(216) Beside the considerations concerning the structure and shares of the Gorgonzola market, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(217) First, the Commission finds, based on the market investigation, that barriers to entry and expansion are not high for suppliers of Gorgonzola in Italy.

(218) When market conditions are such that competitors have sufficient capacity and find it profitable to expand output sufficiently, the Commission is unlikely to find that the merger would significantly impede effective competition.[220] Conversely, when market conditions are such that the competitors of the merged entity are unlikely to increase their supply significantly should prices increase, the merged entity may have an incentive to reduce output below the combined pre-merger levels thereby raising market prices.[221]

(a) From the demand side, the market investigation suggested that the majority of retailers respondents do not believe that there are barriers to entry or expansion in terms of cost and time.[222]

(b) From the supply side, the majority of market respondents indicated that the cost and time required to enter or expand production in Italy are not significant.[223]

(219) The Commission therefore considers that alternative suppliers have sufficient capacity and incentives to expand the production volume, should the merged entity increase prices in Italy.

(220) Second, as regards logistics and distributions, competitors and customers in Italy confirmed in the market investigation that distribution in the Italian territory is already fragmented and organised in a way that it is possible to distribute fresh products on the Italian territory without incurring on significant costs, even for smaller manufacturers.

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219 Non-confidential version of minutes of a call with a third party, 24 July 2019.

220 Horizontal Merger Guidelines, paragraph 33.

221 Horizontal Merger Guidelines, paragraph 32

222 Questionnaire to customers (Q2), question 105.

223 Questionnaire to competitors (Q1), question 124.

(221) Third, the Italian market is also characterised by low barriers to switching for the products mainly supplied by Lactali through Gim Invernizzi. While the branded position of Lactalis seems to command customer loyalty, the majority of the retailers who responded to the Commission's requests for information stated that it is possible to switch to different suppliers of Gorgonzola. This indicates there is a dynamic and fragmented range of viable suppliers of Gorgonzola in Italy.

(222) Fourth, with regard to the impact of the Transaction, a third party stated that the Transaction "*will not have a negative impact on […] the overall market of Gorgonzola in Italy*."[224] Furthermore, the same third party described Nuova Castelli as a company "*rather small when it comes to Gorgonzola*."[225]

(223) Moreover, the majority of responsive retailers in Italy held the view that there will be no change post-Transaction with respect to the competitive conditions in relation to the supply of Gorgonzola.[226] Moreover, the majority of responsive retailers in Italy believe that the Transaction will have no impact on the market or on their companies.[227]

(224) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Gorgonzola as well as private label Gorgonzola.

(225) Based on the above considerations and in light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market as regards the overall market for Gorgonzola in Italy.

*5.4.4. Ricotta*

(226) Lactalis and Nuova Castelli are active in the market for ricotta in Italy. Both Parties manufacture and sell branded and private label ricotta.

*(A) Branded ricotta in Italy*

(227) For branded ricotta, the combined Adjusted market share of the Parties in 2018 in Italy was [60-70]% (in volume), with a limited increment of [0-5]% in view of Nuova Castelli's limited brand presence. [228]

(228) First, Nuova Castelli had limited sales of branded ricotta in Italy in 2018. The Transaction will bring a limited increment to Lactalis' market share of [0-5]%. Moreover, Nuova Castelli does not enjoy strong brand presence.

(229) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest branded competitor to Lactalis, Granarolo. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2 above), in 2018 Granarolo represented a stronger competitive constraint than Nuova Castelli with regard to branded ricotta in Italy.

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224 Courtesy translation from Italian: "*…non ritiene che l'Acquisizione avra' un impatto negativo […] sul mercato del Gorgonzola*", Non-confidential version of minutes of a call with a third party, 24 July 2019.

225 Courtesy translation from Italian: "*…ma una piccola impresa per quanto riguarda il gorgonzola*", Non-confidential version of minutes of a call with a third party, 24 July 2019.

226 Questionnaire to customers (Q2), question 123.

227 Questionnaire to customers (Q2), question 125.

228 The combined value market shares for branded segment are in line with the volume shares provided by the Parties, but both still slightly overstate the Parties' position compared to panel data.

Granarolo's recorded sales of branded ricotta were five times higher than Nuova Castelli's sales and accounted for [5-10]% of the overall ricotta market in Italy (see Table 4 below).

(230) Third, the merged entity will also continue to face significant competitive constraints from three other branded suppliers (Caseificio Elda, Campo Dei Fiori and Caseificio Sabelli) which in 2018 had individual sales of branded ricotta comparable to those of Nuova Castelli. Moreover, several additional smaller suppliers of branded ricotta will remain in the Italian market post-Transaction. These suppliers accounted for [10-20]% of the overall market for ricotta in Italy in 2018 (see Table 4 below).

(231) Fourth, with regard to the ability of customers to switch suppliers of ricotta, the majority of customers that responded to the market investigation considered they could not quickly switch to an alternative supplier of branded ricotta with a comparable range and sufficient quantities;[229] however, the majority of responsive competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[230]

(232) Finally, the Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded ricotta.

(233) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded ricotta in Italy.

*(B) Private label ricotta in Italy*

(234) First, both Parties have moderate sales of private label ricotta in Italy in 2018 and the combined market share remains modest, slightly above [20-30]%. The combined market share of the Parties in 2018 in Italy was [20-30]% (in volume), with a moderate increment of [5-10]%.

(235) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of private label ricotta that in 2018 accounted for more than […] tons of private label ricotta sold in Italy (i.e. [30-40]% of the overall market, see Table 4 below). These suppliers will continue to exercise competitive pressure on the merged entity after the Transaction.

(236) Third, with regard to the ability of customers to switch suppliers of ricotta, half of the responsive customers that expressed a view indicated that they could quickly switch to an alternative supplier of private label ricotta with a comparable range and sufficient quantities.[231]

(237) Finally, the Commission has also considered in its assessment of this plausible market the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and

229 Questionnaire to customers (Q2), question 84.1.

230 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.

231 Questionnaire to customers (Q2), question 84.2.

expansion, the availability of other suppliers and the impact of the Transaction that also apply to the assessment of private label ricotta.

(238) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label ricotta in Italy.

*(C) Overall market for ricotta in Italy*

(239) Based on the Commission's methodology, Adjusted market shares for the overall market for ricotta in Italy are as follows.

**Table 4**

**Italy 2018, Ricotta[232]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [30-40]% |
| Lactalis – private label | […] | [5-10]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [0-5]% |
| Combined Parties PL + B | […] | [40-50]% |
| Granarolo | […] | [5-10]% |
| Caseificio Elda Snc | […] | [0-5]% |
| Campo Dei Fiori | […] | [0-5]% |
| Caseificio Sabelli | […] | [0-5]% |
| Others - branded | […] | [10-20]% |
| Others – private label | […] | [30-40]% |
| Total sales | 25 125 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel.*

(240) The Transaction results in an affected market because of Lactalis' large market presence with branded products, with strong and widely recognised brands, such as Galbani. Nuova Castelli has a more limited presence in the overall market for ricotta in Italy, bringing a moderate increment of [0-5]%.

(241) Beside the considerations concerning the shares of the market for ricotta in Italy, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(242) First, after the Transaction, the merged entity will continue to face significant competitive pressure from Granarolo as well as from more than three branded and private label competitors, which accounted for [50-60]% of the overall market for

232 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

ricotta in Italy (see Table 4 above). These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

(243) Second, with regard to the ability of customers to switch suppliers of ricotta, while the majority of customers that responded to the market investigation had not switched suppliers of branded or private label ricotta in the last three years,[233] the majority of responsive competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[234]

(244) Third, concerning barriers to entry and expansion, different from other fresh cheese products discussed above for which access to milk has been assessed as a potential barrier to entry, ricotta is produced from a by-product of other cheese production. In particular, as explained by the Notifying Party, ricotta is manufactured by heating whey to 80° C. The market investigation confirmed that ricotta is by-product of whey,[235] which is a liquid derived from the production of soft and fresh cheese (e.g. mozzarella)[236]. The Parties use their leftovers of whey to produce ricotta as well as milk powder. Nuova Castelli also sells part of its whey to third parties.

(245) Moreover, the market investigation also indicated that (i) there has been at least one entrant in the market for ricotta in Italy in the last 5 years, Valcolatte;[237] and (ii) two Italian competitors indicated that they could substantially increase their production of ricotta without incurring in significant additional costs.[238] In addition, the majority of customers that responded to the market investigation indicated that there were not significant barriers to entry or expansion for ricotta in terms of costs and time. [239]

(246) Fourth, the majority of the Italian competitors and customers that responded to the market investigation indicated that the Transaction will not have impact on prices for the supply of ricotta in their countries.[240] Moreover, a competitor indicated that it expected prices for ricotta to decrease in Italy.[241]

(247) Fifth, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded ricotta in Italy as well as private label ricotta in Italy.

(248) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the overall market for ricotta in Italy.

233 Questionnaire to customers (Q2), questions 81 and 82.
234 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.
235 Questionnaire to competitors (Q1), question 15.
236 Questionnaire to competitors (Q1), question 15.1.
237 Questionnaire to competitors (Q1), questions 101 and 101.1.
238 Questionnaire to competitors (Q1), question 102.1.
239 Questionnaire to customers (Q2), question 87.
240 Questionnaire to customers (Q2), question 124; Questionnaire to competitors (Q1), question 104.
241 Questionnaire to competitors (Q1), question 104.

*5.4.5. Milk procurement*

(249) Lactalis only procures cow milk in Italy, and does not procure buffalo nor sheep milk there. Conversely Nuova Castelli procures cow milk, buffalo milk and sheep milk in Italy.[242]

(250) For conventional cow milk, the market share of the Parties in 2018 for procurement of raw and pasteurised cow milk in Italy was below [10-20]%, with a limited increment of approximately [0-5]%.[243]

(a) For conventional cow raw milk, the market share of the Parties in 2018 for procurement of conventional raw cow milk in Italy was [10-20]%, with a limited increment of [0-5]%.[244]

(b) For conventional pasteurised cow milk, the market share of the Parties in 2018 for procurement of conventional cow pasteurised milk in Italy was [10-20]%, with a negligible increment of [0-5]%.[245]

(251) For completeness, the Commission notes that the market share of the Parties in 2018 for procurement of conventional cow raw milk in Italy was [30-40]% in Lazio, with a negligible increment of less than [0-5]%; and [50-60]% in Sicily, with a moderate increment of [0-5]%.[246]

(252) With regard to Sicily, the milk collected by Lactalis in Sicily is only for fresh milk consumption, and not for cheese production. Nuova Castelli is not present as such in Sicily but procures indirectly milk that is collected in Sicily for its production plants located in […] and in […]. Limiting the market for the procurement of milk from farmers (excluding traded milk) would entail that there is no overlap in Sicily. The overlap exists only when assessing a market that includes milk from Sicily that is traded. In any event, the increment is minimal.[247]

(253) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the market of milk procurement in Italy.

## 5.5. France

(254) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 6.3), the Transaction gives rise to the following horizontally affected markets in France: Cow milk mozzarella (Section 5.5.1); buffalo milk mozzarella (Section 5.5.2); ricotta (Section 5.5.3); mascarpone (Section 5.5.4); Gorgonzola (Section 5.5.5); Feta (Section 5.5.6); Italian-type hard cheese (Section 5.5.7) and other affected markets (Section 5.5.8).

*5.5.1. Cow milk mozzarella*

(255) Lactalis and Nuova Castelli are active in the market for cow milk mozzarella in France. Both Parties sell branded and private label cow milk mozzarella.

242 Form CO, paragraph 435.
243 Form CO, paragraph 436.
244 Form CO, paragraph 436.
245 Form CO, paragraph 436.
246 Form CO, paragraph 441.
247 Form CO, paragraph 444.

(256) In view of the fact that in France both Parties sell branded and private label cow milk mozzarella, the Commission also considered the impact of the Transaction on the market structure for the supply of branded products, and for the supply of private label products, as well as the impact on the overall market.

*(A) Branded cow milk mozzarella*

(257) Focusing on branded products only the combined Adjusted market share would be [40-50]% (Lactalis: [40-50]%; Nuova Castelli: [0-5]%).[248] Although the Parties' combined shares in the branded segment are high, these are largely due to the very high share of Lactalis, which is active on the market through a brand which is consistently referred to as the strongest, and in many cases as a 'must have' brand by retailers. However, the increment from Nuova Castelli is modest.

(258) The market investigation confirmed the submission by the Notifying Party that Nuova Castelli specializes in the supply of private labels, its brands are little known, whereas Lactalis specializes in the supply of branded products with well-known brands. In particular, multiple retailers confirmed that the Nuova Castelli brand enjoys little to none brand awareness: '*On the French market the Castelli brand enjoys little to none brand awarness*'[249], '*Galbani enjoys a far superior brand awareness that Castelli which is not know in France as a brand.*';[250] and '*The Nuova Castelli brand (Alival) has little relevance for the consumer compared to Lactalis brand (Santa Lucia and Vallelata)*'. This is reflected in the small increment of [0-5]% brought by Nuova Castelli.

(259) As regards closeness of competition, the market investigation points at the fact that Nuova Castelli and Lactalis are not closely competing in the branded product market. There are bigger competitors such as Granarolo which is active both with a strong brand as further developed in paragraph (260) and in private label. There are also alternative similar sized players as Nuova Castelli such as Ambrosi, which, similarly, do not have a strong brand but are present with limited sales in the branded cow milk mozzarella segment. On the specific question of closeness, Nuova Castelli is not seen as a real competitor to Lactalis. As an illustration, retailers indicated that Galbani and Nuova Castelli are not close competitors: '*They are not close competitors in our opinion. Castelli is rather in competition with Granarolo or Ambrosi.*'[251] confirming that the competitive pressure exerted on Lactalis by Nuova Castelli brand is currently very limited.

(260) The market investigation further confirmed the presence of stronger brands than Nuova Castelli as competing closer with Lactalis. In particular, there are better-known brands such as Casa Azzurra of Granarolo which is confirmed by market investigation. When asked for the strongest brands, the retailers cited most often

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248 The combined value market shares for branded segment are higher (by 5 percentage points) than the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

249 Courtesy translation from French: " *La marque Castelli est sur le marché français confidentielle"*, Questionnaire to customers (Q2), question 59.

250 Courtesy translation from French: "*Galbani a une notoriété bien supérieure à celle de Castelli qui n'est pas connu en France en Marque Nationale"*, Questionnaire to customers (Q2), question 67.1.

251 Courtesy translation from French: "*Ce ne sont pas de réels concurrents pour nous. Castelli est plutôt en concurrence avec des fournisseurs comme Granarolo ou Ambrosi*."; Questionnaire to customers (Q2), question 67.1.

Galbani (Lactalis), followed by Casa Azzurra (Granarolo) and Ambrosi (Ambrosi), Nuova Castelli is never cited[252].

(261) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, evidence of switching and lack of barriers to switching with respect to this plausible market also apply to the assessment of branded cow milk mozzarella.

(262) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded cow milk mozzarella in France.

*(B) Private label cow milk mozzarella*

(263) Considering the private label procurement segment and using downstream market share at retail level as a proxy to estimate market shares at procurement level the Parties have [60-70]% combined share of supply in volume (Lactalis: [40-50]%; Nuova Castelli: [20-30]%).

(264) In France, more than half of the cow milk mozzarella market is private label ([50-60]%).[253] All biggest retailers in France carry their own private label products[254]. Most of them also offer different qualities ranging from low-tier ("premier prix") to conventional, organic or high-end private label mozzarella.[255]

(265) For the private label procurement market, using downstream market share at retail level as a proxy to estimate market shares at procurement level, the increment brought by Nuova Castelli is more significant, with Nuova Castelli adding [20-30]% to Lactalis [40-50]% market share considering 2018 figures.

(266) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, and evidence of switching / lack of barriers to switching with respect to this plausible market also apply to the assessment of private label cow milk mozzarella in France.

(267) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the private label cow milk mozzarella in France.

*(C) Overall market for cow milk mozzarella in France*

(268) Both Lactalis and Nuova Castelli supply branded and private label cow milk mozzarella in France. Lactalis is the largest supplier of branded and of private label cow milk mozzarella. Nuova Castelli is the second largest private label supplier, and has significantly lower volumes in branded segment. As outlined by the Adjusted market shares, most of the overlap between the Parties in cow milk mozzarella in France occurs in the private label market for the supply of cow milk mozzarella to retailers in France. Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined

252 Questionnaire to customers (Q2), question 50.

253 Based on panel data, Parties' response to Commission's request for information RFI 23.

254 Questionnaire to customers (Q2), question 4.1.

255 Questionnaire to customers (Q2), question 5.1.

Adjusted market shares in branded and private of the Parties in volume terms in 2018 were: [50-60]% (Lactalis: [40-50]%; Nuova Castelli: [10-20]%).

**Table 5**

**France 2018, Cow milk mozzarella[256]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis private label | […] | [20-30]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [50-60]% |
| Granarolo | […] | [5-10]% |
| Ambrosi | […] | [0-5]% |
| Others - branded | […] | [10-20]% |
| Others – private label | […] | [10-20]% |
| Total sales | 25373 | 100% |

(269) Overall, during the market investigation a majority of customers in the French market expressing their views expressed concerns about the possible impact of the Transaction on prices for Italian-type cheeses, and in particular in view of the loss of a competitor on the cow milk mozzarella market.

(270) Beside the considerations concerning the concentration of the competitive landscape and shares of the market for cow milk mozzarella in France, the Commission considers that the Transaction does not raise serious doubts, as to its compatibility with the internal market on the overall market for cow milk mozzarella in France, for the reasons highlighted below.

(271) First, as explained above, the Parties are not close competitors on the branded segment as Lactalis is active on branded cow milk mozzarella in particular through its flagship and widely recognised brand Galbani in France. Conversely, Nuova Castelli does not enjoy strong brand presence in cow milk mozzarella, but focuses primarily on private label supplies of this product to retailers.

(272) The only element of differentiation on which the companies may be identified as close competitors in the private label market in France by some retailers concerns the fact both companies have facilities in Italy and can respond to tenders for 'made in Italy' mozzarella. Out of all respondents which expressed a view half of them do not consider that this was an important criteria and the other half does[257].

256 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

257 Questionnaire to customers (Q2), question 63.1.

(273) For example, a retailer submitted: '*To have mozzarella "made in Italy" is important to compete on the premium market […]*[258]*';* another one explained '*It is an Italian typical product for it to be made in Italy is a clear advantage.'*[259] On the other hand, this view is not shared by a number of retailers, which do not seem to consider this criteria as critical: '*The made in Italy label is not important on cow milk mozzarella'*.[260]

(274) However, the assessment of the tender behaviour show that a large majority of the French retailers that replied to the market investigation are sourcing both made in Italy and non-made in Italy cow milk mozzarella[261].

(275) The Parties also provided evidence that even when a tender is specifically issued for made in Italy cow milk mozzarella, there is still competition and price pressure from suppliers of cow milk mozzarella not produced in Italy. As an example, the Parties provided evidence that even tenders issued for made in Italy mozzarella may ultimately result in the selection of a German manufacturer for price considerations.[262]

(276) This is consistent with the overall data on import trends of mozzarella. On a national basis the evolution of imports of mozzarella in various Member States shows that, in France, the share of Italian imports fell from 60 to 56 % from 2015 to 2018, while the share of mozzarella manufactured in Germany's gained 11 points between 2016 and 2018.[263]

(277) All these elements further suggest that mozzarellas from different origins are substitutable to some extent from the point of view of retailers and end-consumers.

(278) Second, the Commission's finding confirms that there is a number of other players with manufacturing facilities in Italy capable to supply the French market.

(279) Market investigation data shows that at least 4 Italian based companies other than the Parties actively supply retailers. The other Italian based companies actively supplying retailers are described by the Parties as follows:

(a) Granarolo is one of the leading groups on the Italian fresh cheese markets. It runs 14 plants in Italy and 7 abroad. Active both in branded cow mozzarella through the Casa Azzurra brand and private label. Granarolo exports cheese in 35 European countries through 2 large commercial hubs in France and in the UK.

(b) *Ambrosi*, exports part of its production to France, Germany, USA and Japan. It has a distribution company in France (ETS Schöpfer SAS);

(c) *Zanetti* is active in the supply of cow milk mozzarella, ricotta, mascarpone and Gorgonzola, both in France and the UK. Zanetti works with Disgroup which is an external service provider engaged in the provision of logistics

258 Questionnaire to customers (Q2), question 63.1.

259 Courtesy translation from French: "*C'est un produit typique et le made in italy offre un avantage certain*",Questionnaire to customers (Q2), question 63.1.

260 Courtesy translation from French: "*Le "made in Italy" n'est pas important sur la mozzarella de vache",* Questionnaire to customers (Q2), question 63.1.

261 Questionnaire to customers (Q2b), question 9.

262 Form CO, paragraph 215.

263 Form CO, paragraph 232.

and delivery services active in France. Zanetti outsources at least part of its distribution in particular in France;

(d) *Sabelli* identifies itself as "*one of the most important players in the Mozzarella market*".[264] Its focus is mainly on export, especially to the French market. In 2016, it acquired Trevisanalat.

(280) The market investigation also points to a number of other alternative suppliers. When asked for available viable alternatives, the respondents pointed at a number of suppliers, such as Alliance Eurofood, Zott, Jager, Bayernland, Colla, Rivaldi, Morsillo, and Valcolatte.[265]

(281) Moreover, the limited market power of Lactalis and Nuova Castelli in private label can be illustrated by the fact that Nuova Castelli lost important private label cow milk mozzarella sales volumes with retailers while Lactalis captured only part of these quantities. As seen in the graph below, in 2019 Nuova Castelli lost significant volumes of private label cow milk mozzarella with […], […], and […].[266] As regards […], the graph shows that Lactalis' volumes to […] have significantly increased and likely substituted the volumes previously supplied by Nuova Castelli. Given that Lactalis did not increase their private label sales at […] and […], it is likely that these volumes were attributed to other suppliers. However, it is to be noted that a large share of the volumes lost by Nuova Castelli concerns […].[267]

**Figure 2 – [Figure comparing the parties' sales volumes in the first nine months of 2019 compared to their sales volumes in the first nine months of 2018, by customer].**

[…]

*Source: […]*

(282) As explained by the Parties: "*The parties' market share decreased by* […]."[268] Most importantly this provides a strong indication that there are alternative suppliers.

(283) This evolution underlines that French retailers can find alternative suppliers to produce their private label cow milk mozzarella. Since January 2018, there has been a substitution away from Nuova Castelli which only partially shifted towards Lactalis, confirming that there are available alternatives as evidenced in the graph below.

**Figure 3 – [Figure showing the evolution of the parties' market shares on the market for the supply of private label cow milk mozzarella in France]**

[…]

*Source: […]*

(284) Third, the competition for the supply of private label products to retailers takes place through tenders, which are generally organised yearly.

264 http://www.grupposabelli.it/il-gruppo.php.

265 Questionnaire to customers (Q2), question 70.

266 Parties' submission "Briefing Memorandum No 3", dated 20.11.2019.

267 Form CO, paragraph 360.

268 Parties' submission "Briefing Memorandum No 3", dated 20.11.2019

(285) Retailers usually issue tender for different types of cow milk mozzarella (e.g. mozzarella in brine 125 g, mozzarella in brine 250g, dry mozzarella 400g, organic mozzarella) and indicate the volumes required for each of these categories. Market investigation indicate that retailers issue multiple tenders depending on packaging, weight, specificities (e.g., first price, organic) with requested volumes ranging from less than 25 tons to almost 1000 tons depending on the type of product.[269]

(286) Based on the information provided by retailers on participants in tender procedures, it also regularly happens that private label tenders in France are allocated among different suppliers.

(287) Suppliers answer calls for tenders, and the selection of suppliers is carried out on a reference by reference basis. A supplier might win a tender for a given format or packaging (e.g. for mozzarella in brine 125g) and another supplier for another format of mozzarella. Therefore, when participating in a tender, suppliers offer their best price for each individual reference.

(288) Fourth, according to Lactalis, '*any competitor with sufficient production capacity must be regarded as a significant competitive constraint for the Parties on the French market since logistics and distribution cannot be considered as a barrier to entry or expansion'*[270].

(289) Lactalis submitted, in particular, that (i) Granarolo and Savencia distribute their products in France using in-house/subsidiary assets, (ii) Emi and Ambrosi distribute in France through their own joint venture (Diprola, France) and (iii) eight other competitors outsource (at least) their transportation services in France.[271]

(290) In the course of its market investigation, the Commission assessed whether distribution and logistics could be considered as a significant barrier to entry in France. While a number of suppliers considered distribution and logistics as a barrier to entry in France[272] or as a competitive advantage for companies who own their own distribution platforms[273], the Commission was ultimately able, on the basis of distribution patterns of many existing and potential suppliers, to establish that there exists a sufficient number of suppliers with a viable route to market to distribute their products.

(291) While some market participants mentioned logistics as a barrier to entry analysing the current structure of the supply market, a significant amount of suppliers do rely on outsourcing for their distribution and logistics. In France, the majority of suppliers that responded to the market investigation fully or partially outsourced their distribution process, while only 2 respondents did their distribution fully in-house. [274]

(292) Lactalis identified nine providers of transportation services (including refrigerated transportation) and nine providers of warehousing services for fresh food that operated in France and provided these services on a non-exclusive basis[275].

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269 Questionnaire to customers (Q2b), question 9.

270 Form CO, paragraph 993.

271 Parties' submission "Briefing Memorandum No 1", dated 17.10.2019.

272 Questionnaire to competitors (Q1b), question 16.

273 Questionnaire to competitors (Q1b), question 16.1.

274 Questionnaire to competitors (Q1b), question 17.

275 The Parties submissions "Briefing Memorandum No 1" dated 17.10.2019.

(293) Finally, the majority of suppliers use wholesale agreements, "groupage" and/or joint distribution agreements as part of their distribution strategy in several countries including France.[276]

(294) From the retailer's perspective, according to the Notifying Party, four retailers have developed so-called "consolidation warehouses" to minimise the number of delivery points for the suppliers. In France, according to the Notifying Party 8 customer delivery locations account for 60% of the market.[277]

(295) The market investigation confirmed that several French retailers have warehouses or consolidation warehouses to which the suppliers deliver the products and from which the retailers distribute to their network of stores[278].

(296) Accordingly, the results of the market investigation suggest that suppliers of Italian-type cheeses are able to distribute their products in France through third parties (outsourcing).

(297) Even if owning logistics assets in France, in some cases, seems to provide a competitive advantage, following the Transaction, at least four other suppliers will own distribution/logistics assets in France, besides the Parties[279]: Granarolo, Savencia, the joint venture of Emi and Ambrosi (Diprola), and Zanetti. These companies active amongst others on the market for cow mozzarella, are likely to be able to exercise significant competitive pressure on the Parties in France.

(298) Fifth, there have been recent new entrants in the cow milk mozzarella market in France. Namely Giovanni Ferrari entered the French market in 2011, mainly with hard cheeses and started producing mozzarella in 2019 while previously specialised in the production of Parmigiano Reggiano. Although this company remains a family owned business, Savencia Fromage & Dairy holds a 49% shareholding in Giovanni Ferrari. Savencia is a French publicly listed dairy company active worldwide.

(299) In 2019, Giovanni Ferrari started selling branded cow-milk mozzarella in France.

(300) On the supply side, existing players are increasing their production capacity to accompany the growth of mozzarella consumption in the EEA.

(301) According to the Parties the following competitors have made investments in mozzarella production[280]:

(a) *Granarolo* recently invested to increase the production capacity of its mozzarella plant in Usmate (Italy);

(b) *Valcolatte* recently acquired a new line for the production of mozzarella cubes;

(c) *Bayerland* recently acquired three lines for the production of mozzarella cubes.

(d) In July 2018, *Glanbia* announced setting up an entire new plant in Portlaoise (Ireland) and investing EUR 130 million for this project. The new plant is expected to start the production in 2020, with a capacity of 45,000 tons per

276 Questionnaire to competitors (Q1b), question 21.

277 Form CO, paragraph 941.

278 Questionnaire to customers (Q2b), question 13.

279 Parties' submission "Briefing Memorandum No 1", dated 17.10.2019.

280 Form CO, paragraphs 1043 to 1045.

annum; (as an indicative comparison panel data for sales of cow milk mozzarella in France estimated the market size to be 25 373 tons as reported in Table 5)

(e) In April 2018, *Berglandmilch* announced its decision to invest EUR 17.5 million to open a new plant in Aschabch (Austria). The plant is planned to produce mozzarella in 3 shifts on 6 days, to be able to produce 20,000 tons of Mozzarella per annum;

(f) In November 2017, *BMI* announced setting up a new plant in Jessen (Germany) which is expected to expand the company's production capacity by around 2.5 tons per hour;

(g) In July 2017, *DMK* announced that it invested EUR 15 million in its Nordhackstedt plant to be able to provide Arla with 35,000 tons of mozzarella each year. Nordhackstedt site has a capacity of approx. 70,000 tons, of which half is dedicated to mozzarella. The aim with this investment is convert the site into a pure mozzarella plant (and thus double its production) by 2020.

(302) The market investigation suggested low barriers to switching, and provided evidence that customers appear to be able to switch suppliers. As mentioned in paragraphs (281) to (283) Nuova Castelli lost important private label cow milk mozzarella sales volumes with retailers and Lactalis captured only part of these quantities. This tends to show that retailers have other sources of supply for their private label products than Nuova Castelli and Lactalis.

(303) A majority of retailers expressing views submitted that they have not switched their private label supplier in the last 3 years[281]. However, there were several instances where retailers indicated that they have switched suppliers, either by awarding a low-tier segment to a German supplier, or by contacting alternative suppliers, which are already present on the market[282].

(304) The retailers confirm that they have the ability to switch between suppliers with the majority of French retailers expressing views submitting that they have three or more than three viable suppliers of private label cow milk mozzarella at any given time[283].

(305) […].

(306) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the market for cow milk mozzarella in France under any plausible product market definition.

*5.5.2. Buffalo milk mozzarella*

(307) Lactalis supplies only branded buffalo milk mozzarella, whereas Nuova Castelli supplies private label buffalo milk mozzarella in France.

281 Questionnaire to customers (Q2), question 72.

282 Questionnaire to customers (Q2), question 72.1.

283 Questionnaire to customers (Q2b), question 10.

*(A) Branded buffalo milk mozzarella in France*

(308) For branded buffalo milk mozzarella the combined Adjusted market share of the Parties in 2018 in France was [20-30]% (in volume), with Nuova Castelli adding an increment of [0-5]% to Lactalis' [20-30]% market share.[284]

(309) First, Nuova Castelli had limited sales of branded buffalo milk mozzarella in France in 2018 and thus does not enjoy strong brand presence.

(310) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest competitor to Lactalis, Granarolo. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Granarolo represented a stronger competitive constraint than Nuova Castelli with regard to branded buffalo milk mozzarella in France. Granarolo's sales of branded buffalo milk mozzarella were significantly higher than Lactalis' and Nuova Castelli's sales and accounted for [10-20]% of the overall buffalo milk mozzarella market in France.

(311) Third, the merged entity will also continue to face significant competitive constraints from other branded suppliers which in 2018 had combined sales of branded buffalo milk mozzarella that accounted for [20-30]% of the overall buffalo milk mozzarella market in France.

(312) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion and the availability of other suppliers with respect to this plausible market also apply to the assessment of branded buffalo milk mozzarella in France.

(313) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded buffalo milk mozzarella in France.

*(B) Overall market of buffalo milk mozzarella in France*

(314) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined market shares of the Parties in branded and private label in volume terms in 2018 were: [50-60]% (Lactalis: [10-20]%; Nuova Castelli: [40-50]%).

284 The combined value market shares for branded segment are higher (by less than 5 percentage points) than the volume shares provided by the Parties, and both overestimate the Parties' position compared to panel data.

**Table 6**

**France 2018, Buffalo milk mozzarella[285]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [40-50]% |
| Combined Parties PL + B | […] | [50-60]% |
| Granarolo | […] | [10-20]% |
| Ambrosi | […] | [0-5]% |
| Others - branded | […] | [20-30]% |
| Others – private label | […] | [0-5]% |
| Total sales | 5338 | 100% |

*Note: Parties private sales higher than the total of private label. They were reduced proportionally to match all private label sales recorded.*

(315) The Parties' activities in relation to buffalo milk mozzarella in France give rise to an affected market if the overall market including branded and private label was considered. Although, post-Transaction the Parties will have large combined market shares, the Commission considers that the concentration does not raise serious doubts for the supply of buffalo milk mozzarella in France for the following reasons.

(316) First, there are several strong competitors already supplying the retailers in France.

(317) As can be seen from the market structure in the Table provided above, in France, branded buffalo milk mozzarella covers a significant share of demand (more than [50-60]%). There are other players in the branded segment. For example, sales of Granarolo exceed Lactalis' sales significantly and it exerts a much more significant competitive constraint than Nuova Castelli, which has very limited sales in the branded segment.

(318) As regards the private label segment, Nuova Castelli is likely the largest supplier of private label buffalo milk mozzarella. However, based on the data provided by the Parties, other important suppliers of private label buffalo milk mozzarella are Granarolo with an estimated market share of [10-20]%; Caseificio Principe ([5-10]%), Spinosa ([0-5]%) and Ambrosi ([0-5]%) in the overall market of branded and private label goods combined.

(319) Second, the Commission considers that the Parties are not close competitors for the supply of buffalo milk mozzarella in France. The Commission notes that Nuova Castelli produces and trades buffalo milk mozzarella.[286] However, Lactalis does not produce buffalo milk mozzarella but only trades a limited volume under its own brand.

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285 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

286 Form CO, paragraph 360.

(320) Third, based on the data provided by the Parties, Lactalis trades buffalo milk mozzarella manufactured by […], […], and […].[287] The Notifying Party submits that its contracts with these suppliers, including volumes, are negotiated on […] basis.[288] The Commission notes that one of the listed suppliers already has access to the French retailers and for the others, their contracts with Lactalis are not long-term. Accordingly, if post-Transaction, the merged entity increased prices these companies could likely increase supplies or try to enter the market directly.

(321) Fourth, the Commission considers that there are no significant entry or expansion barriers to the market for buffalo milk mozzarella in France.

(322) The market investigation suggested that a potential barrier could be the more limited availability of buffalo milk, which is scarcer than cow milk as explained in paragraph (195). However, there is a range of players already active on the market and this is not regarded as particularly problematic by the Parties' competitors,[289]

(323) Similarly distribution and logistics are not regarded as particularly problematic by the Parties' competitors as explained in paragraphs (288) to (297) for cow milk mozzarella where the organization of distribution through third parties is a viable alternative, and given the similarity of the products this would apply also in relation to buffalo milk mozzarella.

(324) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded buffalo milk mozzarella in France.

(325) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market as regards the overall market for the supply of buffalo milk mozzarella in France.

*5.5.3. Ricotta*

*(A) Branded ricotta in France*

(326) For branded ricotta, the combined Adjusted market share of the Parties in 2018 in France was [30-40]%, with a marginal increment of [0-5]% in view of Nuova Castelli's very limited brand presence.[290]

(327) First, Nuova Castelli had very limited sales of branded ricotta in France in 2018 ([…]). The Transaction will bring a marginal increment to Lactalis' market share of [0-5]%.

(328) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest branded competitors to Lactalis, e.g. Granarolo. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Granarolo represented a superior competitive constraint than Nuova Castelli with regard to branded ricotta in France. Granarolo's recorded sales of branded ricotta were […] and accounted for [10-20]% of the overall ricotta market in France (see Table 7 below).

287 Form CO, paragraph 360.

288 Form CO, paragraph 365.

289 Questionnaire to competitors (Q1), question 88.

290 The combined value market shares for branded segment are higher (by 5 percentage points) than the volume shares provided by the Parties, but both still overstate the Parties' position compared to panel data.

(329) Third, the merged entity will also continue to face significant competitive constraints from other branded suppliers, such as Ambrosi, which in 2018 had combined sales of branded ricotta significantly above those of Nuova Castelli. These suppliers of branded ricotta will remain in the French market post-Transaction. These suppliers accounted for [5-10]% of the overall market for ricotta in France in 2018 (see Table 7 below).

(330) Fourth, with regard to the ability of customers to switch suppliers of ricotta, the majority of customers that responded to the market investigation considered they could not quickly switch to an alternative supplier of branded ricotta with a comparable range and sufficient quantities;[291] however, the majority of responsive competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[292]

(331) The Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded ricotta.

(332) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded ricotta in France.

*(B) Private label ricotta in France*

(333) Both Parties had sales of private label ricotta in France in 2018 and their combined market share in 2018 in France was [70-80]% (in volume), with an increment of [20-30]% due to Nuova Castelli's increase of sales of private label ricotta in 2018.

(334) First, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of private label ricotta that in 2018 accounted for […] of private label ricotta sold in France (i.e. [10-20]% of the overall market, Table 7 below). These suppliers will continue to exercise competitive pressure on the merged entity after the Transaction. Although the actual sales of private label of other competitors are not available, the Notifying Party estimates that Granarolo has a significant share of [20-30]%, and Fior di Maso [0-5]%[293] is also active on the private label market for ricotta in France.

(335) Third, with regard to the ability of customers to switch suppliers of ricotta, half of the responsive customers that expressed a view indicated that they could quickly switch to an alternative supplier of private label ricotta with a comparable range and sufficient quantities.[294]

(336) The Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers and the impact of the Transaction that also apply to the assessment of private label ricotta.

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291 Questionnaire to customers (Q2), question 84.1.

292 Questionnaire to competitors (Q1), question 100; Questionniare to customers (Q2), question 83.

293 Parties' response to Commission's request for information RFI 22, Annex RFI 22-2.

294 Questionnaire to customers (Q2), question 84.2.

(337) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label ricotta in France.

*(C) Overall market for ricotta in France*

(338) Based on the Commission's methodology, Adjusted market shares for the overall market for ricotta in France are as follows.

**Table 7**

**France 2018, Ricotta[295]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis – private label | […] | [30-40]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli private label | […] | [20-30]% |
| Combined Parties PL + B | […] | [60-70]% |
| Granarolo | […] | [10-20]% |
| Ambrosi | […] | [0-5]% |
| Others - branded | […] | [5-10]% |
| Others private label | […] | [10-20]% |
| Total sales | 1739 | 100% |

(339) The Transaction results in an affected market due to the Parties' sales of private label ricotta, bringing an increment of Lactalis' market share of [20-30]%.

(340) Beside the shares of the market for ricotta in France, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(341) First, after the Transaction, the merged entity will continue to face significant competitive pressure from Granarolo ([10-20]%). According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2 above), in 2018 Granarolo represented a comparable competitive constraint to Nuova Castelli with regard to the overall market for ricotta in France. Granarolo's recorded sales in the overall market of ricotta were slightly below Nuova Castelli's sales and accounted for [10-20]% of the overall ricotta market in France (see Table 7 above)

(342) Second, the merged entity will also continue to face significant competitive pressure from several branded and private label competitors, including Ambrosi. These suppliers accounted for [10-20]% of the overall market for ricotta in France in 2018 (see Table 7 above). These competitors together with Granarolo are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

295 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(343) Third, with regard to the ability of customers to switch suppliers of ricotta, while the majority of customers that responded to the market investigation had not switched suppliers of branded or private label ricotta in the last three years,[296] the majority of responsive competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[297]

(344) Fourth, concerning barriers to entry and expansion, different from other fresh cheese products discussed above for which access to milk has been assessed as a potential barrier to entry, ricotta is produced from a by-product of other cheese production. In particular, as explained by the Notifying Party, ricotta is manufactured by heating whey to 80° C. The market investigation confirmed that ricotta is a by-product of whey,[298] which is a liquid derived from the production of soft and fresh cheese (e.g. mozzarella).[299] The Parties use their leftovers of whey to produce ricotta as well as milk powder. Nuova Castelli also sells part of its whey to third parties.

(345) Moreover, the market investigation also indicated that there has been one entrant in the market for ricotta in France in the last 5 years[300] and the majority of responsive customers indicated that there were not significant barriers to entry or expansion for ricotta in terms of costs and time in their countries.[301]

(346) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded ricotta in France as well as private label ricotta in France.

(347) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the overall market for ricotta in France.

*5.5.4. Mascarpone*

(348) At the outset it should be noted Nuova Castelli does not produce, but only trades, mascarpone. It purchases […]% of its requirements from […] and resells it as further developed in paragraphs (368) to (369).

*(A) Branded mascarpone in France*

(349) First, Nuova Castelli had limited sales of branded mascarpone in France in 2018. The Transaction will bring a limited increment to Lactalis' market share. Based on the Adjusted market shares for 2018, the combined market share of the Parties would be [50-60]% with [5-10]% increment.[302]

(350) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from Granarolo. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Granarolo represented a superior competitive constraint than Nuova Castelli with regard to branded mascarpone in France. The recorded Granarolo's sales of branded

296 Questionnaire to customers (Q2), questions 81 and 82.

297 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.

298 Questionnaire to competitors (Q1), question 15.

299 Questionnaire to competitors (Q1), question 15.1.

300 Questionnaire to competitors (Q1), questions 101 and 101.1.

301 Questionnaire to customers (Q2), question 87.

302 The combined value market shares for branded segment are higher (by less than 5 percentage points) than the volume shares provided by the Parties, and both are in line with the Parties' position compared to panel data.

mascarpone were significantly higher than Nuova Castelli's sales and accounted for [5-10]% of the overall mascarpone market in France.

(351) Third, the merged entity will also continue to face significant competitive constraints from four other branded suppliers (Granarolo, Ambrosi, Galileo, and Sterilgarda) which have been identified as top 3 suppliers of branded mascarpone by at least one French retailer in the market investigation[303]. In addition branded mascarpone will continue facing competition from private label mascarpone which represents three quarters of the mascarpone market.

(352) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, evidence of switching and lack of barriers to switching with respect to this plausible market also apply to the assessment of branded mascarpone.

(353) In view of the above, the Commission finds that the transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market for branded mascarpone in France.

*(B) Private label mascarpone in France*

(354) First, both Parties had sales of private label mascarpone in France in 2018 and the combined market share in terms of volume is [40-50]% (Nuova Castelli [30-40]%, Lactalis [10-20]%).

(355) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of private label mascarpone that in 2018 accounted for more than […] of private label mascarpone sold in France (i.e. [30-40]% of the overall market based on the panel data). These suppliers will continue to exercise competitive pressure on the merged entity after the Transaction.

(356) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, evidence of switching and lack of barriers to switching with respect to this plausible market also apply to the assessment of private label mascarpone.

(357) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the private label mascarpone in France.

*(C) Overall market for mascarpone in France*

(358) Based on the Commission's methodology, Adjusted market shares for the overall market for mascarpone in France are as follows.

303 Questionnaire to customers (Q2), question 89 and 89.1.

**Table 8**

**France 2018, Mascarpone[304]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis – private label | […] | [5-10]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [20-30]% |
| Combined Parties PL + B | […] | [50-60]% |
| Granarolo | […] | [5-10]% |
| Ambrosi | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [30-40]% |
| Total sales | 9404 | 100% |

(359) The Transaction mainly results in an affected market because of Lactalis' market presence with branded products, with strong brands, such as Galbani and Nuova Castelli's presence in the private label market for mascarpone in France.

(360) Beside the considerations concerning the competitive landscape and shares of the market for mascarpone in France, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(361) First, after the Transaction, the merged entity will continue to face significant competitive pressure from Granarolo and other brands as well as from private label competitors. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

(362) Second, with regard to the ability of customers to switch suppliers of mascarpone, a majority of customers that responded to the market investigation considered that it was possible to switch to a different supplier of mascarpone[305]. Moreover one customer switched in the last 3 years its branded mascarpone supplier *'Switched for a new, cheaper mascarpone produced in [S]pain*'[306].

(363) Moreover, in relation to the fact that Nuova Castelli distributes […] products, there was at least one example of switching which concerned […] being capable to directly supply its products in competition with the Parties. In particular, one customer indicated that '*This year we contracted directly with* […].'[307]

304 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

305 Questionnaire to customers (Q2), question 92.

306 Courtesy translation from French: " *Switch pour un nouveau mascarpone fabriqué en Espagne et plus économique* ", Questionnaire to customers (Q2), question 90.1.

307 Courtesy translation from French: "*Cette année nous avons contractualisé directement avec* […].", Questionnaire to customers (Q2), question 91.1.

(364) The Commission further observes, as further explained below, that the possibility for […] to establish a direct presence on the market would potentially entail that, beside the shares for 2018, in the near future there may no longer be an overlap between the Parties' activities on this market.

(365) Third, the Commission notes that, according to the Notifying Party, to produce mascarpone, dairy companies can use the milk fat either to produce either cream or mascarpone. Manufacturing mascarpone is a way to add value to the left overs of the production of cheese. Dairy companies in Italy have a particular incentive to manufacture mascarpone: the market for cream is very small in Italy.

(366) In view of this, the market investigation confirmed that investment to enter mascarpone production is relatively low. According to the Notifying Party investments for the production of 1,000 tons of mascarpone would amount to roughly EUR 1 million. By way of comparison, the entire Lactalis private label mascarpone sales in France are […].[308]

(367) This finding was confirmed also by retailers responding to the market investigation. With regards to potential barriers to entry when asked if there are any significant barriers to the entry or expansion for mascarpone in terms of costs and time a majority of French retailers answered that there aren't any. Among the few French retailers which indicated that there would be barriers, the qualitative analysis of their answers shows that the barriers mainly relate to economies of scale for logistics in general or for marketing in branded products specifically. For example one retailer submitted:'*It is necessary to rely on an existing logistic to reduce transport costs in France..*[309]'; and the other one further specifies on branded mascarpone: '*It would be difficult to deliver exclusively mascarpone for logistics and brand interest reasons. It is preferable to have a full range of products including mozzarella and/or ricotta and/or hard cheeses'.*[310]

(368) Fourth, there has been a new entrant in the mascarpone market in France. As mentioned in paragraph (348), Nuova Castelli does not produce, but only trades, mascarpone. As explained by the Parties, Nuova Castelli procured the mascarpone from […] (approx. […]) and concluded contracts with retailers to sell that mascarpone as private label. However, […] has unilaterally indicated that it does not wish to continue this commercial relationship. In […], […] put an end to its contractual relationship with Nuova Castelli.[311] The Parties expect that […] will try and contract directly with the retailers, in effect taking over Nuova Castelli's market share.

(369) In France, for instance, according to the Notifying Party, […] has taken over Nuova Castelli's market share in relation to the […], or at least to the […] brand.[312] The fact that […] is distributing directly its own products to French retailers is further confirmed by market investigation. One retailer confirmed: '*This year we*

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308 As explained in Section 5.3.private label sales were reduced by […] for computing the Adjusted market shares.

309 Courtesy translation from French: " *Il faut s'appuyer sur une logistique existante pour réduire les coûts de transport et de stockage en France* ", Questionnaire to customers (Q2), question 96.1.

310 Courtesy translation from French: "*Il serait très compliquer de livrer uniquement du mascarpone pour des raison logistique et d'intérêt de marque. Il est préférable d'avoir une gamme également de mozzarella et/ou ricotta et/ou pâtes dures"* Questionnaire to customers (Q2), question 96.1.

311 Form CO, paragraph 726.

312 Form CO, paragraph 727.

*contracted directly with* […]"[313], while another retailer specifically mentionned […] as an alternative to the Parties.[314]

(370) Given the uncertain contractual relationship of Nuova Castelli with its supplier of mascarpone, Nuova Castelli's presence on the private label market segment is also uncertain, at least until it finds a new alternative producer. However, in light of the explanations of the Parties and the retailers responding to the market investigation, it is likely that […] market share will significantly increase. Most importantly this shows that entering the market for mascarpone is possible, as indicates the example of […], a company operating a plant with 10 production lines dedicated to mascarpone, ricotta and other spreadable cheeses.

(371) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded mascarpone in France as well as private label mascarpone in France.

(372) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the overall market for mascarpone in France.

*5.5.5. Gorgonzola*

(373) Lactalis supplies both branded and private label Gorgonzola to retailers in France, whereas Nuova Castelli supplies private label Gorgonzola to retailers in France, as well as very limited volumes of branded Gorgonzola. Therefore, the Commission will assess the likely effects of the Transaction on each of the branded and private label segments, as well as on the overall market for Gorgonzola in France.

*(A) Branded Gorgonzola in France*

(374) First, as regards branded Gorgonzola, the Transaction results in an affected market only because of Lactalis' market presence with branded products, with strong and widely recognised brands of Gorgonzola, and in particular Galbani and Gim Invernizzi.

(375) The shares submitted by the Parties, however, may overstate the Parties' presence on this market, as suggested by the fact that, when using Adjusted shares based on panel data, the market would not be affected, with a combined market shares of the Parties on such a plausible market at [10-20]%, with a negligible increment of merely [0-5]%.

(376) Second, this is consistent with the fact that, as a producer, Nuova Castelli does not enjoy strong presence in Gorgonzola, as this type of cheese is exclusively produced in the PDO territory in northern Italy. As confirmed by a third party, Nuova Castelli is a much smaller member of the consortium than players like Igor or Lactalis.[315]

(377) Third, several other strong competitors of Lactalis supply branded Gorgonzola, such as, Igor, the undisputed market leader, as well as Ambrosi and Vivaldi, all of them enjoying market shares similar to that of Nuova Castelli. Overall, the Parties'

313 Courtesy translation from French: "*Cette année nous avons contractualisé directement avec* […].", Questionnaire to customers (Q2), question 91.1.

314 Questionnaire to customers (Q2), question 911.

315 Non-confidential version of minutes of a call with a third party, 24 July 2019.

competitors in the plausible branded market have a strong presence with important brands, which account for over 3 times the Parties' share of this market in France.

(378) Consistently with these market shares, which point at a fragmented set of suppliers which are as large as, or even larger than, Nuova Castelli in the branded market, the market investigation supports the finding that a number of credible competitors can and do offer volumes of branded Gorgonzola to retailers in France and compete in the negotiations organised by retailers.

(379) A majority of customers expressing views indicated that they source from a relatively wide range of suppliers of branded Gorgonzola. In particular, the data shows that many of those retailers have sourced from one or more other players independent from the Parties in 2018.[316]

(380) Therefore, the increment brought about by the Transaction is minimal and several credible manufacturers with established commercial relations with retailers in France will remain following the Transaction.

(381) The Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, and the impact of the Transaction with respect to this plausible market also apply to the assessment of branded Gorgonzola.

(382) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Gorgonzola in France..

*(B) Private label Gorgonzola in France*

(383) Nuova Castelli focuses in France on the supply of Gorgonzola to retailers to be resold under private label. In this plausible market, the position of Nuova Castelli is stronger.

(384) Based on the data provided by the Parties, their combined share in the supply (including variable weight) of private label Gorgonzola to retailers in France in terms of volume in 2018 was [30-40]%, with an increment of [5-10]%. Therefore, the increment resulting from the Transaction also on the private label side of the market is moderate.

(385) Moreover, a number of viable competitors offer volumes of Gorgonzola to retailers in France and compete in the tenders organised by retailers for private label Gorgonzola. A majority of customers expressing views in the market investigation indicated that they source from a relatively wide range of suppliers of Gorgonzola, Igor being the most important. In particular, the data shows that many retailers expressing views sourced from other players independent from the Parties in 2018.[317]

(386) The Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, and the impact of the Transaction.

316 Questionnaire to customers (Q2), question 98.

317 Questionnaire to customers (Q2), question 70.

(387) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label Gorgonzola in France.

*(C) Overall market for Gorgonzola in France*

(388) Based on the Commission's Adjusted market shares, the combined market share of Lactalis and Nuova Castelli is [20-30]%, with an increment of [10-20]%. In line with the findings for the separate segments for branded and private label products, the increment of the Transaction mainly relates to the supply of branded products.

**Table 9**

**France 2018, Gorgonzola - incl. variable weight[318]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [5-10]% |
| Lactalis – private label | […] | [0-5]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli - private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [20-30]% |
| Others - branded | […] | [40-50]% |
| Others – private label | […] | [20-30]% |
| Vivaldi | […] | [0-5]% |
| Igor | […] | [0-5]% |
| Ambrosi | […] | [0-5]% |
| Total sales | 1879 | 100% |

(389) The Commission observes that the market for Gorgonzola appears to be rather fragmented with several active players both in the branded and private label segments.[319] The Commission considers that following the Transaction, several credible competitors will continue to exert effective competitive pressure on the Parties, in particular, Igor, Vivaldi, Ambrosi, but also other manufacturers of Gorgonzola (e.g. Emilio Mauri, Biraghi Bassi).

(390) Beside the considerations concerning the market structure of Gorgonzola, the Commission finds, based on the market investigation, that barriers to entry and expansion are not high for suppliers of Gorgonzola in France.

(391) When market conditions are such that competitors have sufficient capacity and find it profitable to expand output sufficiently, the Commission is unlikely to find that the merger would significantly impede effective competition.[320] Conversely, when market conditions are such that the competitors of the merged entity are unlikely to increase their supply significantly should prices increase, the merged entity may

318 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

319 Non-confidential version of minutes of a call with a third party, 24 July 2019.

320 Horizontal Merger Guidelines, paragraph 33.

have an incentive to reduce output below the combined pre-merger levels thereby raising market prices.[321]

(392) First, from the point of view of customers, the market investigation suggested that the majority of retailers expressing views did not indicate that there are barriers in terms of cost and time.[322]

(393) Second, from the point of view of production, the majority of market respondents indicated that the costs and delays to incur to enter or expand production are not significant.[323]

(394) Third, it should be recalled that the market for Gorgonzola is strictly regulated by the Consorzio Gorgonzola PDO. The production of Gorgonzola is affected by quotas of membership in the consortium and that the consortium controls the production levels. While both Parties are members of this consortium, Lactalis share amounts to [10-20]%, and Nuova Castelli's share is much smaller. A large majority of consortium quotas remains in the hands of other producers, including leading member Igor which represents [40-50]% of the consortium.

(395) The Notifying Party explained that the production of Gorgonzola for the domestic market, as well as the exports of Gorgonzola outside of Italy, are largely dominated by the market leader Igor, which accounts for [40-50]% of the total production of Gorgonzola and [60-70]% of the total exports outside of Italy. By comparison, Lactalis and Nuova Castelli respectively account for [10-20]% and [0-5]% of the total production of Gorgonzola. Likewise, they respectively account for only [10-20]% and [0-5]% of the total exports outside of Italy.[324]

(396) As a consequence, the Parties only account for a limited part of the production and exports outside of Italy, so that retailers in France could likely find alternative sources of supply for Gorgonzola.

(397) Consistent with the above findings, the majority of customers in France responding in the market investigation do not consider that the Transaction will have an impact on the supply of Gorgonzola.[325]

(398) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded Gorgonzola in France as well as private label Gorgonzola in France.

(399) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for the supply of Gorgonzola in France.

*5.5.6. Feta*

(400) At the outset it should be noted that Nuova Castelli does not produce, but only trades Feta. It purchases […]% of its requirements from third parties such as […].

321 Horizontal Merger Guidelines, paragraph 32

322 Questionnaire to customers (Q2), question 105.

323 Questionnaire to competitors (Q1), question 124.

324 Parties' submission "Briefing Memorandum No 1", dated 17.10.2019, paragraph 61.

325 Questionnaire to customers (Q2), question 124.

(401) With regard to Feta PDO, the Notifying Party indicates that:

(a) Nuova Castelli does not produce Feta PDO, it only acts as a trader. Nuova Castelli has a distribution agreement with the producer […] (and other various small producers). Nuova Castelli sells […] of Feta PDO across the EEA, and more precisely in France, the UK, Poland and Portugal;

(b) Lactalis produces Feta PDO in Greece (Volos) and sells […] of Feta PDO across the EEA, and more precisely in Germany and Austria[326] but not in France.

(402) It follows from these elements that the Transaction does not raise serious doubts in the French market for the supply of branded Feta PDO.

(403) However considering all plausible market definitions, there would be an overlap considering the market for Feta and Feta-type cheese such as Lactalis brand Salakis.

*(A) Branded Feta-type cheeses in France*

(404) First, Nuova Castelli had de minimis sales of branded Feta-type cheeses in France in 2018. The Transaction will bring a limited increment to Lactalis' market share of under [0-5]%[327].

(405) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from Bel. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Bel represented a far superior competitive constraint than Nuova Castelli with regard to Feta-type cheeses in France.

(406) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry, the availability of other suppliers, lack of barriers to switching with respect to this plausible market also apply to the assessment of branded Feta-type cheeses.

(407) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market for branded Feta-type cheeses in France.

*(B) Private label Feta-type cheeses in France*

(408) First, both Parties had sales of private label Feta-type cheese in 2018 and their combined market share was [40-50]%. (Lactalis: [20-30]%, Nuova Castelli: [10-20]%).

(409) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of private label Feta-type cheeses that in 2018 accounted for […] of private label Feta-type cheeses sold in France (i.e. [20-30]% of the overall market). These suppliers will continue to exercise competitive pressure on the merged entity after the Transaction.

(410) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry, the availability of other suppliers, lack of

326 Lactalis also produces fresh cheese in brine (such as Salakis), which is not Feta DOP.

327 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, and both understate the Parties' position compared to panel data.

barriers to switching with respect to this plausible market also apply to the assessment of private label Feta-type cheeses.

(411) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market for private label Feta-type cheeses in France.

*(C) Overall market for Feta-type cheeses in France*

(412) Based on the Commission's methodology, Adjusted market shares for the overall market for 'Feta-type' cheeses in France are as follows.

**Table 10**

**France 2018, Feta-type cheeses[328]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [30-40]% |
| Lactalis – private label | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [50-60]% |
| Bel | […] | [5-10]% |
| Eurial | […] | [0-5]% |
| Others - branded | […] | [60-70]% |
| Others - private | […] | [20-30]% |
| Total sales | 11488 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel*

(413) The Transaction results in an affected market because of Lactalis' large market presence with branded products, with strong and widely recognised brands, such as Salakis. Nuova Castelli has a more limited presence in the overall market for Feta-type cheeses in France, brining an increment of [10-20]% to Lactalis' market share almost exclusively from private label sales.

(414) Beside the considerations concerning the competitive landscape and shares of the market for Feta-type cheeses in France, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(415) First, after the Transaction, the merged entity will continue to face significant competitive pressure from Bel with the Syrtos Brand on the branded side. On the private label side there are several credible alternatives. The Parties listed the competitors and indicated an estimation of their private label market share in France as follows: Arla: [10-20]%; LA Farm: [10-20]%; Tyras: [5-10]%; Hochland: [5-10]%. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

328 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(416) In view of the Parties' activities, moreover, some competitors are also closer to Lactalis as manufacturers of their own product, as opposed to Nuova Castelli which does not have manufacturing activities for Feta-type cheeses.

(417) In both branded and private label, the existence of a number of credible competitors offering volumes of Feta-type cheeses to retailers in France and competing in the negotiations organised by retailers is not only confirmed by qualitative descriptions of market interaction by such customers, but also confirmed by actual sourcing information. Data collected from retailers shows that a majority of customers expressing views source from a relatively wide range of suppliers.

(418) The market investigation suggests that there is a significant number of suppliers able to supply the French market. When asked for their suppliers the French retailers expressing views listed the following companies[329] : Pierre Meyer GMBH, Icewind, Dodoni, Granarolo, Olympus, Alliance Eurofood, Per'Inter Chirag.

(419) Second, with regard to the ability of customers to switch suppliers of Feta-type cheeses, the market investigation confirmed that it was possible. When asked for their ability to switch to a different supplier of Feta large majority of French retailers that expressed a view considered that the switch was possible for Feta-type cheeses.[330] Out of those respondents one said that it would be easy and the rest confirming that it would not be easy but possible. It is to be noted that the one saying that it would be easy confirmed that it had actually switched supplier for Feta in the last 3 years.[331]

(420) Third, concerning barriers to entry and expansion, the results of the market investigation were not conclusive. Half of the French retailers that expressed a view in the market investigation indicated that there were significant barriers to expansion in terms of costs and time, whereas others indicated that there were no such barriers.[332]

(421) However, market investigation confirms that entry and expansion is possible in this market as there have been new players expanding and continuing to expand on this market. When asked if there has been some new entrants in the last three years, a French retailer explained: *'Olympus is very active on the French market, specifically on private label with very low prices. This competitor will continue to grow in France in the coming three years.*'[333]

(422) It is also to be noted that Nuova Castelli is only a distributor of the Feta-type cheese products and that one its main suppliers […] has been mentioned as an alternative supplier by two French retailers. [334]

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329 Questionnaire to customers (Q2), question 115.

330 Questionnaire to customers (Q2), question 117.

331 Questionnaire to customers (Q2), question 116.1.

332 Questionnaire to competitors (Q1), question 121.

333 Courtesy translation from French: "'*Olympus démarche assez fortement le marché français, en particulier les MDD, avec des prix très bas. Il va continuer à gagner du terrain en France dans les 3 prochaines années*", Questionnaire to customers (Q2), question 122.1.

334 Questionnaire to customers (Q2), question 115.

(423) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded feta-type cheeses in France as well as private label feta-type cheeses in France.

(424) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts in the overall market for Feta-type cheeses in France.

*5.5.7. Italian-type hard cheeses*

(425) Lactalis supplies only branded Italian-type hard cheese, whereas Nuova Castelli supplies both branded and private label hard cheese in France.

*(A) Branded Italian-type hard cheeses in France*

(426) First, Nuova Castelli had *de minimis* sales of branded Italian-type hard cheeses in France in 2018. The Transaction will bring a limited increment of [0-5]%[335] to Lactalis' market share of [10-20]%.

(427) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from other competitors. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Granarolo and Parmareggio represented a far superior competitive constraint than Nuova Castelli with regard to branded Italian-type hard cheeses in France.

(428) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers, lack of barriers to switching with respect to this plausible market also apply to the assessment of branded Italian-type hard cheeses.

(429) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded Italian-type hard cheeses.

*(B) Overall market for Italian-type hard cheeses in France*

(430) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in volume terms in 2018 were: [20-30]% (Lactalis: [0-5]%; Nuova Castelli: [20-30]%).

335 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, and both understate the Parties' position compared to panel data.

**Table 11**

**France 2018, Italian-type hard cheese[336]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli private label | […] | [20-30]% |
| Combined Parties PL + B | […] | [20-30]% |
| Granarolo | […] | [10-20]% |
| Parmareggio | […] | [5-10]% |
| Ferrari | […] | [0-5]% |
| Ambrosi | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others private label | […] | [40-50]% |
| Total sales | 9155 | 100% |

(431) First, Lactalis depends on the supply from other manufacturers, such as […] or […], for its trading activity of Italian-type hard cheeses.[337] The Notifying Party explained […].[338]

(432) Second, the Commission also observes that the branded segment in the overall market for Italian-type hard cheeses has around [30-40]% share, which would indicate that the main competitive constraint in the market comes from private label Italian-type hard cheeses, irrespective of whether it belongs to the same market or it is assessed as a constraint from outside the market.

(433) Third, the very low increment due to Lactalis' sales of traded products shows that, even if in shares terms the increment for branded products is nominally higher; it is representative of very limited volumes.

(434) Fourth, competition for Italian-type hard cheeses, which encompass products covered by a Protected Denomination of Origin, is less affected by brand presence in view of the predominant role carried, with respect to customer recognition and quality perception, by such denominations (Parmigiano Reggiano, Grana Padano). Therefore, it makes the assessment of a market only consisting of branded product much less significant in this context. In particular, the Parties submitted that brands carry little weight as the selling point is mostly the PDO branding. And the presence of the PDO logos on a cheese wheel or bag of Parmigiano Reggiano ensures and indicates to the consumer that this cheese is produced, and the milk collected, exclusively in the PDO area, delivering recognition and quality perception expected from a brand. In line with this one competitor also explained:

336 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

337 Form CO, paragraph 360, see also Parties' response to the Commission's request for information RFI 14, questions 1 and 5.

338 Form CO, paragraph 365.

*"The PDO brands enjoy high notoriety that it takes away "space" from private brands and indirectly attracts attention of private labels"*.[339]

(435) Fifth, with reference to the limited quantities supplied by Lactalis as a trader of these products in France, there exist several other competitors who compete not only in the trading, but also as producers of PDO cheeses within Italian-type hard cheeses because they either have quotas in consortia (Grana Padano) or obtain milk from consortia (Parmigiano Reggiano).

(436) The Parties do not overlap in this respect, as Lactalis is not active in the production, and Nuova Castelli has limited overall shares of production in relation to PDO cheeses.

(437) Sixth, also in view of this, Lactalis and Nuova Castelli are not close competitors.

(438) Seventh, different from other Italian-type cheeses, Lactalis is not recognised as an important player with respect to these products. In the market investigation while Lactalis is mentioned by two retailers among main suppliers of Italian-type hard cheese in France, numerous other suppliers are also mentioned, Nuova Castelli, Granarolo, Sodiaal, Savencia, Trentin, Latteria Soerisina, Colla, Ambrosi, Fromagers associés, virgilio and Soster.[340] The fact that there are a lot of competitors on this market is confirmed and explained by a French retailer: '*There are a lot of competitors. Those are high value products with limited transport cost and large volumes.'* [341]

(439) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded Italian-type hard cheeses as well as private label Italian-type hard cheeses.

(440) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for the supply of Italian-type hard cheeses in France.

*5.5.8. Other markets*

(441) The Transaction results in additional affected markets in France, and in particular in the plausible markets for fresh dairy desserts and butter.

(442) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli, bringing a limited increment to Lactalis' shares.

(443) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

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339 Courtesy translation from Italian: *"Il valore del brand DOP è talmente forte che toglie "spazio" ai Brand privati e, indirettamente, stimola l'attenzione delle private labels"*, Questionnaire (Q1), question 128.1.

340 Questionnaire to customers (Q2), question 107.

341 Courtesy translation from French: *"Il y a beaucoup d'intervenants. Ce sont des produits valorisés dans lequel le coût de transport est faible. Il y a de gros volumes."*, Questionnaire to customers (Q2), question 109.

## 5.6. The United Kingdom

(444) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to the following horizontally affected plausible markets in the United Kingdom (the UK): Cow milk mozzarella (Section 5.6.1); Buffalo milk mozzarella (Section 5.6.2); ricotta (Section 5.6.3); mascarpone (Section 5.6.4); Gorgonzola (Section 5.6.5); Italian-type hard cheese (Section 5.6.6).

### *5.6.1. Cow milk mozzarella*

(445) Both Lactalis and Nuova Castelli supply branded and private label cow milk mozzarella in the UK. Lactalis is the largest supplier of branded and second largest of private label cow milk mozzarella. Nuova Castelli is the largest private label supplier and has some very limited sales of branded cow milk mozzarella. In light of this, the Commission will assess the likely effects of the Transaction on each of the branded and private label segments, as well as on the overall market for cow milk mozzarella in the UK.

#### *(A) Branded cow milk mozzarella in the United Kingdom*

(446) First, the Commission notes that the third party data relied on by the Commission to establish the Adjusted market shares of the Parties and their competitors does not indicate an overlap for the supply of branded cow milk mozzarella.

(447) An overlap between the Parties' activities was only identified because actual supply data from the Parties suggested an actual delivery of very minor quantities by Nuova Castelli to the UK in 2018 ([…]) of branded cow milk mozzarella.[342] Accordingly, based on the market share data submitted by the Parties, if potentially relevant segment for branded cow milk mozzarella was considered, the combined market shares of the Parties would be [90-100]% (Lactalis: [90-100]%; Nuova Castelli [0-5]%).[343]

(448) However, third party data, as explained in Section 5.2, does not specify small sales and also does not track all outlets in the retail channel. This is why, in the Adjusted market shares table Nuova Castelli appears not to have any presence in branded products. In light of this, the market shares as submitted by the Parties are likely overestimated. In particular, similarly to Nuova Castelli, other suppliers, which constitute a competitive pressure on the Parties, are likely not recorded by the same data sources that do not record Nuova Castelli. Similarly, other suppliers recorded and specified by the third-party panel data (see Table 12) would likely have higher sales than Nuova Castelli, are Granarolo, Daiya, and Valcolatte.

(449) Second, the very low increment of [0-5]% to the market shares corresponds, as explained above, to […] in the entire year 2018.

(450) Third, Nuova Castelli does not enjoy strong brand presence. As the Parties explained, Nuova Castelli specializes in the supply of private labels, its brands are little known.[344] In contrast, the majority of the UK customers expressing views in the market investigation mentioned Lactalis' brand Galbani as the strongest brand

342 Parties' response to Commission's request for information RFI 22.

343 The value market shares for branded segment are in line with the volume shares provided by the Parties and both overstate the Parties' position compared to panel data.

344 Parties' submission "Briefing Memorandum No 3", dated 20.11.2019.

for cow milk mozzarella.[345] In addition, none of the respondents from the UK responding in the market investigation submitted that Nuova Castelli and Lactalis are close competitors.[346] The Commission considers that this also supports the finding that Nuova Castelli has only very limited importance as a competitive constraint for the competition in the branded segment.

(451) Fourth, several additional smaller suppliers of branded cow mozzarella will remain in the UK market following the Transaction. These suppliers would account for at least [5-10]% of the branded cow milk mozzarella supplies in the UK.

(452) Fifth, the Commission observes that the branded segment in the overall market for cow milk mozzarella has only approximately [10-20]% share of the overall market. For example, some retailers in the UK do not even carry branded products and cover the whole demand for cow milk mozzarella with private label Italian cheese.[347] The Commission considers that very small share of branded segment indicates that the main competitive constraint in the market comes from the suppliers of private label cow milk mozzarella, irrespective of whether it would be assessed as belonging to the overall market or if it was assessed as an exogenous constraint on the hypothetically relevant market for branded cow milk mozzarella.

(453) In light of the above and given the limited increment, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded cow milk mozzarella in the UK.

(454) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section on the overall market, and in particular concerning the absence of significant barriers to entry and expansion and the availability of other suppliers.

(455) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in the UK.

*(B) Private label cow milk mozzarella in the United Kingdom*

(456) For the supply of private label cow milk mozzarella, based on the Parties' estimates using downstream market share at retail level as a proxy to estimate market shares at procurement level,[348] their combined market shares in volume terms in 2018 would be [30-40]% (Lactalis: [10-20]%; Nuova Castelli: [20-30]%).

(457) While following the Transaction the Parties would have moderate shares for the supply of private label cow milk mozzarella, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for private label cow milk mozzarella in the UK for the reasons set out below.

345 Questionnaire to customers (Q2), question 50.

346 Questionnaire to customers (Q2), question 67.

347 Non-confidential version of minutes of a call with a customer, 26 September 2019; see also Questionnaire to customers (Q2), question 68.1.

348 Parties' response to the Commission's request for information RFI 22.

(458) First, the merged entity will continue to face significant competitive pressure from several other suppliers, which in 2018 accounted for more than […] (i.e. [50-60]% of the overall market). The Commission notes that based on the Parties' estimates the main alternative supplier of private label cow milk mozzarella in the UK is Zott with a market share between [20-30]%; other suppliers, such as Spezialitäten-Käserei Wiegert Jäger, Goldsteig Käsereien Bayerwald are present with each having an estimated market share of [5-10]%, while Caseificio Villa, Capurso, Caseificio Palazzo, Bayerische Milchindustrie, and Granarolo are present with each having an estimated market share of[0-5]%.[349] The respondents to the market investigation listed only few companies as their actual or potential private label suppliers of cow milk mozzarella, such as Zott and Glanbia.[350]

(459) Second, as explained above, in the UK, private label covers approximately [90-100]% of the demand for cow milk mozzarella. Some of the UK customers expressing their views indicated that they offer different qualities ranging from low-tier to top tier private label mozzarella.[351] In addition, all UK customers expressing their views indicated that it is important for a mozzarella supplier to have mozzarella "made in Italy".[352] However, from the explanations submitted it appears that origin criterion likely applies only in relation to certain part of demand commanding higher price.[353] As one customer explained: *"Price matters for some customers, origin for others"*.[354] Furthermore, the majority of UK customers expressing their views also submitted that mozzarella "made in Italy" is either fully or largely substitutable with mozzarella without specific origin indication.[355]

(460) Third, as regards the alternative suppliers of private label cow milk mozzarella, the list provided by the Parties indicates that there are a number of Italian manufacturers (Caseificio Villa, Capurso, Caseificio Palazzo, and Granarolo) alongside non-Italian manufacturers (e.g. Zott, Spezialitäten-Käserei Wiegert Jäger, Goldsteig Käsereien Bayerwald), that could cater for the differentiated demand for private label cow milk mozzarella.

(461) Fourth, the UK customers expressing their views submitted, however, that while it may not be easy, it is possible to switch to a different private label supplier of cow milk mozzarella.[356] As one UK retailer explained: "*there are alternative suppliers*".[357] More particularly, half of the UK customers expressing views indicated that they had switched private label suppliers of cow milk mozzarella in the last three years in a competitive process.[358]

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349 Parties' response to the Commission's request for information RFI 22, see also Annex RFI 22-2-4, paragraph 56.

350 Questionnaire to customers (Q2), question 70; Questionnaire to competitors (Q1), question 73; Non-confidential version of minutes of a call with a customer, 26 September 2019.

351 Questionnaire to customers (Q2), question 5.

352 Questionnaire to customers (Q2), question 63.

353 See, for example, Non-confidential version of minutes of a call with a customer, 26 September 2019.

354 Questionnaire to customers (Q2), question 63.1.

355 Questionnaire to customers (Q2), question 13.

356 Questionnaire to customers (Q2), question73.

357 Questionnaire to customers (Q2), question 73.1.

358 Questionnaire to customers (Q2), question 72.

(462) Fourth, even though one retailer expressed concerns that there are few alternative suppliers for the supply of mozzarella *"made in Italy"* : *"Lactalis and Nuova Castelli are currently the only 2 viable options in terms of cost, quality and services offered to the customer",*[359] the Commission notes that overall the results of the market investigation suggest that the market for private label cow milk mozzarella is competitive and the price is a significant factor for determining the choice of suppliers in tenders.[360] Furthermore, none of the UK customers responding to the market investigation indicated that, if the merged entity increased prices, they could not quickly switch to an alternative supplier with a comparable product range and sufficient quantities.[361]

(463) Fifth, given that competitive selection process for private label supply is driven by retailers, the Commission notes that the majority of the retailers in the UK expressing their views submitted that they select their private label suppliers once a year or even less than once a year.[362] Furthermore, the results of the market investigation suggest that retailers in the UK do not commit to the specific volumes and generally have price adjustment-mechanisms in their contracts with suppliers of private label cow milk mozzarella, which would indicate that retailers likely have a strong negotiation position.[363]

(464) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion and the availability of other suppliers.

(465) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label cow milk mozzarella in the UK.

*(C) Overall market for cow mozzarella in the United Kingdom*

(466) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in branded and private label in volume terms in 2018 were: [40-50]% (Lactalis: [20-30]%; Nuova Castelli: [10-20]%).

359 Non-confidential version of minutes of a call with a customer, 26 September 2019.

360 Questionnaire to customers (Q2), question 75.2, all respondents expressing views mentioned price as the first criterion, followed by quality.

361 Questionnaire to customers (Q2), question 74.2.

362 Questionnaire to customers (Q2b), question 4.

363 Questionnaire to customers (Q2b), questions 7 and 8.

**Table 12**

**United Kingdom 2018, Cow milk mozzarella[364]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis - private label | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [40-50]% |
| Bella (Tertiary Brand) | […] | [0-5]% |
| Granarolo | […] | [0-5]% |
| Daiya | […] | [0-5]% |
| Valcolatte | […] | [0-5]% |
| Others – private label | […] | [50-60]% |
| Total sales | 12689 | 100% |

*Note: Internal branded sales of Nuova Castelli were recorded internally by Nuova Castelli but were not inserted in this table as the total of all recorded brands matched the market size*

(467) Overall, during the market investigation customers in the UK expressing their views were concerned about Italian-type cheeses including cow milk mozzarella.[365] In contrast, the majority of competitors expressing the views suggested that the Transaction will not have an effect on prices or that the prices will decrease for cow milk mozzarella in the UK.[366]

(468) However, even though the concentration gives rise to moderate combined market shares of the Parties, the Commission considers that the Transaction does not raise serious doubts for the supply of cow milk mozzarella to retailers in the UK for the reasons set out in Sections (A) and (B) above, and for the following reasons.

(469) First, despite large market shares of the Parties, after the Transaction, the merged entity will continue to face significant competitive pressure from several private label suppliers and branded products suppliers, such as Zott, Valcolatte, Granarolo and others.

(470) Second, the competitors of the Parties are likely to have ability and incentive to sufficiently expand capacity and supply larger volumes of cow milk mozzarella, should the merged entity increase prices.

(471) When market conditions are such that rival firms have sufficient capacity and find it profitable to expand output sufficiently, the Commission is unlikely to find that the merger would significantly impede effective competition.[367] Conversely, when market conditions are such that the competitors of the merged entity are unlikely to

364 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

365 Questionnaire to customers (Q2), questions 124 and 125.1.

366 Questionnaire to competitors (Q1), question 92.3.

367 Horizontal Merger Guidelines, paragraph 33.

increase their supply significantly should prices increase, the merged entity may have an incentive to reduce output below the combined pre-merger levels thereby raising market prices.[368]

(472) The Notifying Party has argued that at the EEA level the production capacity for cow milk mozzarella is almost double than the total EEA supply.[369] The Commission was not able to verify the estimate provided by the Parties in its market investigation. However, the evidence in the file indicates that several competitors, including the manufacturers with Italian production assets, could profitably expand the output with their current production assets, while other competitors have also indicated their recent and on-going investments in capacity expansion.[370] For example, an Italian manufacturer, which is already present in the UK market, has submitted its capacity expansion plans and the intention to become *"a serious partner in the private label business"*.[371] Another manufacturer with Italian production facilities also explained that they are currently considering expanding the production of their fresh Italian cheeses and have set aside investment for this purpose.[372] In addition, the Notifying Party suggested that expanding production capacity for cow milk mozzarella is not associated with high investment and can be done relatively quickly.[373]

(473) Second, the barriers to enter or expand into the UK national market appear to be low. The Commission has assessed whether it would be possible for alternative suppliers of cow milk mozzarella to enter the UK where they are not active or to expand supply if they are already present; or if such repositioning of the offering would entail risks and large sunk costs that would act as a disincentive against such entry or expansion.

(474) While fresh cheese is a good with a short shelf life, the results of the market investigation suggest that in order to be active in the UK, a supplier does not necessarily have to own a distribution system and warehouses in the country. The Commission notes that one retailer explained that while having a local presence is important, *"it can be a person who speaks English and knows the UK market"*[374]. This customer further explained that for larger volumes of private label it *"does not try to reach out to Italian producers directly because of language and distribution barriers which would make difficult to manage the supply and the forecast"*.[375] However, for smaller volume supplies of other Italian-type cheeses, the customer works with an agent from Germany.[376] Another customer of the Parties also indicated to receive bids for "*made in Italy*" mozzarella from several UK based agents that have expertise and logistics to supply private label products to customers.[377] This is in line with the results of the market investigation suggesting

368 Horizontal Merger Guidelines, paragraph 32.

369 Parties' submission "Briefing memorandum No 3", dated 20.11.2019, paragraph 23.

370 Questionnaire to competitors (Q1b), questions 9-11.

371 Questionnaire to competitors (Q1b), questions 11.4 and 11.3.

372 Non-confidential version of minutes of a call with a competitor, 23 October 2019; Non-confidential version of minutes of a call with a competitor, 5 November 2019.

373 Form CO, paragraphs 1061-1062. See also Questionnaire to competitors (Q1b), question 10, where several manufacturers of cow mozzarella indicated having increased production of cow milk mozzarella significantly without capital expenditure in the last three years.

374 Non-confidential version of minutes of a call with a customer, 26 September 2019.

375 Non-confidential version of minutes of a call with a customer, 26 September 2019.

376 Non-confidential version of minutes of a call with a customer, 26 September 2019.

377 Questionnaire to customers (Q2b), question 9.

that large majority of suppliers expressing views fully outsource the distribution of Italian-type cheeses in the UK to a third-party service provider.[378] In certain instances, the suppliers submitted that they rely on distributors, while in other instances they can rely on logistics companies.[379] Based on the results of the market investigation, the Commission considers that distribution and logistics likely would not constitute a significant barrier to entry or expansion in the UK with regard to Italian-type cheeses.[380]

(475) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded cow milk mozzarella in the UK as well as private label cow milk mozzarella in the UK.

(476) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts in the overall market for cow milk mozzarella in the UK.

*5.6.2. Buffalo milk mozzarella*

(477) As outlined in the Market Definition section in section 4.3.2, the market for the supply of buffalo milk mozzarella to retailers is a differentiated market across sales channels, where suppliers can compete in branded and in private label cheese. Although the presence of suppliers in the same sales channel will be indicative of closeness of competition between them, the pricing of private label products will have some effect on the pricing ability in the branded side of the market.

(478) Lactalis supplies only branded buffalo milk mozzarella, whereas Nuova Castelli supplies private label buffalo milk mozzarella in the UK. Accordingly, the Parties' activities in relation to buffalo milk mozzarella in the UK give rise to an affected market only if the overall market including branded and private label was considered. In light of this, the Commission will assess the likely effects of the Transaction on the overall market for buffalo milk mozzarella in the UK.

(479) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined market shares of the Parties in branded and private label in volume terms in 2018 were: [50-60]% (Lactalis: [0-5]%; Nuova Castelli: [40-50]%).

378 Questionnaire to competitors (Q1b), question 18.

379 Questionnaire to competitors (Q1b), question 18.1.

380 Questionnaire to competitors (Q1b), questions 17 and 18.

**Table 13**

**United Kingdom 2018, Buffalo milk mozzarella[381]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [40-50]% |
| Combined Parties PL + B | […] | [50-60]% |
| Garofalo | […] | [20-30]% |
| Laverstoke Park | […] | [10-20]% |
| La Contadina | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [10-20]% |
| Total sales | 293 | 100% |

(480) Although, post-Transaction the Parties will have large combined market shares, the Commission considers that the concentration does not raise serious doubts for the supply of buffalo milk mozzarella in the UK for the following reasons.

(481) First, the increment brought by the Transaction ([0-5]%) is not significant. The limited importance of Lactalis presence in the market for buffalo milk mozzarella in the UK as suggested by its market share can be further supported by the finding that none of the UK customers responding in the market investigation indicated that Lactalis has the strongest or the next to strongest brand for buffalo milk mozzarella.[382]

(482) Second, there are several strong competitors both in branded and in private label segments already supplying the retailers in the UK.

(483) As can be seen from the market structure in the Table provided above, in the UK, branded buffalo milk mozzarella covers a significant share of demand (just a little bit below [50-60]%). There are several strong players in the branded segment with sales exceeding recorded Lactalis sales by over 3 (Laverstok Park) to 8 (Garofalo) times. Notably, Lactalis has only larger sales than La Contadina, an Italian manufacturer specialised in production of buffalo milk mozzarella PDO with recorded sales of […] in 2018.

(484) Third, as regards the private label segment, Nuova Castelli is likely the largest supplier of private label buffalo milk mozzarella. However, based on the data provided by the Parties, other important suppliers of private label buffalo milk mozzarella are Garofalo with an estimated overall market share of [30-40]%, Casaro del re sociera ([10-20]%), Laverstoke park ([10-20]%), and Sori ([0-5]%).

(485) Fourth, the Commission considers that the Parties are not close competitors for the supply of buffalo milk mozzarella in the UK. The Commission notes that Nuova Castelli produces and trades private label buffalo milk mozzarella,[383] whereas

381 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

382 Questionnaire to customers (Q2), question 50.

383 Form CO, paragraph 360.

Lactalis trades limited volumes under its own brand Galbani or Vallelata.[384] Given the presence of several branded buffalo milk mozzarella suppliers in the UK market, the Commission considers that Lactalis brands compete closer to other brands, such as Garofalo, than to private label buffalo milk mozzarella.

(486) Fifth, based on the data provided by the Parties, Lactalis trades buffalo milk mozzarella manufactured by […], […], and […].[385] The Notifying Party submits that its contracts with these suppliers, including volumes, are negotiated on a […] basis.[386] The Commission notes that all listed suppliers already have access to the UK retailers and their contracts with Lactalis are not long-term. Accordingly, if following the Transaction, the merged entity increased prices; these companies could likely quickly increase their supplies to the UK.

(487) Sixth, in line with the arguments set out in paragraph (474), the Commission considers that there are no significant entry or expansion barriers to the market for buffalo milk mozzarella in the UK, in particular as it is a small and rather fragmented market (see Table 13) and where the organization of distribution through agents is even easier than for larger volumes.[387] Accordingly, in addition to suppliers that are already active in the UK market, also the suppliers of buffalo milk mozzarella in other EEA countries[388], such as Zanetti (active e.g. in France, Belgium and Spain), Ambrosi (e.g. France), could likely quickly and without incurring significant cost enter the UK market.

(488) While overall, during the market investigation few customers in the UK expressing their views were concerned about Italian-type cheeses, no substantiated concerns were formulated in relation to the supply of buffalo milk mozzarella.[389]

(489) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for the supply of buffalo milk mozzarella.

*5.6.3. Ricotta*

(490) Lactalis and Nuova Castelli are active in the market for ricotta in the United Kingdom. Both Parties manufacture and sell branded and private label.

*(A) Branded ricotta in the United Kingdom*

(491) Based on the Commission's Adjusted market shares methodology, the Parties appear to be the only suppliers currently selling branded ricotta in the United Kingdom.

(492) However, this third party data, as explained in Section 5.2, does not always specify small sales and also does not track all outlets in the retail channel. Therefore, it cannot be excluded that this data source does not record other smaller suppliers of ricotta in the UK.

384 Form CO, paragraph 359.

385 Form CO, paragraph 360.

386 Form CO, paragraph 365.

387 Non-confidential version of minutes of a call with a customer, 26 September 2019.

388 Parties' response to the Commission's request for information RFI 23. Questionnaire to customers (Q2), question 3.1.

389 Questionnaire to customers (Q2), questions 124 and 125.1.

(493) Despite the large combined market shares as recorded, first, Lactalis had limited sales of branded ricotta in 2018 ([…]). These sales have decreased in the last 3 years (e.g. Lactalis sales in 2016 were […] and […] in 2017) and in 2018 they amounted to less than […].

(494) Second, Nuova Castelli's sales of branded ricotta in the United Kingdom were very limited in 2018 ([…] with amounted to approximately […]); as a result the panel data used by the Commission to conduct the analysis of the market shares (see Section 5.2.2 above) indicates that Nuova Castelli has no sales of branded ricotta in the United Kingdom. Therefore, it is likely that this methodology results in the same outcome for other small suppliers.

(495) Third, Nuova Castelli's sales have remained stable in the last three years ([…] in 2016 and 2017), thus Nuova Castelli's is not capturing Lactalis' lost sales. Therefore, it is likely that there are additional suppliers of branded ricotta in the United Kingdom that have been exercising competitive pressure on Lactalis pre-Transaction and will continue to do so vis-a-vis the merged entity.

(496) In its assessment of this plausible market the Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion and the availability of other actual and potential suppliers.

(497) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded ricotta in the United Kingdom.

*(B) Private label ricotta in the United Kingdom*

(498) According to the market shares provided by the Notifying Party, the Parties appear to be the only suppliers currently selling private label ricotta in the United Kingdom.

(499) However, first, the Notifying Party believes that other players are also active in private label supply of ricotta in the United Kingdom, such as Caseificio Elda and Latte Carso.[390]

(500) Moreover, one customer identified Eurilait as a supplier of private label ricotta in the United Kingdom.[391] Thus, the market structure and market shares proposed by the Notifying Party are likely to be overstated.

(501) Second, Nuova Castelli had moderate sales of private label ricotta in 2018 ([…]), which amounted to less than […] in 2018, and Lactalis' sales of private label ricotta in the United Kingdom were limited ([…]) amounting to less than […] in 2018.

(502) Third, with regard to the ability of customers to switch suppliers of ricotta, half of the responsive customers that expressed a view indicated that they could quickly switch to an alternative supplier of private label ricotta with a comparable range and sufficient quantities.[392]

390 Parties' response to Commission's request for information RFI 22, Annex RFI 22-2-4, paragraph 56.

391 Questionnairere to customers (Q2), questions 82 and 82.1.

392 Questionnaire to customers (Q2), question 84.2.

(503) In its assessment of this plausible market the Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion and the availability of other actual and potential suppliers that also apply to the assessment of private label ricotta.

(504) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label ricotta in the United Kingdom.

*(C) Overall market for ricotta in the United Kingdom*

(505) Based on the Commission's methodology, Adjusted market shares for the overall market for ricotta in the United Kingdom are as follows.

**Table 14**

**United Kingdom 2018, Ricotta[393]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [5-10]% |
| Lactalis – private label | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [70-80]% |
| Combined Parties PL + B | […] | [90-100]% |
| Others – private label | […] | [0-5]% |
| Total sales | 848 | 100% |

(506) The Transaction results in an affected market because of Nuova Castelli's moderate sales of private label products in the United Kingdom. Lactalis has a more limited presence in the overall market for ricotta. However, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(507) First, as discussed in paragraphs (499) and (500) above, although the Notifying Party's market shares indicate that Lactalis and Nuova Castelli cover the market for private label supply of ricotta[394], the Notifying Party submits that other players are also active in private label supply of ricotta in the United Kingdom, such as Caseificio Elda and Latte Carso, and the market investigation confirmed the presence of another supplier of private label ricotta in the United Kingdom, Eurilait.

393 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

394 As explained in Section 5.2.2, the Notifying Party used third-party panel data to establish the market size for private label supply. However, given that such panel data does not capture all retailers, and the Notifying Party considers that it is even less reliable for small product markets, it is likely that the market shares of Lactalis and Nuova Castelli are overstated. In view of this and despite high market shares, the Notifying Party submitted that based on their knowledge, other players are active in the private label supply of ricotta in the United Kingdom.

(508) Second, there are several producers of other fresh cheeses such as Granarolo and Valcolatte that currently sell their products in the United Kingdom. These suppliers also sell ricotta in other EU countries (e.g. France and Italy). If the Parties were to increase prices, Granarolo, Valcolatte and other producers of ricotta currently active in other EU countries could potentially enter the market in the United Kingdom, in particular given that, as explained in paragraph (474), the market investigation indicates that to be active in the United Kingdom a supplier does not necessarily have to own a distribution system and warehouses in the country. The finding for ricotta is particularly informed by the circumstance that even limited deliveries of the product by these suppliers would result in an important decrease in shares for the Parties combined.

(509) Third, with regard to the ability of customers to switch suppliers of ricotta, half of the responsive customers indicated that the switch to an alternative supplier was possible for private label ricotta.[395] In addition, the majority of responsive competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[396] Moreover, a British customer switched to Eurilait in the last three years in the United Kingdom. [397]

(510) Fourth, concerning barriers to entry and expansion, different from other fresh cheese products discussed above for which access to milk has been assessed as a potential barrier to entry, ricotta is produced from a by-product of other cheese production. In particular, as explained by the Notifying Party, ricotta is manufactured by heating whey to 80° C. The market investigation confirmed that ricotta is by-product of whey,[398] which is a liquid derived from the production of soft and fresh cheese (e.g. mozzarella)[399]. The Parties use their leftovers of whey to produce ricotta as well as milk powder. Nuova Castelli also sells part of its whey to third parties.

(511) Moreover, as discussed in paragraphs (473) and (474) above, the barriers to enter or expand into the UK national market appear to be low and, based on the results of the market investigation, the Commission considers that distribution and logistics likely would not constitute a significant barrier to entry or expansion in the United Kingdom with regard to Italian-type cheeses.

(512) Furthermore, the majority of customers that responded to the market investigation indicated that there were not significant barriers to entry or expansion for ricotta in terms of costs and time.[400]

(513) Fifth, during the market investigation customers in the United Kingdom expressing their views were concerned about the impact of the concentration on competition for the supply of Italian-type cheeses, which would include ricotta.[401] However, a competitor indicated to the contrary that prices for ricotta would decrease in the United Kingdom following the Transaction.[402]

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395 Questionnaire to customers (Q2), question 84.2.

396 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.

397 Questionnaire to customers (Q2), question 82.1.

398 Questionnaire to competitors (Q1), question 15.

399 Questionnaire to competitors (Q1), question 15.1.

400 Questionnaire to customers (Q2), question 87.

401 Questionnaire to customers (Q2), questions 124 and 125.1.

402 Questionnaire to competitors (Q1), question 104.

(514) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for private label ricotta in the UK as well as branded ricotta in the UK.

(515) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for ricotta in the United Kingdom.

*5.6.4. Mascarpone*

(516) Both Lactalis and Nuova Castelli supply branded and private label mascarpone in the UK. In light of this, the Commission will assess the likely effects of the Transaction on each of the branded and private label segments, as well as on the overall market for mascarpone in the UK.

(517) As outlined in the Market Definition section in section 4.3.2, the market for the supply of mascarpone to retailers is a differentiated market across sales channels, where suppliers can compete in branded and in private label cheese. Although the presence of suppliers in the same sales channel will be indicative of closeness of competition between them, the pricing of private label products will have some effect on the pricing ability in the branded side of the market.

*(A) Branded mascarpone in the United Kingdom*

(518) First, the Commission notes that the third party data relied on by the Commission to establish the market shares of the Parties and their competitors does not indicate an overlap for the supply of branded mascarpone.

(519) An overlap between the Parties activities was only identified because actual supply data from the Parties suggested an actual delivery of very minor quantities by Nuova Castelli to the UK in 2018 ([…]) of branded mascarpone.[403] Accordingly, based on the market share data submitted by the Parties, if potentially relevant segment for branded mascarpone was considered, the combined market shares of the Parties would be [150-160]% (Lactalis: [130-140]%; Nuova Castelli [20-30]%).[404]

(520) However, the Commission notes that third party data, as explained in Section 5.2, does not specify small sales and does not track all outlets in the retail channel. In light of this and the calculated figure by the Parties which exceeds 100%, the market shares of the Parties are likely overestimated. In particular, similarly to Nuova Castelli, other suppliers, which constitute a competitive pressure on the Parties, are likely not recorded by the same data sources that do not record Nuova Castelli. There are no other suppliers of branded mascarpone recorded by the third-party data.

(521) Moreover, the very low increment to the market shares, which corresponds, as explained above, to de minimis sales of […] in the entire year 2018, further corroborates the very limited importance of Nuova Castelli as a constraint in the plausible branded product market.

(522) The Commission also observes that the branded segment in the overall market for mascarpone has less than [5-10]% share, which would indicate that the main

403 The Parties response to the Commission's request for information RFI 22.

404 The value market shares for branded segment are in line with the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

competitive constraint in the market comes from private label mascarpone, irrespective of whether it belongs to the same market or it is assessed as a constraint from outside the market. For example, some retailers in the UK do not even carry branded products and cover the whole demand with private label Italian cheese.[405]

(523) In light of the above, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded mascarpone in the UK.

(524) In its assessment of this plausible market the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, as well as the Nuova Castelli's competitive position limited to trading activity, other available suppliers, and the impact of the Transaction.

(525) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded mascarpone in the UK.

*(B) Private label mascarpone in the United Kingdom*

(526) For the supply of private label mascarpone, based on the Parties' estimates using downstream market share at retail level as a proxy to estimate market shares at procurement level[406], their combined market shares in volume terms in 2018 would be [50-60]% (Lactalis: [20-30]%; Nuova Castelli: [30-40]%).

(527) The Commission considers that despite large market shares of the Parties post-Transaction, it is not likely that the Transaction will give rise to serious doubts for the following reasons.

(528) First, as explained above, in the UK, private label covers almost all the demand for mascarpone ([90-100]%). While the Parties post-Transaction will likely be the leading suppliers of private label mascarpone, the merged entity will continue to face significant competitive pressure from other private label suppliers, which, according to the third party data, accounted for more than […] (or for over [40-50]% of the overall demand). The Parties estimate that the leading supplier of private label mascarpone in the UK is Sterilgarda with a market share of [60-70]%,[407] Latte Montagna Alto Adige ([10-20]%), and Lattebusche-Latteria ([0-5]%).[408]

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405 Non-confidential version of minutes of a call with a customer, 26 September 2019; see also Questionnaire Q2, question 99.1.

406 Parties' response to Commission's request for information RFI 22.

407 As explained in Section 5.2.2, the Notifying Party used third-party panel data to establish the market size for private label supply. However, given that such panel data does not capture all retailers, and the Notifying Party considers that it is even less reliable for small product markets, it is likely that the market shares of Lactalis and Nuova Castelli are overstated. In view of this and following the market share methodology proposed by the Notifying Party, the combined market share is [50-60]%. However, the Notifying Party believes that their market share is overstated and estimates that Sterilgarda is likely to have a leading market position, which is not in line with the estimated market share of other players (remaining [40-50]% of the market) using the Notifying Party's market share methodology. Parties' response to Commission's request for information The Parties response to the Commission's request for information RFI 22 and Annex RFI 22-2-4, paragraph 62.

408 Parties' response to Commission's request for information RFI 22 and Annex RFI 22-2-4, paragraph 62.

(529) Second, while one UK customer indicated that, in case of a price increase following the Transaction, it could not quickly switch to an alternative supplier with a comparable product range and sufficient volumes of private label mascarpone, the same customer also submitted that it is possible to switch to a different supplier of mascarpone.[409] In addition, the finding that switching is possible can also be supported by the response of another UK customer that indicated to have switched a private label supplier in the last three years in a competitive process.[410]

(530) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, as well as the Nuova Castelli's competitive position limited to trading activity, and the impact of the Transaction.

(531) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded mascarpone in the UK.

*(C) Overall market for mascarpone in the United Kingdom*

(532) As outlined by the market shares, the overlap between the Parties in mascarpone in the UK occurs in the segment for the supply of private label products. Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined market shares of the Parties in branded and private label in volume terms in 2018 were: [60-70]% (Lactalis: [20-30]%; Nuova Castelli: [30-40]%).

**Table 15**

**United Kingdom 2018, Mascarpone[411]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Lactalis – private label | […] | [20-30]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [30-40]% |
| Combined Parties PL + B | […] | [60-70]% |
| Others – private label | […] | [40-50]% |
| Total sales | 1370 | 100% |

Note: Internal sales were inserted as there was no entry in the panel. The sales were reduced to match the unspecified difference in the panel

409 Questionnaire to customers (Q2), questions 92 and 93.2.

410 Questionnaire to customers (Q2), questions 91 and 91.1.

411 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(533) However, even though the concentration gives rise to large combined market shares of the Parties, the Commission considers that the Transaction does not raise serious doubts for the supply of mascarpone to retailers in the UK for the following reasons.

(534) First, following the Transaction, the merged entity will continue to face significant competitive pressure from several private label suppliers, which, based on 2018 data, accounted for [40-50]% of the overall demand for mascarpone.

(535) Second, none of the customers responding to the Commission's market investigation suggested that it was not possible to switch to different supplier of mascarpone.[412] When asked if there are any significant barriers to the entry or expansion for mascarpone in terms of costs and time, none of the customers from the UK indicated that there were any barriers.[413]

(536) Third, as outlined above Nuova Castelli does not produce mascarpone but only trades mascarpone produced by a third-party manufacturer […], which indicates that the position of Nuova Castelli on the UK market may easily change as it depends on whether Nuova Castelli's supplier will be willing to extend the contract. […] (See paragraph (363)).

(537) Fourth, in line with the arguments set out in paragraph (474), the Commission considers that there are no significant entry or expansion barriers to the market for mascarpone in the UK, in particular as it is a small market (see Table 15) and where the organization of distribution through agents is even easier for smaller than for larger volumes[414].

(538) Accordingly, given that the main competitive interaction is in the private label segment for the supply of mascarpone and that the entry into private label segment does not entail risk comparable to the entry into branded segment, does not incur brand development cost, the suppliers of mascarpone in other EEA countries[415], such as Granarolo (active e.g. in France, Portugal, the Netherlands), Ambrosi (e.g. France), could likely quickly and without incurring significant cost enter the UK market. The finding for mascarpone is particularly informed by the circumstance that even limited deliveries of the product by these suppliers would result in an important decrease in shares for the Parties.

(539) Fifth, while overall, during the market investigation few customers in the UK expressing their views were concerned about Italian-type cheeses, no substantiated concerns were formulated in relation to the supply of mascarpone.[416]

(540) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded mascarpone in the UK as well as private label mascarpone in the UK.

(541) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market of mascarpone in the UK.

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412 Questionnaire to customers (Q2), question 92.

413 Questionnaire to customers (Q2), question 96.

414 Non-confidential version of minutes of a call with a customer, 26 September 2019.

415 Parties' response to Commission's request for information RFI 23.

416 Questionnaire to customers (Q2), questions 124 and 125.1.

*5.6.5. Gorgonzola*

(542) Lactalis supplies branded Gorgonzola to retailers in the United Kingdom, whereas Nuova Castelli supplies only private label Gorgonzola to retailers in the United Kingdom. The Parties' activities in relation to Gorgonzola in the United Kingdom give rise to an affected market only if the overall market including branded and private label was considered.

*(A) Overall market for Gorgonzola in the United Kingdom*

(543) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in branded and private label in volume terms in 2018 were [50-60]% (Lactalis: [40-50]%, Nuova Castelli: [10-20]%).

**Table 16**

**United Kingdom 2018, Gorgonzola - incl. variable[417]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [40-50]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [50-60]% |
| Granarolo | […] | [0-5]% |
| Arrigoni | […] | [0-5]% |
| Deli Co | […] | [0-5]% |
| Others – private label | […] | [30-40]% |
| Total sales | 510 | 100% |

(544) Although, following the Transaction the Parties will have large combined market shares, the Commission considers that the concentration does not raise serious doubts for the supply of Gorgonzola in the UK for the following reasons.

(545) First, the private label Gorgonzola has a large share in the overall market in the UK ([50-60]%) with several strong suppliers, which exerts a competitive constraint on the branded label suppliers.

(546) As regards the private label supply of Gorgonzola, the Commission notes that other private label suppliers put on the market more than double the volumes supplied by Nuova Castelli. Based on the Parties data, the main competitors in the private label segment are Igor ([50-60]% of the overall market), Arrigoni Battista ([10-20]%), Acquistapace ([5-10]%), and Emilio Mauri ([0-5]%).

(547) Second, the Commission notes that the Parties are active in different segments of the market, which would indicate that they are not close competitors. While Lactalis is the leading supplier of branded Gorgonzola it competes closer to other suppliers of branded Gorgonzola products than for the supply of private label cheese.

417 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(548) Third, the production of Gorgonzola is regulated by quotas of membership in the consortium and consortium controls the production levels.[418] The Notifying Party explains that the production of Gorgonzola in Italy and the exports of Gorgonzola outside of Italy are largely dominated by the market leader Igor, which accounts for [40-50]% of the total production of Gorgonzola and [60-70]% of the total exports outside of Italy. By comparison, Lactalis and Nuova Castelli respectively account for [10-20]% and [0-5]% of the total production of Gorgonzola. Likewise, they respectively account for only [10-20]% and [0-5]% of the total exports outside of Italy.[419]

(549) As a consequence, the Parties account for a limited part of the production and exports outside of Italy, so that any retailer located in the UK can find alternative sources for the supply of Gorgonzola.

(550) Fourth, in line with the arguments set out in paragraph (474), the Commission considers that there are no significant entry or expansion barriers to the market for Gorgonzola in the UK, in particular as it is a small market and where the organization of distribution through agents is even easier for smaller than for larger volumes[420]. In particular, given that entry into private label segment does not entail risk comparable to the entry into branded segment because the supplier would not incur brand development costs, the suppliers of Gorgonzola in other EEA countries, such as Vivaldi and Ambrosi (both active e.g. in France) could likely quickly and without incurring significant cost enter the UK market. The finding for Gorgonzola is particularly informed by the circumstance that even limited deliveries of the product by these suppliers would result in an important decrease in shares for the Parties combined.

(551) While overall, during the market investigation few customers in the UK expressing their views were concerned about Italian-type cheeses, they have not raised any substantiated concerns in relation to the supply of Gorgonzola.[421] In addition, a third party stated that the Transaction "*will not have a negative impact on […] the overall market of Gorgonzola*."[422]

(552) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market on the overall market for Gorgonzola in the UK.

*5.6.6. Italian-type hard cheese*

(553) Lactalis supplies only branded Italian-type hard cheeses, whereas Nuova Castelli supplies mainly private label and to some limited extent branded Italian-type hard cheeses to retailers in the United Kingdom (the UK). In light of this, the Commission will assess the likely effects of the Transaction on the branded segment, as well as on the overall market for Italian-type hard cheese in the UK.

418 Non-confidential version of minutes of a call with a third party, 24 July 2019.

419 Parties' Briefing Memorandum of 17October 2019 – Paragraph 61.

420 Non-confidential version of minutes of a call with a customer, 26 September 2019.

421 Questionnaire to customers (Q2), question 124.

422 Courtesy translation from the Italian: "*…non ritiene che l'Acquisizione avra' un impatto negativo […] sul mercato del Gorgonzola"*, Non-confidential version of minutes of a call with a third party, 24 July 2019.

*(A) Branded Italian-type hard cheeses in the United Kingdom*

(554) First, if only the segment of branded Italian-type hard cheese was considered, where the only overlap is, based on the Commission's Adjusted market shares methodology, the Parties' combined market shares in volume terms in 2018 would be [30-40]% (Lactalis: [5-10]%; Nuova Castelli: [20-30]%).[423] The low increment of [5-10]% to the market shares represents minimal recorded sales of Lactalis of […] in the entire year 2018 and also indicates low significance of Lactalis as a competitive constraint in the plausible branded product market.

(555) Second, following the Transaction the Parties will continue to face competitive constraints from several credible competitors. Based on the third-party data (see Table 17), there are several other suppliers of branded Italian-type hard cheese in the UK: Napolina, Colla, Trentin among others. While these suppliers do not have a large presence in the market (market shares of each of them is below [0-5]%), the recorded volumes of Lactalis are nonetheless the smallest ([…] per year, less than half compared to other Italian-type cheese manufacturers Trentin and Colla). This would further support the finding that Lactalis has a very limited importance as a constraint in the branded product segment, as well as in the overall market.

(556) Third, competition for Italian-type hard cheeses, which encompass products covered by a Protected Denomination of Origin, is less affected by brand presence in view of the predominant role carried by such denominations (Parmigiano Reggiano, Grana Padano). Therefore, it makes the assessment of a market only consisting of branded product much less significant in this context. In particular, the Parties submitted that brands carry little weight as the selling point is mostly the PDO branding. The presence of the PDO logos on a cheese wheel or bag of Parmigiano Reggiano ensures and indicates to the consumer that this cheese is produced, and the milk collected, exclusively in the PDO area, delivering recognition and quality perception expected from a brand. In line with this one competitor also explained: *"The PDO brands enjoy high notoriety that it takes away "space" from private brands and indirectly attracts attention of private labels"*.[424]

(557) In light of the above and in particular given the very limited activities of Lactalis, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded Italian-type-hard cheese in the UK.

(558) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the market structure, availability of alternative suppliers, absence of significant barriers to entry and expansion, and the limited competitive position of Lactalis.

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423 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) the volume shares provided by the Parties and overstate the Parties' position compared to panel data.

424 Courtesy translation from the Italian: *"Il valore del brand DOP è talmente forte che toglie "spazio" ai Brand privati e, indirettamente, stimola l'attenzione delle private labels"*; Questionnaire (Q1), question 128.1.

(559) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Italian-type hard cheeses in the UK.

*(B) Overall market for Italian-type hard cheese in the United Kingdom*

(560) On the overall market for Italian-type hard cheese in the UK, based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined market shares of the Parties in volume terms in 2018 were: [40-50]% (Lactalis: [0-5]%; Nuova Castelli: [40-50]%), with a very limited increment of [0-5]%.

**Table 17**

**United Kingdom 2018, Italian-type hard cheese[425]**
**Branded and private label – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [40-50]% |
| Combined Parties PL + B | […] | [40-50]% |
| Napolina | […] | [0-5]% |
| Cook Italian | […] | [0-5]% |
| Colla | […] | [0-5]% |
| Trentin | […] | [0-5]% |
| Bio | […] | [0-5]% |
| Others – private label | […] | [50-60]% |
| Total sales | 4845 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel. The branded sales were reduced to match the unspecified difference in the panel*

(561) Although, post-Transaction the Parties will have moderate combined market shares, the Commission considers that the Transaction does not raise serious doubts for the supply of Italian-type hard cheese in the UK for the following reasons.

(562) First, as the market shares indicate (Table 17), Lactalis has only very limited activities in the UK for the supply of Italian-type hard cheeses. Therefore, the increment brought by the Transaction ([0-5]%) is negligible and would likely not affect the market structure.

(563) Second, the market structure for the supply of Italian-type hard cheeses in the UK suggests that the main competitive constraints come from the private label segment, which has a [90-100]% share of the overall market. The Parties activities do not overlap in this segment. Furthermore, even though Nuova Castelli is a big supplier of private label products (estimated market share of [40-50]%), there are

425 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

other important and viable suppliers of private label products covering [50-60]% of the overall demand. Based on the Parties data, the other suppliers are Consorzio Virgilio [20-30]%; Colla: [10-20]%; Latteria Sociale Mantova: [10-20]%; Parmareggio [0-5]%; and Agriform: [0-5]%.

(564) Third, Lactalis depends on the supply from other manufacturers, such as […] or […], for its trading activity of Italian-type hard cheeses.[426] The Notifying Party explained that it does not have any written agreement or volume commitment for buying Italian-type hard cheeses from its suppliers and relies on a long-term partnership.[427]

(565) Fourth, the Commission notes that Lactalis traded volumes of Italian-type hard cheeses in the UK are very small and decreased by [20-30]% over the last three years.[428] The Commission also notes that, for example, […] is already present in the UK, and could therefore expand its presence with the retailers at the expense of Lactalis.

(566) Fifth, with reference to the limited quantities supplied by Lactalis as a trader of these products in the UK, there exist several other competitors who compete not only in the trading, but also as producers of PDO cheeses within Italian hard cheeses because they either have quotas in consortia (Grana Padano) or obtain milk from consortia (Parmigiano Reggiano). The Parties do not overlap in this respect, as Lactalis is not active in the production of PDO cheese and Nuova Castelli has limited overall shares of production in relation to PDO cheeses. Accordingly, also in view of this, Lactalis and Nuova Castelli are not close competitors.

(567) Sixth, different from other Italian-type cheeses, Lactalis is not recognised as an important player with respect to Italian-type hard cheese. No customers from the UK or competitors responding to the market investigation mentioned Lactalis among main or alternative suppliers of Italian-type hard cheese in the UK.[429] Competitors responding to the market investigation mentioned Nuova Castelli, Zanetti, Colla and Dalter, Cascine Emiliane.[430] The Commission notes that the internal document of the Notifying Party also suggests that Lactalis does not exert an effective competitive constraint on the market for Italian-type hard cheese. For example, Lactalis in one of the presentations considers: *"Out of Italy the most important category is Parmesan where Galbani has low market share due to its limited competitiveness in terms of Price"*.[431]

(568) Seventh, the Commission considers that it cannot be excluded that companies active in other national markets could potentially expand their activities in the UK. In this regard, the Parties submitted that competitors in Italian-type hard cheese could easily expand and gain market shares in national markets, in particular referring to companies such as Zanetti, Ambrosi, Colla, Parmareggio.[432] The majority of all customers expressing their views in the market investigation suggested that there are no significant entry or expansion barriers in terms of cost

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Form CO, paragraph 360, see also Parties' response to the Commission's request for information RFI 14, question 1, 5.

427 Form CO, paragraph 365.

428 Form CO, paragraph 359.

429 Questionnaire to customers (Q2), question 107; Questionnaire to competitors (Q1), question 130.

430 Questionnaire to competitors (Q1), question 130.

431 Form CO, Annex 5.2.H.

432 Form CO, paragraph 1060.

and time.[433] The Commission notes that in the market investigation a third-party has also indicated that in recent years there indeed have been several new entries into the national markets of companies who previously only had been active in Italy.[434]

(569) Eighth, while during the market investigation few customers in the UK expressing their views were overall concerned about Italian-type cheeses, no substantiated concerns were formulated in relation to the supply of Italian-type hard cheese.[435] Further, one UK customer explained that it does not expect the Transaction to have any impact in relation to the supply of Italian-type hard cheese: *"However, Lactalis have a limited presence in the Italian Hard Cheese market, so one would anticipate there being only marginal impact on this area of Italian cheese sales and most this would maintain it's existing framework."*[436]

(570) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Italian-type hard cheeses in the UK.

(571) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for Italian-type hard cheeses.

## 5.7. Germany

(572) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to the following horizontally affected plausible markets in Germany: Buffalo milk mozzarella (Section 5.7.1); ricotta (Section 5.7.2) and mascarpone (Section 5.7.3).

### *5.7.1. Buffalo milk mozzarella*

(573) Lactalis supplies only branded buffalo milk mozzarella, whereas Nuova Castelli supplies branded and private label buffalo milk mozzarella in Germany.

#### *(A) Branded buffalo milk mozzarella in Germany*

(574) For branded buffalo milk mozzarella, following the Commission's methodology described in Section 5.2, the Adjusted combined market share of the Parties in 2018 in Germany was [30-40]% (in volume), with a moderate increment of Lactalis' market share of [5-10]% due to Nuova Castelli's moderate brand presence.[437]

(575) First, Nuova Castelli had moderate sales of branded buffalo milk mozzarella in Germany in 2018 ([…]) and thus does not enjoy strong brand presence. The Transaction will bring a moderate increment to Lactalis' market share of [5-10]%.

(576) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest competitor to Lactalis, Sori. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Sori represented a stronger competitive constraint than Nuova

433 Questionnaire to customers (Q2), question 113

434 Questionnaire to competitors (Q1), question 135.1.

435 Questionnaire to customers (Q2), questions 124 and 125.1.

436 Questionnaire to customers (Q2), question 18.

437 The combined value market shares for branded segment are slightly higher (less than 5 percentage points) the volume shares provided by the Parties.

Castelli with regard to branded buffalo milk mozzarella in Germany. Sori's sales of branded buffalo milk mozzarella were significantly higher than Nuova Castelli's sales and accounted for [30-40]% of the overall market of buffalo milk mozzarella in Germany (see Table 18 below).

(577) Third, the merged entity will also continue to face competitive constraints from several smaller suppliers of branded buffalo milk mozzarella that will remain in the German market post-Transaction. These suppliers accounted for [10-20]% of the overall market for buffalo milk mozzarella in Germany in 2018 (see Table 18 below).

(578) In its assessment of this plausible market the Commission has also considered the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers and the lack of closeness between the Parties that also apply to the assessment of branded buffalo milk mozzarella.

(579) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded buffalo milk mozzarella in Germany.

*(B) Overall market of buffalo milk mozzarella in Germany*

(580) Based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in branded and private label buffalo milk mozzarella in Germany in 2018 were: [20-30]% (in volume, Lactalis: [20-30]%; Nuova Castelli: [0-5]%).

**Table 18**

**Germany 2018, Buffalo milk mozzarella[438]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [20-30]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Combined Parties PL + B | […] | [20-30]% |
| Private label | […] | [30-40]% |
| Sori | […] | [30-40]% |
| Others - branded | […] | [10-20]% |
| Total sales | 2740 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel*

(581) The Transaction results in an affected market because of Lactalis' market presence with branded products, with brands such as Galbani. Nuova Castelli has a more limited presence in the overall market for buffalo milk mozzarella in Germany, bringing a moderate increment of [0-5]% to Lactalis' market share .

438 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(582) Beside the considerations concerning the competitive landscape and shares of the market for buffalo milk mozzarella in Germany, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(583) First, the merged entity will also continue to face competitive constraints from Sori and several branded and in private label competitors that already supply retailers in Germany. These suppliers accounted for [70-80]% of the overall market for branded buffalo milk mozzarella in Germany in 2018 (see Table 18 above).

(584) Second, the Commission considers that the Parties are not close competitors for the supply of buffalo milk mozzarella in Germany. The Commission notes that Nuova Castelli produces and trades private label buffalo milk mozzarella.[439] However, Lactalis does not manufacture buffalo milk mozzarella but merely trades under its own brand.

(585) Third, based on the data provided by the Parties, Lactalis trades buffalo milk mozzarella manufactured by third parties, including […].[440] The Notifying Party submits that its contracts with these suppliers, including volumes, are negotiated on a yearly basis.[441] The Commission notes that […] already has access to German retailers and its contract with Lactalis is not long-term. Accordingly, if post-Transaction, the merged entity increased prices, […] could likely quickly increase supplies to Germany.

(586) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded buffalo milk mozzarella in Germany.

(587) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for buffalo milk mozzarella in Germany.

*5.7.2. Ricotta*

(588) Lactalis and Nuova Castelli are active in the market for ricotta in Germany. Both Parties sell branded ricotta but only Nuova Castelli also sells private label ricotta.

*(A) Branded ricotta in Germany*

(589) For branded ricotta, the combined Adjusted market share of the Parties in 2018 in Germany was [70-80]% (in volume), with a moderate increment of Nuova Castelli's market share of [5-10]% in view of Nuova Castelli's moderate brand presence.[442]

(590) First, Nuova Castelli had moderate sales of branded ricotta in Germany in 2018 ([…]) and thus does not enjoy strong brand presence. The Transaction will bring a moderate increment of [5-10]% to Lactalis' market share.

439 Form CO, paragraph 360.

440 Form CO, paragraph 360.

441 Form CO, paragraph 365.

442 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) than the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

(591) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest competitor to Lactalis, Trentin. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Trentin represented a stronger competitive constraint than Nuova Castelli with regard to branded ricotta in Germany. Trentin's sales of branded ricotta were significantly higher than Nuova Castelli's sales and accounted for [5-10]% of the overall ricotta market in Germany (see Table 19 below).

(592) Third, the merged entity will also continue to face significant competitive constraints from two other branded suppliers: Goldsteig and Bustaffa which in 2018 had combined sales of branded ricotta comparable to those recorded for Nuova Castelli (see Table 19 below). Moreover, several additional smaller suppliers of branded ricotta will remain in the German market post-Transaction. These suppliers accounted for [0-5]% of the overall market for ricotta in Germany in 2018 (see Table 19 below).

(593) Fourth, with regard to the ability of customers to switch suppliers of ricotta, the majority of customers that responded to the market investigation considered they could not quickly switch to an alternative supplier of branded ricotta with a comparable range and sufficient quantities;[443] however, the majority of competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[444]

(594) In its assessment of this plausible market the Commission has also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded ricotta.

(595) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded ricotta in Germany.

*(B) Overall market for ricotta in Germany*

(596) Based on the Commission's methodology, Adjusted market shares for the overall market for ricotta in Germany are as follows.

443 Questionnaire to customers (Q2), question 84.1.

444 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.

**Table 19**

**Germany 2018, Ricotta[445]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [40-50]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [0-5]% |
| Combined Parties PL + B | […] | [50-60]% |
| Trentin | […] | [5-10]% |
| Goldsteig | […] | [0-5]% |
| Bustaffa | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [30-40]% |
| Total sales | 1296 | 100% |

(597) The Transaction results in an affected market because of Lactalis' large market presence with branded products, with strong and widely recognised brands, such as Galbani. Nuova Castelli has a more limited presence in the overall market for ricotta in Germany, bringing a moderate increment of Nuova Castelli' market share of [5-10]%.

(598) Beside the considerations concerning the shares of the market for ricotta in Germany, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(599) First, after the Transaction, the merged entity will continue to face significant competitive pressure from Trentin as well as from more than two branded and private label competitors, which accounted for [40-50]% of the overall market for ricotta in Germany. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

(600) Second, with regard to the ability of customers to switch suppliers of ricotta, while the majority of customers that responded to the market investigation had not switched suppliers of branded or private label ricotta in the last three years,[446] the majority of competitors and customers that expressed a view indicated that it was possible and even easy to switch suppliers of ricotta.[447]

(601) Third, concerning barriers to entry and expansion, the majority of the respondents to the market investigation that expressed a view indicated that there were not significant barriers to entry or expansion in terms of costs and time.[448]

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445 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

446 Questionnaire to customers (Q2), questions 81 and 82.

447 Questionnaire to competitors (Q1), question 100; Questionnaire to customers (Q2), question 83.

448 Questionnaire to Competitors (Q1), questions 87 and 102.

(602) Moreover, different from other fresh cheese products discussed above for which access to milk has been assessed as a potential barrier to entry, ricotta is produced from a by-product of other cheese production. In particular, as explained by the Notifying Party, ricotta is manufactured by heating whey to 80° C. The market investigation confirmed that ricotta is by-product of whey,[449] which is a liquid derived from the production of soft and fresh cheese (e.g. mozzarella)[450]. The Parties use their leftovers of whey to produce ricotta as well as milk powder. Nuova Castelli also sells part of its whey to third parties.

(603) Furthermore, in 2018, there were more than four competitors (besides the Parties) active in the overall market for ricotta and at least one competitor indicated that it could increase its production of ricotta without incurring in significant additional costs.[451]

(604) Fourth, one competitor indicated that as a result of the Transaction, it expects prices for ricotta to decrease in Germany.[452] With regard to German customers, the market investigation was inconclusive.[453]

(605) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded ricotta in Germany.

(606) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for ricotta in Germany.

*5.7.3. Mascarpone*

(607) Both Parties supply branded mascarpone in the Germany, but only Lactalis supplies private label. Based on the information provided by the Notifying Party, Nuova Castelli does not produce, but only trades, branded mascarpone. It purchases […] of its requirements from […] and resells it as further developed in paragraphs (368) to (369).

*(A) Branded mascarpone in Germany*

(608) First, Nuova Castelli had very limited sales of branded mascarpone in Germany in 2018. The Transaction will bring a limited increment to Lactalis' market share.

(609) Second, the Commission notes that the third party data relied on by the Commission to establish the Adjusted market shares of the Parties and their competitors point at a very minimal overlap for the supply of branded mascarpone.

(610) Based on the Adjusted market share data, if potentially relevant segment for branded mascarpone was considered, the combined Adjusted market shares of the Parties would be [50-60]% (Lactalis: [40-50]%; Nuova Castelli [5-10]%).[454]

449 Questionnaire to competitors (Q1), question 15.

450 Questionnaire to competitors (Q1), question 15.1.

451 Questionnaire to competitors (Q1), question 102.1.

452 Questionnaire to competitors (Q1), question 104.

453 Questionnaire to customers (Q2), questions 123 and 124.

454 The combined value market shares for branded segment are higher (by less than 10 percentage points), but result in a smaller increment than the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

(611) However, the Commission notes that third party data, as explained in Section 5.2, does not record small sales and does not track all outlets in the retail channel. In particular, similarly to Nuova Castelli, other suppliers, which constitute a competitive pressure on the Parties, are likely underestimated by the same data sources that record very minimal sales from Nuova Castelli.

(612) Third, the Commission also observes that the branded segment in the overall market for mascarpone has below [20-30]% share of the overall market, which would indicate that the main competitive constraint in the market comes from private label mascarpone, irrespective of whether it belongs to the same market or it is assessed as a constraint from outside the market.

(613) Fourth, the merged entity will continue to face significant competitive constraints from four other branded suppliers (Goldsteig, Minus L, De Lucia, and Exquisa). Considering reported sales three of them are roughly the same size as Nuova Castelli and one of them, Goldsteig, is 3 times bigger.

(614) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers and lack of barriers to switching with respect to this plausible market also apply to the assessment of branded mascarpone.

(615) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded mascarpone.

*(B) Overall market for mascarpone in Germany*

(616) Based on the Commission's methodology, Adjusted market shares for the overall market for mascarpone in Germany are as follows.

**Table 20**

**Germany 2018, Mascarpone[455]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [5-10]% |
| Lactalis – private label | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Combined Parties PL + B | […] | [20-30]% |
| Goldsteig | […] | [0-5]% |
| Minus L | […] | [0-5]% |
| De Lucia | […] | [0-5]% |
| Exquisa | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [70-80]% |
| Total sales | 8450 | 100% |

*Note: Internal branded sales for Nuova Castelli were inserted as there was no entry in the panel*

455 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(617) Nuova Castelli had very limited sales of branded mascarpone in Germany in 2018. The Transaction will bring a limited increment to Lactalis' market share in Germany.

(618) Beside the considerations concerning the competitive landscape and shares of the market for mascarpone in Germany, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(619) First, after the Transaction, the merged entity will continue to face significant competitive pressure from other brands as well as from private label competitors. These competitors are likely to continue exercising significant competitive pressure on the merged entity compared to the limited pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

(620) Second, with regard to the ability of customers to switch suppliers of mascarpone, none of German retailers that responded to the market investigation considered that it was not possible to switch to different supplier of mascarpone[456].

(621) Moreover, in relation to the fact that Nuova Castelli distributes […] products, one German retailer mentioned […] as an alternative supplier for mascarpone[457]. As further explained in paragraphs (368) to (369) […] could become an alternative in the short term, supplying its own products.

(622) Third, the Commission notes that, according to the Notifying Party, to produce mascarpone, dairy companies can use the milk fat either to produce either cream or mascarpone. Manufacturing mascarpone is a way to add value to the left overs of the production of cheese. Dairy companies in Italy have a particular incentive to manufacture mascarpone: the market for cream is very small in Italy,

(623) In view of this, the market investigation confirmed that investment to enter mascarpone production are relatively low. According to the notifying party investments for the production of 1,000 tons of mascarpone would amount to roughly EUR 1 million. By way of comparison, the entire Lactalis private label mascarpone sales in Germany are […].[458]

(624) This finding was confirmed also by retailers responding to the market investigation. With regards to potential barriers to entry when asked if there are any significant barriers to the entry or expansion for mascarpone in terms of costs and time all of German retailers answered that there aren't. [459]

(625) Fourth, there has been a new entrant in the mascarpone market in Germany. As explained by a German retailer a new competitor Fude&Serran entered the market in 2015 as private label supplier. [460]

(626) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded mascarpone in Germany.

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456 Questionnaire to customers (Q2), question 92.

457 Questionnaire to customers (Q2), question 89.

458 As explained in Section 5.3.private label sales were reduced by […] for computing the Adjusted market shares.

459 Questionnaire to customers (Q2), question 96.

460 Questionnaire to customers (Q2), question 95.1.

(627) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts for the overall market for mascarpone in Germany.

*5.7.4. Other markets*

(628) The Transaction results in additional affected markets in Germany, and in particular in the plausible markets for branded cow milk mozzarella and Gorgonzola, and for the overall (branded and private label) Gorgonzola.

(629) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli, bringing a limited or moderate increment to Lactalis' shares, and the presence of other competitors in these markets.

(630) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

## 5.8. Poland

(631) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to the following horizontally affected plausible markets in Poland: Cow milk mozzarella (Section 5.8.1; ricotta (Section 5.8.2), Gorgonzola (Section 5.8.3) and Italian-type hard cheeses (Section 5.8.4).

*5.8.1. Cow milk mozzarella*

(632) Both Lactalis and Nuova Castelli supply branded and private label cow milk mozzarella to retailers in Poland. As outlined by the market shares, the main overlap between the Parties in cow milk mozzarella is in the supply of private label cow milk mozzarella to retailers in Poland.

*(A) Branded cow milk mozzarella in Poland*

(633) For branded cow milk mozzarella, following the Commission's methodology described in Section 5.2, the combined market share of the Parties in 2018 in Poland was [40-50]% (in volume), with a limited increment of Nuova Castelli's market share of [0-5]% in view of Nuova Castelli's limited brand presence.[461]

(634) First, Nuova Castelli had limited sales of branded cow milk mozzarella in Poland in 2018 ([…]) and thus does not enjoy strong brand presence. The Transaction will bring a limited increment to Lactalis' market share of [0-5]%.

(635) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of branded cow milk mozzarella, including Zottarella, Formagia, Bakoma, Jager and Osm Skierniewice. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 each of these suppliers represented a stronger competitive constraint than Nuova Castelli with regard to branded cow milk mozzarella in Poland. Their individual sales of branded cow milk mozzarella were significantly higher than Nuova Castelli's sales and accounted for [10-20]% of the overall market for cow milk mozzarella in Poland (see Table 21 below).

461 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, but both still overstate the Parties' position compared to panel data.

(636) Third, the merged entity will also continue to face significant competitive constraints from several additional smaller suppliers of branded cow milk mozzarella that will remain in the Polish market post-Transaction. These suppliers accounted for [0-5]% of the overall market for cow milk mozzarella in Poland in 2018 (see Table 21 below).

(637) In its assessment, the Commission has also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, customers' ability to multi-source and the impact of the Transaction that also apply to the assessment of branded cow milk mozzarella.

(638) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in Poland.

*(B) Private label cow milk mozzarella in Poland*

(639) For private label cow milk mozzarella, based on the market shares provided by the Parties, the combined market share of the Parties in 2018 in Poland was [50-60]% (in volume), with a moderate increment of Nuova Castelli's market share of [5-10]% in view of Nuova Castelli's moderate brand presence.

(640) First, Nuova Castelli had moderate sales of private label cow milk mozzarella in Poland in 2018 ([…]) bringing a moderate increment of [5-10]% to the combined market share.

(641) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several suppliers of private label cow milk mozzarella. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 these suppliers combined represented a stronger competitive constraint than Nuova Castelli with regard to private label cow milk mozzarella in Poland. Their combined sales of private label cow milk mozzarella were significantly higher than Nuova Castelli's sales and accounted for [20-30]% of the overall market for cow milk mozzarella in Poland (see Table 21 below).

(642) In its assessment, the Commission has also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, customers' ability to multi-source and the impact of the Transaction that also apply to the assessment of private label cow milk mozzarella.

(643) In conclusion, based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of private label cow milk mozzarella in Poland.

*(C) Overall features of the cow milk mozzarella market in Poland*

(644) Based on the Commission's methodology, Adjusted market shares for the overall market for cow milk mozzarella are as follows.

**Table 21**

**Poland 2018, Cow milk mozzarella[462]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis – private label | […] | [30-40]% |
| Nuova Castelli -branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [5-10]% |
| Combined Parties PL + B | […] | [50-60]% |
| Zottarella | […] | [5-10]% |
| Formagia | […] | [0-5]% |
| Bakoma | […] | [0-5]% |
| Jager | […] | [0-5]% |
| Osm Skierniewice | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [20-30]% |
| Total sales | 12389 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel*

(645) The Transaction results in an affected market because of Lactalis' sales of private label cow milk mozzarella. Nuova Castelli has a moderate presence in the overall market for cow milk mozzarella in Poland, bringing a moderate increment of [5-10]% to Lactalis' market share.

(646) Beside the considerations concerning the competitive landscape and shares of the market for cow milk mozzarella in Poland, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(647) First, the Commission observes that the overall market of cow milk mozzarella in Poland appears to be fragmented (see Table 21 above) with competitors comparable to Nuova Castelli. Moreover, a Polish customer indicated that there were more than three viable suppliers of cow milk mozzarella in Poland.[463]

(648) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several branded and private label suppliers that in 2018 accounted for [40-50]% of the overall cow milk mozzarella market in Poland. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

462 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

463 Questionnaire to customers (Q2b), question 10.

(649) Third, with regard to multi-sourcing, the majority of customers that responded to the market investigation indicated that they source cow milk mozzarella from two or more suppliers in 2018.[464] A Polish customer indicated that it awards its required volumes of cow milk mozzarella to one supplier but it runs selection procedures for the procurement of cow milk mozzarella more than once a year.[465]

(650) Fourth, as regards barriers to expansion, the market investigation suggested that at least one Polish supplier would be able to increase its existing production capacity and another one would be able to increase the amount of cow milk mozzarella that it trades in case there would be an increase in demand in Poland.[466]

(651) Fifth, with regard to the impact of the Transaction and based on the market investigation, a Polish customer indicated that competition would decrease;[467] however, the majority of Polish competitors that provided a view indicated that the Transaction would not have a significant impact in any market for Italian-type cheeses or on their companies.[468]

(652) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded cow milk mozzarella in Poland as well as private label cow milk mozzarella in Poland.

(653) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market on the overall market for cow milk mozzarella in Poland.

*5.8.2. Ricotta*

(654) Lactalis and Nuova Castelli are active in the market for ricotta in Poland. Both Parties sell branded ricotta and Nuova Castelli also sells private label ricotta.

*(A) Branded ricotta in Poland*

(655) For branded ricotta, following the Commission's methodology described in Section 5.2, the combined Adjusted market share of the Parties in 2018 in Poland was [30-40]% (in volume), with a limited increment of Nuova Castelli's market share of [0-5]% in view of Nuova Castelli's very limited brand presence.[469]

(656) First, in this plausible market, the Transaction results in a negligible increment due to the very limited sales ([…]) and presence of Nuova Castelli.

(657) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest branded competitor to Lactalis, Ceko, as well as Talma and Biraghi. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2 above), in 2018 each of these suppliers individually represented a stronger competitive constraint than Nuova Castelli with regard to branded ricotta in Poland. Ceko accounted for [20-30]%,

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464 Questionnaire to customers (Q2), questions 66 and 70; Questionnaire to customers (Q2b), question 3.

465 Questionnaire to customers (Q2b), questions 4 and 5.

466 Questionnaire to competitors (Q1b), question 9.

467 Questionnaire to customers (Q2), question 18.

468 Questionnaire to competitors (Q1b), questions 26.1 and 26.2.

469 The combined value market shares for branded segment are higher (by less than 10 percentage points), but result in the smaller increment compared to the volume shares provided by the Parties, and both overstate the Parties' position compared to panel data.

Talma for [10-20]% and Biraghi for [0-5]% of the overall ricotta market in Poland (see Table 22 below).

(658) Third, the merged entity will also continue to face competitive constraints from other smaller suppliers of branded ricotta that will remain in the Polish market post-Transaction and that accounted for [0-5]% of the overall market for ricotta in Poland in 2018 (see Table 22 below).

(659) In its assessment, the Commission has also considered the arguments presented in the below section as regards the overall market, and in particular concerning the absence of significant barriers to entry and expansion, the availability of other suppliers, the ability of customers to switch suppliers and the impact of the Transaction that also apply to the assessment of branded ricotta.

(660) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded ricotta in Poland.

*(B) Overall market for ricotta in Poland*

(661) Based on the Commission's methodology, Adjusted market shares for the overall market for ricotta in Poland are as follows.

**Table 22**

**Poland 2018, Ricotta[470]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [20-30]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [20-30]% |
| Combined Parties PL + B | […] | [50-60]% |
| Ceko | […] | [20-30]% |
| Talma | […] | [10-20]% |
| Biraghi | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [0-5]% |
| Total sales | 204 | 100% |

*Note: Parties private sales higher than the total of private label. Reduced proportionally*

(662) The Transaction results in an affected market because of Lactalis' market share in branded products and Nuova Castelli's market presence with private label products, bringing an increment to Lactalis' market share of [20-30]% in the overall market for ricotta in Poland (see Table 22 above).

470 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(663) Beside the considerations concerning the competitive landscape and shares of the market for ricotta in Poland, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(664) First, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest competitor to Lactalis, Ceko. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Ceko represented a stronger competitive constraint than Nuova Castelli with regard to the overall market for ricotta in Poland. Ceko's sales of ricotta were significantly higher than Nuova Castelli's sales and accounted for [20-30]% of the overall ricotta market in Poland.

(665) Second, the merged entity will also continue to face significant competitive constraints from more than two additional competitors, which accounted for [10-20]% of the overall market for ricotta in Poland. These competitors, together with Ceko, are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction.

(666) Third, with regard to the ability of customers to switch suppliers of ricotta, the majority of customers that responded to the market investigation had not switched suppliers of branded or private label ricotta in the last three years;[471] however, the majority of competitors and customers that responded to the market investigation indicated that it was possible to switch suppliers of ricotta.[472]

(667) Fourth, concerning barriers to entry and expansion, the majority of competitors that responded to the market investigation indicated that there were significant barriers to expansion in terms of costs and time, including a Polish competitor.[473] However, the majority of customers that responded to the market investigation indicated that there were not significant barriers to entry or expansion for ricotta in terms of costs and time in their countries. [474]

(668) Moreover, different from other fresh cheese products discussed above for which access to milk has been assessed as a potential barrier to entry, ricotta is produced from a by-product of other cheese production. In particular, as explained by the Notifying Party, ricotta is manufactured by heating whey to 80° C. The market investigation confirmed that ricotta is by-product of whey,[475] which is a liquid derived from the production of soft and fresh cheese (e.g. mozzarella)[476]. The Parties use their leftovers of whey to produce ricotta as well as milk powder. Nuova Castelli also sells part of its whey to third parties. In addition, the majority of customers that responded to the market investigation indicated that there were not significant barriers to entry or expansion for ricotta in terms of costs and time.[477]

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471 Questionniare to customers (Q2), question 81.

472 Questionnaire to competitors (Q1), question 100; Questionniare to customers (Q2), question 83.

473 Questionnaire to competitors (Q1), question 102.

474 Questionniare to customers (Q2), question 87.

475 Questionnaire to competitors (Q1), question 15.

476 Questionnaire to competitors (Q1), question 15.1.

477 Questionnaire to customers (Q2), question 87.

(669) Fifth, the majority of customers that responded to the market investigation indicated that the Transaction will not have impact on prices for the supply of ricotta in their countries.[478] Moreover, a competitor indicated that it expected prices for ricotta to decrease in Poland.[479]

(670) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded ricotta in Poland.

(671) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for ricotta in Poland.

*5.8.3. Gorgonzola*

(672) Lactalis supplies branded Gorgonzola to retailers in Poland, whereas Nuova Castelli supplies a very limited volume of branded Gorgonzola and moderate volumes of private label Gorgonzola to retailers. The Parties' activities in relation to Gorgonzola in Poland give rise to an affected market if the overall market including branded and private label was considered, as well as if branded Gorgonzola is considered.

*(A) Branded Gorgonzola in Poland*

(673) For branded Gorgonzola, following the Commission's methodology described in Section 5.2, the combined market share of the Parties in 2018 in Poland was [50-60]% (in volume), with a limited increment of Nuova Castelli's' market share of [0-5]% in view of Nuova Castelli's very limited brand presence.[480]

(674) The Commission observes that Nuova Castelli's limited significance in the plausible market for branded Gorgonzola in Poland can be demonstrated by the de minimis sales of […] in the entire year 2018.

(675) In light of the above, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded Gorgonzola in Poland.

(676) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning other available suppliers, and the impact of the Transaction

(677) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market of branded Gorgonzola in Poland.

*(B) Overall market for Gorgonzola in Poland*

(678) Based on the Commission's methodology, Adjusted market shares for the overall market for Gorgonzola market in Poland are as follows.

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478 Questionnaire to customers (Q2), question 124; Questionnaire to competitors (Q1), question 104.

479 Questionnaire to competitors (Q1), question 104.

480 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, and both understate the Parties' position compared to panel data.

**Table 23**

**Poland 2018, Gorgonzola[481]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [20-30]% |
| Nuova Castelli -branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [30-40]% |
| Igor | […] | [10-20]% |
| Biraghi | […] | [0-5]% |
| Formagia | […] | [0-5]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [40-50]% |
| Total sales | 437 | 100% |

(679) In the overall market for the supply of Gorgonzola to retailers in Poland, the Parties have a combined Adjusted market share of [30-40]% (in volume), with a moderate increment of [10-20]% due to Nuova Castelli's moderate presence.

(680) First, the Transaction results in an affected market because of Lactalis' large market presence with branded products, with strong and widely recognised brands of Gorgonzola, and in particular Galbani. Nuova Castelli had moderate sales of Gorgonzola in Poland in 2018 ([…]) and thus does not enjoy strong brand presence. The Transaction will bring a moderate increment of [10-20]% to Lactalis' market share.

(681) Second, this is consistent with the fact that Nuova Castelli does not enjoy strong presence in Gorgonzola. As confirmed to the Commission by a third party,[482] the market for Gorgonzola is strictly regulated by the Consorzio, there are several active players both in branded and private label and Nuova Castelli is a much smaller member player than Igor or Lactalis.[483] A third party described Nuova Castelli as "*rather small when it comes to Gorgonzola*."[484]

(682) Third, after the Transaction, the merged entity will continue to face significant competitive pressure from the strongest competitor to Lactalis, Igor. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 Igor represented a stronger competitive constraint than Nuova Castelli with regard to Gorgonzola in Poland. Igor's sales of Gorgonzola were significantly higher than Nuova Castelli's sales and accounted for [10-20]% of the overall Gorgonzola market in Poland.

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481 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

482 Non-confidential version of minutes of a call with a third party, 24 July 2019.

483 Non-confidential version of minutes of a call with a third party DOP, 24 July 2019.

484 Courtesy translation from the Italian: "*…ma una piccola impresa per quanto riguarda il gorgonzola"*, Non-confidential version of minutes of a call with a third party, 24 July 2019.

(683) Fourth, the merged entity will also continue to face significant competitive constraints from several other branded and private label suppliers which in 2018 accounted for [40-50]% of the overall market for Gorgonzola in Poland. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction

(684) Beside the considerations concerning the structure and shares of the Gorgonzola market in Poland, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(685) First, from the point of view of customers, the market investigation suggested that the majority of retailers do not believe that there are barriers in terms of cost and time.[485]

(686) Second, the majority of respondents indicated that it was easy or possible to switch to a different supplier of Gorgonzola.[486]

(687) Third, the majority of the customers and two Polish competitors that responded to the market investigation indicated that the Transaction will have no impact on the prices of Gorgonzola in their countries.[487]

(688) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Gorgonzola in Poland.

(689) Based on the above considerations and in light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market on the overall market for Gorgonzola in Poland.

*5.8.4. Italian-type hard cheese*

(690) Lactalis supplies only branded Italian-type hard cheeses, whereas Nuova Castelli supplies mainly private label and to some limited extent branded Italian-type hard cheeses to retailers in Poland. The Commission notes that the main overlap giving rise to an affected market is in the segment for branded Italian-type hard cheese. In light of this, the Commission will assess the likely effects of the Transaction on the branded segment and the overall market for the Italian-type hard cheese in Poland.

(691) As a preliminary remark, the Commission notes that the Parties did not provide third-party panel data to substantiate their estimates for the total market size and their market shares. Therefore, for this part, the Commission will rely on the volume market shares data as submitted and substantiated by the Parties.[488]

*(A) Branded Italian-type hard cheeses in Poland*

(692) If only the potentially relevant branded segment was considered, the Parties' combined market shares in terms of volume in 2018 would be [60-70]% (Lactalis: [50-60]%, Nuova Castelli: [5-10]%). First, the relatively small increment indicates that Nuova Castelli has only limited activities in the branded segment, which correspond to […] of actual sales through the full year of 2018.

485 Questionnaire to customers (Q2), question 105.

486 Questionnaire to customers (Q2), question 101; Questionnaire to competitors (Q1), question 122.

487 Questionnaire to customers (Q2), question 124; Questionnaire to competitors (Q1b), questions 26.1 and 26.2.

488 Parties' response to Commission's request for information RFI 22.

(693) Second, following the Transaction the Parties will continue facing effective competitive constraints from other branded products suppliers that in 2018 accounted for [30-40]% of the relevant segment. In this regard, one customer submitted in the market investigation that in Poland Ambrosi enjoys a strong position (was referred to for Parmigiano Reggiano as the next strongest brand to Zarpellon, and for Grana Padano as the next strongest brand to Lactalis' brand Galbani).[489]

(694) Third, the Commission observes that the demand for branded Italian-type hard cheeses concerns about [50-60]% of the overall market. Given the important share of the private label segment in the overall market, the Commission considers that it is likely that private label, at least to some extent, exerts competitive pressure on the branded segment. In particular, since the competition for Italian-type hard cheeses, which include products covered by a Protected Denomination of Origin, is less affected by brand presence in view of the predominant role carried by such denominations (Parmigiano Reggiano, Grana Padano). Therefore, it makes the assessment of a market only consisting of branded product much less significant in this context. In this regard, the Parties submitted that brands carry little weight as the selling point is mostly the PDO branding. The presence of the PDO logos on a cheese wheel or bag of Parmigiano Reggiano ensures and indicates to the consumer that this cheese is produced, and the milk collected, exclusively in the PDO area, delivering recognition and quality perception expected from a brand. In line with this one competitor also explained: *"The PDO brands enjoy high notoriety that it takes away "space" from private brands and indirectly attracts attention of private labels"*.[490]

(695) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular availability of other suppliers, and the impact of the Transaction.

(696) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Italian-type hard cheese in Poland.

*(B) Overall market for Italian-type hard cheese in Poland*

(697) On the overall market for Italian-type hard cheeses in Poland, based on the market shares data submitted by the Parties, their combined market shares in volume terms in 2018 would be lower: [50-60]% (Lactalis: [30-40]%; Nuova Castelli: [20-30]%).

(698) Although, post-Transaction the Parties will have large combined market shares, the Commission considers that the concentration does not raise serious doubts for the supply of Italian-type hard cheeses in Poland for the following reasons.

(699) First, the Parties have submitted that following the Transaction, the merged entity will continue to face credible competitive constraints from the remaining competitors. The other companies active in this hypothetically relevant market are, for example, Ambrosi[491] and Zanetti[492].

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489 Questionnaire to customers (Q2), question 50.

490 Courtesy translation from Italian: *"Il valore del brand DOP è talmente forte che toglie "spazio" ai Brand privati e, indirettamente, stimola l'attenzione delle private labels"*; Questionnaire to competitors (Q1), question 128.1.

491 Form CO, paragraph 1196.

(700) Third, in the private label segment, based on the Parties' data, more than half of the demand is covered by other suppliers. The Parties have indicated that the following companies are active in Poland in private label segment: Euroser (Formagia), Zarpellon, and Brazzale.[493]

(701) Fourth, Lactalis depends on the supply of Italian-type hard cheese from other manufacturers, such as […] or […], for its trading activity.[494] While Nuova Castelli has limited overall shares of production in relation to PDO cheeses, it competes closer with those companies that are also active in production of PDO cheeses rather than only trading them.

(702) Fifth, the Commission considers that it cannot be excluded that companies active in other national markets could potentially expand their activities in Poland. In this regard, the Parties submitted that competitors in Italian-type hard cheese could easily expand and gain market shares in national markets, in particular referring to companies such as Zanetti, Ambrosi, Colla, Parmareggio.[495] The majority of all customers expressing their views in the market investigation suggested that there are no significant entry or expansion barriers in terms of cost and time.[496] The Commission notes that in the market investigation a third-party has also indicated that in recent years there indeed have been several new entries into the national markets of companies who previously only had been active in Italy.[497]

(703) Sixth, the majority of customers and competitors expressing their views in the market investigation indicated that the Transaction will not have impact on prices for the supply of Italian-type hard cheeses in their countries.[498]

(704) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Italian-type hard cheeses in Poland.

(705) In light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise serious doubts on the overall market for Italian-type hard cheeses in Poland.

*5.8.5. Milk procurement*

(706) Lactalis and Nuova Castelli only procure conventional cow milk in Poland, and do not procure buffalo nor sheep milk there. In particular, the Parties procure both raw and pasteurised cow milk in the country.

(707) For conventional cow milk, the market share of the Parties in 2018 for procurement of combined raw and pasteurised cow milk in Poland was below [0-5]%, with an increment of approximately [0-5]%.[499]

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492 Questionnaire to competitors (Q1), question 133.

493 Parties' response to Commission's request for information RFI 22.

494 Form CO, paragraph 360.

495 Form CO, paragraph 1060.

496 Questionnaire to customers (Q2), question 113

497 Questionnaire to competitors (Q1), question135.1.

498 Questionnaire to customers (Q2), question 124; Questionnaire to competitors (Q1), questions 140 and 141. Only one customer in Poland was concerned about the overall negative impact of the Transaction, however no substantiated concerns were formulated in relation to Italian-type hard cheeses (Questionnaire to customers (2b), question 18).

499 Form CO, paragraph 436.

(708) For conventional raw cow milk, the market share of the Parties in 2018 for procurement of conventional raw cow milk in Poland was below [0-5]%, with an increment of [0-5]%.[500]

(709) For conventional pasteurised cow milk, the market share of the Parties in 2018 for procurement of conventional pasteurised cow milk in Poland was [20-30]%, with a small increment of [5-10]%.[501]

(710) In light of the above, the Commission's analysis will focus on the market for conventional pasteurised cow milk in Poland.

(711) First, the overall market for pasteurised cow milk in Poland is much smaller than that of raw milk (approximately 82 times).

(712) Second, the Notifying Party used imports of bulk pasteurized milk in Poland (as indicated by CLAL)[502] as a proxy. Therefore, the Notifying Party submits that this underestimates the total size of the market, given that it is frequent that dairy companies buy pasteurized milk that is not imported (but merely traded within one and the same Member State). Accordingly, the market shares presented are conservative.[503]

(713) Third, in Poland, Lactalis operates a plant in […], whereas Nuova Castelli runs a production plant in […], which is located in a different part of the country. Nuova Castelli also imports milk from Germany for its Polish plant of […].[504]

(714) Fourth, Nuova Castelli procures very limited volumes of milk in Poland, i.e., […] in 2018, which represents a [0-5]% market share.[505]

(715) Based on the above considerations and in light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market as regards the plausible market for the procurement of conventional cow milk in Poland.

*5.8.6. Other markets*

(716) The Transaction results in additional affected markets in Poland, and in particular in the plausible markets for branded and overall (private label and branded) buffalo milk mozzarella.

(717) However, in this market the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited volume of sales or shares, and/or the presence of other competitors in this market.

(718) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

## 5.9. Sweden

(719) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to the following horizontally affected plausible markets in Sweden: Cow milk mozzarella (Section 5.9.1) and Italian-type hard cheese (Section 5.9.2).

500 Form CO, paragraph 436.
501 Form CO, paragraph 436.
502 https://www.clal.it/en/index.php?section=quadro_europa&country=PL.
503 Form CO, paragraph 437.
504 Form CO, paragraph 174.
505 Form CO, paragraph 174.

*5.9.1. Cow milk mozzarella*

(720) Lactalis supplies mainly branded cow milk mozzarella, whereas Nuova Castelli has limited sales of both branded and private label cow milk mozzarella in Sweden. While the data available to the Commission indicates that Lactalis had very limited recorded sales of private label cow milk mozzarella in Sweden ([…] in 2018), the Commission notes that the overlap giving rise to a plausible affected market is in the segment for branded cow milk mozzarella. In light of this, the Commission will assess the likely effects of the Transaction on the branded segment and the overall market for cow milk mozzarella in Sweden.

*(A) Branded cow milk mozzarella in Sweden*

(721) If only the potentially relevant branded segment was considered, the Parties combined Adjusted market shares would be: [30-40]% (Lactalis: [30-40]%, Nuova Castelli: [5-10]%).[506] The Commission notes that the low increment of [5-10]% to the market shares represents recorded sales of Nuova Castelli of less than […] in the entire year 2018 and indicates low significance of Nuova Castelli as a competitive constraint in the plausible branded product market for cow milk mozzarella.

(722) Second, following the Transaction the Parties will continue to face effective competitive constraints from several credible competitors. Based on the third-party data (see Table 24), the Commission considers that the supply of branded cow milk mozzarella in Sweden is rather fragmented with several strong competitors present in this plausible market. The Commission observes that the leading supplier of branded cow milk mozzarella is Michelangelo, followed by Lactalis and Zeta. There is also a further company Wernersson that competes in this segment and supplies slightly larger volumes than recorded volumes of Nuova Castelli, which are the smallest from all branded products suppliers.

(723) Third, the small presence of Nuova Castelli on the branded segment can be explained by low notoriety of its brands Di Vittorio and Castelli.[507] None of the customers from Sweden responding in the market investigation listed Nuova Castelli's brands among the strongest brands for cow milk mozzarella.[508]

(724) Fourth, the Commission observes that although both Lactalis and Nuova Castelli are active in the branded segment, they are not the closest competitors because of different strength of their brands. According to the customers from Sweden expressing views, the strongest brands for cow milk mozzarella are Michelangelo and Lactalis' brand Galbani.[509] The Commission notes that this is directly reflected in their market shares.

(725) Fifth, the customers from Sweden responding to the market investigation also indicated that it is possible to switch to a different supplier for branded cow milk mozzarella.[510] However, as one customer explained that switching is possible "*if the brands are equally strong*".[511] The Commission considers that given different

506 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) than the volume shares provided by the Parties, and both overestimate the Parties' position compared to panel data.

507 Form CO, paragraph 347.

508 Questionnaire to customers (Q2), question 50.

509 Questionnaire to customers (Q2), question 50.

510 Questionnaire to customers (Q2), question 69.

511 Questionnaire to customers (Q2), question 69.1.

level of strength of the Parties' brands, the Transaction will likely not remove an effective competitive constraint in this segment.

(726) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the market structure, availability of alternative suppliers, and the impact of the Transaction.

(727) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in Sweden.

*(B) Overall market for cow milk mozzarella in Sweden*

(728) On the overall market for cow milk mozzarella in Sweden, based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in volume terms in 2018 were [20-30]% (Lactalis: [10-20]%, Nuova Castelli: [5-10]%).

**Table 24**

**Sweden 2018, Cow milk mozzarella[512]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis – private label | […] | [0-5]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [5-10]% |
| Combined Parties PL + B | […] | [20-30]% |
| Others – private label | […] | [40-50]% |
| Michelangelo | […] | [10-20]% |
| Zeta | […] | [10-20]% |
| Wernersson | […] | [0-5]% |
| Total sales | 4014 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel. The sales were reduced to match the unspecified difference in the panel*

(729) Although, post-Transaction the Parties will have moderate combined market shares, the Commission considers that the Transaction does not raise serious doubts for the supply of cow milk mozzarella under any plausible market definition for the following reasons.

(730) Further to the considerations provided in relation to the branded segment of the overall market, the Commission observes that the demand for branded cow milk mozzarella concerns [50-60]% of the overall market (see Table 24). The

512 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

Commission notes that the share of the private label segment has been growing in the last three years (from [40-50]% in 2016 to [50-60]% in 2018).[513]

(731) Given the growing importance of the private label segment in the overall market, the Commission considers that it is likely that private label, at least to some extent, exerts competitive pressure on the branded segment. The Commission notes that Nuova Castelli has only a small presence in the private label segment ([5-10]% of the overall market[514]) as recorded in Table 24), in which other suppliers cover most of the demand. Based on the Parties' submitted data, the main players in the private label segment in Sweden are Bayernland: [[10-20] of the overall market]%; Zott: [5-10]%; Latteria Tinis: [5-10]%; Granarolo [10-20]%; and Villa: [0-5]%.[515]

(732) In line with the above, the Commission considers that the market for cow milk mozzarella is fragmented with several credible players both in the branded and private label segments. As one customer in Sweden explained referring to entry barriers for cow milk mozzarella: *"It is a tough market with strong brands as Zeta and Galbani and a lot of price fighting brands"*.[516]

(733) The results of the market investigation also support the finding that customers in Sweden have credible suppliers other than the Parties and that it is possible to switch suppliers.[517] Accordingly, the Commission considers that following the Transaction, the merged entity will continue to face competitive constraints from credible competitors.

(734) Overall, none of the customers from Sweden taking part in the market investigation expressed concerns related to the Transaction.[518]

(735) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded cow milk mozzarella in Sweden.

(736) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for cow milk mozzarella in Sweden.

*5.9.2. Italian-type hard cheese*

(737) Lactalis supplies only branded Italian-type hard cheeses, whereas Nuova Castelli supplies mainly private label and to some limited extent branded Italian-type hard cheeses to retailers in Sweden. In light of this, the Commission will assess the likely effects of the Transaction on the branded segment and the overall market for the Italian-type hard cheeses in Sweden.

513 Parties' response to the Commission's request for information RFI 23.

514 Based on the market shares submitted by the Parties, the Nuova Castelli's share in the plausible private label segment would be [5-10]%, while Lactalis would bring an increment of less than [0-5]%, thereby not giving rise to an affected plausible market and indicating very limited presence of the Parties.

515 Parties' response to Commission's request for information RFI 22.

516 Questionnaire to customers (2), question 78.1.

517 Questionnaire to customers (2), questions 70, 73.

518 Questionnaire to customers (2), question 123.

*(A) Branded Italian-type hard cheeses in Sweden*

(738) First, if only the segment of branded Italian-type hard cheeses was considered, based on the Adjusted market share data, the Parties' combined Adjusted market shares in volume terms in 2018 would be: [20-30]% (Lactalis: [20-30]%; Nuova Castelli: [0-5]%).[519] The low increment of [0-5]% to the market shares represents minimal recorded sales of Nuova Castelli of […] in the entire year 2018 and also indicates low significance of Nuova Castelli as a competitive constraint in the plausible branded product market.

(739) Second, following the Transaction the Parties will continue to face competitive constraints from several credible competitors. In the branded segment in Sweden, Zeta is the leading supplier with […], which is double than the Parties' combined recorded sales of branded products. The Commission notes that further [5-10]% of the overall demand is covered by sales under other brands, which would correspond to almost four times larger sales than the recorded volume of Nuova Castelli.

(740) Third, one customer from Sweden also explained that Sweden is a small market and Zeta and Galbani enjoy brand notoriety in Sweden.[520] None of the customers responding listed Nuova Castelli as their supplier. Accordingly, the Commission considers that this further supports the finding that Nuova Castelli is not exerting an effective competitive constraint for the supply of branded Italian-type hard cheese in Sweden.

(741) Fourth, competition for Italian-type hard cheeses, which encompass products covered by a Protected Denomination of Origin, is less affected by brand presence in view of the predominant role carried by such denominations (Parmigiano Reggiano, Grana Padano). Therefore, it makes the assessment of a market only consisting of branded product much less significant in this context. In particular, the Parties submitted that brands carry little weight as the selling point is mostly the PDO branding. The presence of the PDO logos on a cheese wheel or bag of Parmigiano Reggiano ensures and indicates to the consumer that this cheese is produced, and the milk collected, exclusively in the PDO area, delivering recognition and quality perception expected from a brand. In line with this one competitor also explained: "*The PDO brands enjoy high notoriety that it takes away "space" from private brands and indirectly attracts attention of private labels*".[521]

(742) In light of the above and in particular given the very limited activities of Nuova Castelli, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded Italian-type-hard cheese in Sweden.

(743) In its assessment of this plausible market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the market structure, availability of alternative suppliers, limited competitive position of Lactalis and the impact of the Transaction.

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519 The combined value market shares for branded segment are lower than the volume shares provided by the Parties, and are in line with the Parties' position compared to panel data.

520 Questionnaire to customers (2), Question 113.1.

521 Courtesy translation from the Italian: "*Il valore del brand DOP è talmente forte che toglie "spazio" ai Brand privati e, indirettamente, stimola l'attenzione delle private labels*"; Questionnare to competitors (Q1), question 128.1.

(744) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Italian-type hard cheeses in Sweden.

*(B) Overall market for Italian-type hard cheese in Sweden*

(745) On the overall market for Italian-type hard cheeses in Sweden, based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2, the combined Adjusted market shares of the Parties in volume terms in 2018 were: [20-30]% (Lactalis: [5-10]%; Nuova Castelli: [10-20]%).

**Table 25**

**Sweden 2018, Italian-type hard cheese[522]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [5-10]% |
| Nuova Castelli – branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [20-30]% |
| Others - branded | […] | [5-10]% |
| Others – private label | […] | [40-50]% |
| Zeta | […] | [20-30]% |
| Total sales | 1689 | 100% |

*Note: Internal branded sales were inserted for Nuova Castelli as there was no entry in the panel*

(746) Although, following the Transaction the Parties will have moderate combined market shares, the Commission considers that the concentration does not raise serious doubts for the supply of Italian-type hard cheeses in Sweden for the reasons already discussed above and the following reasons.

(747) First, as observed in other countries, the market structure for the supply of Italian-type hard cheeses in Sweden suggests that strong competitive constraints come from private label segment, which has approximately [60-70]% share in the overall market in 2018 compared to [40-50]% in 2016.[523] The Parties activities do not overlap in this segment. Based on the data in Table 25, other private label suppliers than Nuova Castelli account for a significant part ([40-50]%) of the overall demand for Italian-type hard cheese in Sweden. The Parties have indicated that following companies are active in private label supply in Sweden: Soresina, Ferrari, Zanetti, Wernersson, and Colla.[524]

(748) Second, following the Transaction the Parties will continue to face effective competitive constraints from several credible competitors in branded, as well as in private segments. Further to competitors listed in paragraphs (739) - (740),

522 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

523 Parties' response to the Commission's request for information RFI 23.

524 Parties' response to the Commission's request for information RFI 22.

and (747), in the market investigation, a customer from Sweden indicated further companies Di Luca and Gennaro Auricchio as its top suppliers for private and branded label Italian-type hard cheeses.[525]

(749) Third, Lactalis depends on the supply of Italian-type hard cheeses from other manufacturers, such as […] or […], for its trading activity.[526] While Nuova Castelli has limited overall shares of production in relation to PDO cheeses, it competes closer with those companies that are also active in production of PDO cheeses rather than only trading them.

(750) Fourth, the Commission considers that it cannot be excluded that companies active in other national markets could potentially expand their activities in Sweden. In this regard, the Parties submitted that competitors in Italian-type hard cheese could easily expand and gain market shares in national markets, in particular referring to companies such as Zanetti, Ambrosi, Colla, Parmareggio.[527] The majority of all customers expressing their views in the market investigation suggested that there are no significant entry or expansion barriers in terms of cost and time.[528] The Commission notes that in the market investigation the Consortia for Parmigiano Reggiano has also indicated that in recent years there indeed have been several new entries into the national markets of companies who previously only had been active in Italy.[529]

(751) Fifth, none of the customers from Sweden expressed concerns related to the Transaction.[530] As one customer explained: *"On the Swedish market, Castelli is a very small brand, and will not have any impact on the market situation"*.[531]

(752) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Italian-type hard cheese in Sweden.

(753) Based on the above considerations and in the light of the results of the market investigation and the information submitted by the Parties, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for Italian-type hard cheese in Sweden.

*5.9.3. Other markets*

(754) The Transaction results in additional affected markets in Sweden, and in particular in the plausible markets for branded ricotta, mascarpone and Gorgonzola, and the overall (private label and branded) Gorgonzola.

(755) However, in this market the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited volume of sales or shares, and the presence of other competitors in this market.

(756) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

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525 Questionnaire to customers (2), question 107.

526 Form CO, paragraph 360.

527 Form CO, paragraph 1060.

528 Questionnaire to customers (Q2), question 113

529 Questionnaire to competitors (Q1), question 135.1.

530 Questionnaire to customers (2), question 123.

531 Questionnaire to customers (2), question 123.1.

## 5.10. Denmark

(757) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to the following horizontally affected plausible markets in Denmark: Cow milk mozzarella (Section 5.10.1); mascarpone (Section 5.10.2) and Italian-type hard cheeses (Section 5.10.3).

*5.10.1. Cow milk mozzarella*

(758) Both Lactalis and Nuova Castelli supply branded and private label cow milk mozzarella to retailers in Denmark.

*(A) Branded cow milk mozzarella in Denmark*

(759) For branded cow milk mozzarella the combined Adjusted market share of the Parties in 2018 in Denmark was [30-40]% (in volume), with Lactalis' adding an increment of [5-10]% to Nuova Castelli [20-30]% market share.[532]

(760) First, Lactalis has moderate sales of branded cow milk mozzarella in Denmark in 2018 and thus does not enjoy strong brand presence contrary to other markets.

(761) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the alternative branded suppliers. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 the competitors for branded mozzarella represented [70-80]% of the market.

(762) Third, market investigation shows that retailers in Denmark have the ability to switch branded mozzarella suppliers. As explained by a retailer: '*Due to difference of opinion regarding buying prices made us delist Galbani and list Trentin. This has been reversed in 2019'*.[533]

(763) Therefore, given the market shares, and given that the increment brought about by the transaction is moderate, the plausible branded market will continue having a multitude of credible suppliers with established commercial relations with retailers.

(764) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers, lack of barriers to switching and the impact of the Transaction with respect to this plausible market also apply to the assessment of branded cow milk mozzarella.

(765) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded cow milk mozzarella.

*(B) Private label cow milk mozzarella in Denmark*

(766) In the private label segment there seem to be a number of viable competitors that offer volumes of cow milk mozzarella to retailers in Denmark. Based on the Notifying Party's estimates, there is a significant number of alternative private

532 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) than the volume shares provided by the Parties, but both underestimate the Parties' position compared to panel data.

533 Questionnaire to customers (Q2), question 68.1

label supplier in Denmark: Bayerische Milchindustrie eG: [5-10]%; Spezialitäten-Käserei Wiegert GmbH: [5-10]%; Caseificio Villa srl: [5-10]%; Goldsteig Käsereien Bayerwald GmbH: [0-5]%;

(767) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers, lack of barriers to switching and the impact of the Transaction with respect to this plausible market also apply to the assessment of private label cow milk mozzarella.

(768) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the private label cow milk mozzarella.

*(C) Overall marketfor cow milk mozzarella in Denmark*

(769) On the overall market for the supply of branded and private label cow milk mozzarella to retailers in Denmark, and in light of the methodology described in Section 5.2, the Parties had a combined market share in 2018 of [40-50]%, with an increment of [10-20]%.

**Table 26**

**Denmark 2018, Cow milk mozzarella[534]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis -branded | […] | [5-10]% |
| Lactalis – private label | […] | [5-10]% |
| Nuova Castelli - branded | […] | [20-30]% |
| Nuova Castelli – private label | […] | [5-10]% |
| Combined Parties PL + B | […] | [40-50]% |
| Others - branded | […] | [50-60]% |
| Others – private label | […] | [0-5]% |
| Trentin | […] | [0-5]% |
| Total sales | 2508 | 100% |

*Note: Parties private sales higher than the total of private label. Reduced proportionally*

(770) Beside the considerations concerning the competitive landscape and shares of the market for cow milk mozzarella in Denmark, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(771) First, the Commission observes that the overall market of cow milk mozzarella in Denmark appears to be fragmented with several credible competitors. A Danish retailer indicated that it had three viable suppliers of cow milk mozzarella.[535] The

534 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

535 Questionnaire to customers (Q2), question 66.

results of the market investigation indicate that there are further additional suppliers of branded and private label cow milk mozzarella in Denmark.[536]

(772) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from several branded and private label suppliers that in 2018 accounted for [50-60]% of the overall cow milk mozzarella market in Denmark. These competitors are likely to continue exercising competitive pressure on the merged entity comparable to the pressure exercised by Nuova Castelli on Lactalis pre-Transaction. As an illustration of this competitive interaction, a Danish customer indicated that for a given tender of private label mozzarella issued recently there were four participants.[537]

(773) Third, the two Danish retailers that expressed a view in the market investigation indicated that it was easy to switch to a different supplier of cow milk mozzarella.[538]

(774) Fourth, with regard to the impact of the Transaction and based on the market investigation, out of the Danish customers that provided a view, one indicated that this will lead to less supplier options. However, the other two indicated that the Transaction would not have a significant impact in any market for Italian-type cheeses.[539]

(775) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible markets for branded cow milk mozzarella in Denmark as well as private label cow mozzarella in Denmark.

(776) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for cow milk mozzarella in Denmark.

*5.10.2. Mascarpone*

(777) Both Parties supply branded mascarpone in the Denmark, but only Lactalis supplies private label. Based on the information provided by the Notifying Party, Nuova Castelli does not produce, but only trades, mascarpone. It purchases […] of its requirements from […].

*(A) Branded mascarpone in Denmark*

(778) Both Lactalis and Nuova Castelli supply branded mascarpone to retailers in Denmark.

(779) For branded mascarpone the combined Adjusted market share of the Parties in 2018 in Denmark was [40-50]% (in volume), with Lactalis adding an increment of [10-20]% to Nuova Castelli [20-30]% market share.[540]

(780) First, Lactalis had moderate sales of branded mascarpone in Denmark in 2018 and thus does not enjoy strong brand presence contrary to other markets.

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536 Questionnaire to customers (Q2b), questions 9.

537 Questionnaire to customers (Q2b), questions 9.

538 Questionnaire to customers (Q2), questions 69.

539 Questionnaire to customers (Q2), questions 123; Questionnaire to customers (Q2b), question 18.1.

540 The combined value market shares for branded segment are higher (by less than 7 percentage points) than the volume shares provided by the Parties, and both overestimate the Parties' position compared to panel data.

(781) Second, after the Transaction, the merged entity will continue to face significant competitive pressure from the alternative branded suppliers. According to the data provided by the Parties and based on the Commission's analysis (see Section 5.2), in 2018 the competitors for branded mascarpone represented [50-60]% of the market.

(782) Third, the merged entity will continue to face significant competitive constraints from Trentin which roughly is as big as Nuova Castelli, as well as from other branded suppliers which together represent more than [20-30]% of the overall market for mascarpone in Denmark.

(783) The Commission has also considered in its assessment that the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers, the absence of significant barriers to entry and expansion, lack of barriers to switching with respect to this plausible market also apply to the assessment of branded mascarpone.

(784) In view of the above, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the branded mascarpone.

*(B) Overall market for mascarpone in Denmark*

(785) Based on the Commission's methodology, Adjusted market shares for the overall market for mascarpone in Denmark are as follows.

**Table 27**

**Denmark 2018, Mascarpone[541]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Lactalis – private label | […] | [20-30]% |
| Nuova Castelli - branded | […] | [20-30]% |
| Combined Parties PL + B | […] | [50-60]% |
| Others - branded | […] | [20-30]% |
| Others – private label | […] | [0-5]% |
| Trentin | […] | [20-30]% |
| Total sales | 173 | 100% |

*Note: Parties private sales were higher than the total of private label. They were reduced proportionally.*

(786) Beside the considerations concerning the competitive landscape and shares of the market for mascarpone in Denmark, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(787) First, after the Transaction, the merged entity will continue to face significant competitive pressure from other brands as well as from private label competitors.

541 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

(788) According to sales data provided by the Parties, Lactalis in light of the methodology described in Section 5.2 appears to have higher sales in private label than the private label market size as reported by third parties providers. However based on the Notifying Party's estimates, there is a significant number of alternative private label supplier in Denmark: Trentin: [20-30]%; Centrale del Latte di Brescia: [10-20]%. These competitors are likely to continue exercising significant competitive pressure on the merged entity.

(789) Second, with regard to the ability of customers to switch suppliers of mascarpone, Danish retailers that responded to the market investigation considered that it was easy to switch to different supplier of mascarpone[542]. Market investigation shows that retailers in Denmark have the ability to switch branded mascarpone suppliers. As explained by a retailer: '*We switched from Lactalis to Trentin and back again due to difference of opinion regarding buying prices*'.[543]

(790) Therefore, the branded side of the market will continue having a multitude of credible suppliers with established commercial relations with retailers.

(791) Third, the Commission notes that, according to the Notifying Party, to produce mascarpone, dairy companies can use the milk fat either to produce cream or mascarpone. Manufacturing mascarpone is a way to add value to the left overs of the production of cheese. Dairy companies in Italy have a particular incentive to manufacture mascarpone: the market for cream is very small in Italy.

(792) In view of this, the market investigation confirmed that investment to enter mascarpone production are relatively low. According to the Notifying Party investments for the production of 1,000 tons of mascarpone would amount to roughly EUR 1 million. By way of comparison, the entire Danish market is reported by third party data to be 173 tons.

(793) This finding was confirmed also by retailers responding to the market investigation. With regards to potential barriers to entry when asked if there are any significant barriers to the entry or expansion for mascarpone in terms of costs and time none of the Danish retailers replied that there were barriers to entry.[544]

(794) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded mascarpone in Denmark.

(795) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for mascarpone in Denmark.

*5.10.3. Italian-type hard cheese*

(796) Lactalis supplies only branded Italian-type hard cheese in Denmark, whereas Nuova Castelli supplies mainly branded and to some limited extent private label Italian-type hard cheeses to retailers in Denmark. Given that the main overlap is in the supply of branded Italian-type hard cheese, the Commission will assess the effects of the Transaction in relation to the branded segment and the overall market.

542 Questionnaire to customers (Q2), question 92.

543 Questionnaire to customers (Q2), question 90.1.

544 Questionnaire to customers (Q2), question 96.

*(A) Branded Italian-type hard cheese in Denmark*

(797) First, if only the segment of branded Italian-type hard cheese was considered, based on the Commission's Adjusted market shares methodology, the Parties' combined market shares in volume terms in 2018 would be just above the threshold: [20-30]% (Lactalis: [0-5]%; Nuova Castelli: [10-20]%).[545] The low increment of [0-5]% to the market shares represents minimal recorded sales of Lactalis of […] in the entire year 2018 and also indicates low significance of Lactalis as a competitive constraint in the plausible branded product market.

(798) Second, several credible competitors remain for the supply of branded Italian-type hard cheese, which would continue to exert competitive pressure on the Parties following the Transaction see (see Table 28). As recorded by this third-party data, Lactalis supplies several times smaller quantities than the number 1 supplier Zanetti and number 2 supplier Ambrosi. The results of the market investigation support the finding that Zanetti is an important competitive force.[546] In addition, Italian-type cheese manufacturers Granarolo and Trentin were mentioned as alternative suppliers.[547]

(799) Third, competition for Italian-type hard cheeses, which encompass products covered by a Protected Denomination of Origin, is less affected by brand presence in view of the predominant role carried by such denominations (Parmigiano Reggiano, Grana Padano). Therefore, it makes the assessment of a market only consisting of branded product much less significant in this context. In particular, the Parties submitted that brands carry little weight as the selling point is mostly the PDO branding. The presence of the PDO logos on a cheese wheel or bag of Parmigiano Reggiano ensures and indicates to the consumer that this cheese is produced, and the milk collected, exclusively in the PDO area, delivering recognition and quality perception expected from a brand. In line with this one competitor also explained: "*The PDO brands enjoy high notoriety that it takes away "space" from private brands and indirectly attracts attention of private labels*".[548]

(800) In light of the above and in particular given the very limited activities of Lactalis, the Commission considers that the Transaction will not substantially modify the market structure and will not remove a significant competitive constraint for branded Italian-type hard cheese in Denmark.

(801) In its assessment of this market, the Commission also considered the arguments presented in the below section as regards the overall market, and in particular concerning the market structure, availability of alternative suppliers, absence of significant barriers to entry and expansion, and the limited competitive position of Lactalis.

(802) In conclusion and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise

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545 The combined value market shares for branded segment are in line with the volume shares provided by the Parties, and are also in line with the Parties' position compared to panel data.

546 Questionnaire to customers (Q2), question 107, where it is considered as top 1 supplier for Italian-type hard cheese by a customer from Denmark expressing the views.

547 Questionnaire to customers (Q2), question 107.

548 Courtesy translation from Italian: "*Il valore del brand PDO è talmente forte che toglie "spazio" ai Brand privati e, indirettamente, stimola l'attenzione delle private labels*"; Questionnaire to customers (Q1), question 128.1.

serious doubts as to its compatibility with the internal market with regard to the plausible market of branded Italian-type hard cheeses in Denmark.

*(B) Overall market for Italian-type hard cheese in Denmark*

(803) On the overall market for Italian-type hard cheeses in Denmark, based on the market share data submitted by the Parties and in light of the methodology described in Section 5.2 (see Table 28), the combined market shares of the Parties in volume terms in 2018 were: [20-30]% (Lactalis: [0-5]%; Nuova Castelli: [10-20]%).

**Table 28**

**Denmark 2018, Italian-type hard cheeses[549]**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [0-5]% |
| Nuova Castelli - branded | […] | [10-20]% |
| Nuova Castelli – private label | […] | [0-5]% |
| Combined Parties PL + B | […] | [20-30]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [10-20]% |
| Zanetti | […] | [40-50]% |
| Ambrosi | […] | [10-20]% |
| Total sales | 1049 | 100% |

(804) Since post-Transaction the Parties will have moderate combined market shares, the Commission considers that the Transaction does not raise serious doubts for the supply of Italian-type hard cheeses in Denmark under any plausible market definition for the reasons set out above, and also for the following reasons.

(805) First, given that the Transaction brings about a small increment in market share ([0-5]%), the Commission considers that the concentration will not substantially modify the market structure for the supply of Italian-type hard cheese in Denmark.

(806) Second, overall the large majority of customers in the market investigation indicated that it was possible to switch suppliers of Italian-type hard cheese.[550] One Danish customer also explained that it is possible to switch suppliers for Italian-type hard cheeses*: "I haven't tried but I suppose that it will be quite easy."* [551]

(807) Third, Lactalis depends on the supply from other manufacturers, such as […] or […], for its trading activity of Italian-type hard cheeses. While Nuova Castelli has limited overall shares of production in relation to PDO cheeses, it competes closer with those companies that are also active in production of PDO cheeses rather than only trading them.

549 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

550 Questionnaire to customers (Q2), question 109.

551 Questionnaire Q2, question 109.1.

(808) Fourth, in contrast to other countries, the demand for Italian-type hard cheeses in Denmark concerns primarily branded products, while private label covers approximately [30-40]% of the overall demand. Nonetheless, based on the Parties' submitted data, the Commission observes the same, albeit not to the same extent, trend in Denmark of increasing share of private label segment (from [5-10]% in 2016 to [10-20]% in 2018). Based on the data provided by the Parties, Zanetti and Ambrosi are also active in the private label segment in Denmark.[552] Given the very limited activities of Nuova Catelli in this segment (the recorded sales volumes of […], see Table 28), the Commission considers that it cannot be excluded that private label suppliers, at least to some extent, would continue to exert competitive pressure on the branded products suppliers.

(809) Fifth, the Commission considers that it cannot be excluded that companies active in other national markets could potentially expand their activities in Denmark. In this regard, the Parties submitted that competitors in Italian-type hard cheese could easily expand and gain market shares in national markets, in particular referring to companies such as Zanetti, Ambrosi, Colla, Parmareggio.[553] The majority of all customers expressing their views in the market investigation suggested that there are no significant entry or expansion barriers in terms of cost and time.[554] The Commission notes that in the market investigation the Consortia for Parmigiano Reggiano has also indicated that in recent years there indeed have been several new entries into the national markets of companies who previously only had been active in Italy.[555]

(810) Sixth, considering the impact of the Transaction, from all Danish customers that provided a view in the market investigation one indicated that the Transaction may lead to less supplier options. This customer has, however, also indicated that it is "*confident that it can procure the desired quantities and quality from other suppliers*", as well as that it is "*not concerned about logistics and distribution regarding other suppliers*".[556] The other two customers expressing views indicated that the Transaction would not have a significant impact in any market for Italian-type cheeses.[557]

(811) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded Italian-type hard cheeses in Denmark.

(812) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the overall market for Italian-type hard cheese in Denmark.

*5.10.4. Other markets*

(813) The Transaction results in additional affected markets in Denmark, and in particular in the plausible markets for branded buffalo milk mozzarella, ricotta, mascarpone and Gorgonzola, and for the overall (private label and branded) buffalo milk mozzarella, overall ricotta and overall Gorgonzola markets.

552 Parties' response to Commission's request for information RFI 22.

553 Form CO, paragraph 1060.

554 Questionnaire to customers (Q2), question 113

555 Questionnaire to competitors (Q1), question 135.1.

556 Non-confidential version of minutes of a call with a customer, 2 August 2019.

557 Questionnaire to customers (Q2), question 123; Questionnaire to customers (Q2b), question 18.1.

(814) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited sales volume and the presence of other competitors in these markets.

(815) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

## 5.11. Portugal

(816) Based on the market share data submitted by the Parties and in light of the methodology used by the Commission (see Section 5.2), the Transaction gives rise to an affected market in Portugal in cow milk mozzarella.

### *5.11.1. Cow milk mozzarella*

(817) Lactalis supplies branded cow milk mozzarella to retailers in Portugal. Conversely, Nuova Castelli supplies very small volumes of branded, as well as private label cow milk mozzarella.

#### *(A) Branded cow milk mozzarella in Portugal*

(818) For branded cow milk mozzarella, first the combined Adjusted market shares of the Parties is [70-80]%, with a moderate increment of [5-10]%.[558] The Transaction results in an affected market only because of Lactalis' large market presence with branded products, sold under Galbani brand.[559]

(819) Second, this is consistent with the fact that, in Portugal, Nuova Castelli does not enjoy strong brand presence in cow milk mozzarella, but focuses primarily on private label supplies of this product to retailers.

(820) Third, several other credible competitors of Lactalis are active in the branded segment, for instance Zanetti, Solo Italia, Lago Maggiore and Valgrande. Overall, the Parties' competitors in a plausible branded market have a solid presence in Portugal with competitive brands.

(821) The market investigation supports the finding that a number of credible competitors can and do offer volumes of branded cow milk mozzarella to retailers in Portugal and compete in the negotiations organised by retailers. Data collected from retailers show that they have sourced from one or more suppliers other than the Parties in 2018.[560]

(822) Therefore, the branded segment of the market will continue having a reasonable number of credible suppliers with established commercial relations with retailers in Portugal.

(823) In its assessment of this plausible market, the Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded cow milk mozzarella.

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558 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) than the volume shares provided by the Parties, and both overestimate the Parties' position compared to panel data.

559 Parties' response to Commission's request for information RFI 7, question 1.

560 Questionnaire to customers (Q2c), question 3.

(824) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in Portugal.

*(B) Overall market for cow milk mozzarella in Portugal*

(825) On the overall market for branded and private label cow milk mozzarella in Portugal, the combined Adjusted market shares of the parties is [30-40]%. (see Table 29 below).

**Table 29**

**Portugal 2018, Cow milk mozzarella[561] – Adjusted market shares**

| Competitor | Sales, tons | Market Share |
|---|---|---|
| Lactalis - branded | […] | [10-20]% |
| Nuova Castelli - branded | […] | [0-5]% |
| Nuova Castelli – private label | […] | [10-20]% |
| Combined Parties PL + B | […] | [30-40]% |
| Others - branded | […] | [0-5]% |
| Others – private label | […] | [50-60]% |
| Solo Italia | […] | [0-5]% |
| Lago Maggiore | […] | [0-5]% |
| Granarolo | […] | [0-5]% |
| Negrini | […] | [0-5]% |
| Total sales | 962 | 100% |

(826) The Commission observes that the overall market for cow milk mozzarella in Portugal appears to be fragmented, with several active players both in the branded and private label.

(827) Beside the considerations concerning the structure and shares of the cow milk mozzarella market, the Commission considers that the Transaction does not raise serious doubts for the following reasons.

(828) First, the Commission finds, based on the market investigation, that barriers to entry are not high for suppliers of cow milk mozzarella in Portugal, and that these barriers are mainly linked to the presence of relationships with local distributors.[562]

(829) Second, as regards expansion, the market investigation suggested that a number of suppliers active in Italy and Germany could increase supply in the short term without incurring significant cost.

(830) Third, as regards the impact of the Transaction, the vast majority of responsive retailers in Portugal believe that the Transaction will have no impact on their companies.[563]

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561 For the reasons explained in Section 5.2.2., the Commission reports the Adjusted market shares for the plausible market of branded goods, as well as for the branded and private label goods market combined. As detailed panel data for private label is unavailable, the separate shares for private label are presented on the basis of the Notifying Party's market shares. They are likely to overestimate the Parties' presence in private label products.

562 Questionnaire to customers (Q2c), questions 11 and 12.

563 Questionnaire to customers (Q2c), question 18.2.

(831) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded cow milk mozzarella in Portugal.

(832) Based on the above considerations and in the light of the results of the market investigation, the Commission considers that the concentration does not raise serious doubts as to its compatibility with the internal market on the overall market for cow milk mozzarella in Portugal.

*5.11.2. Other markets*

(833) The Transaction results in additional affected markets in Portugal, and in particular in the plausible markets for branded buffalo milk mozzarella, ricotta and mascarpone; for private label Gorgonzola and for the overall (branded and private label) ricotta, mascarpone, Gorgonzola and Italian-type hard cheeses.

(834) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited volume of sales or shares, and/or the presence of other competitors in these markets.

(835) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

## 5.12. Finland

(836) Based on the market share data submitted by the Parties and in light of the methodology used (see Section 5.2), the Transaction gives rise to horizontally affected plausible market in Finland for cow milk mozzarella (Section 5.12.1) and other affected markets (Section 5.12.2).

*5.12.1. Cow milk mozzarella*

(837) Lactalis supplies only branded cow milk mozzarella, whereas Nuova Castelli supplies mainly private label and branded cow milk mozzarella to retailers in Finland. The Commission notes that the main overlap giving rise to an affected market is in the segment for branded cow milk mozzarella. In light of this, the Commission will assess the likely effects of the Transaction on the branded segment and the overall market for the cow milk mozzarella in Finland.

(838) The Commission notes that the Parties did not provide third-party panel data for the year 2018 to substantiate their estimates for the total market size and their market shares. Therefore, for this part, the Commission will rely on the volume market shares data as submitted and substantiated by the Parties.

*(A) Branded cow milk mozzarella in Finland*

(839) For branded cow milk mozzarella, the Parties combined market shares would be [40-50]% (Lactalis: [20-30]%, Nuova Castelli: [20-30]%).[564]

(840) First, considering panel data from 2017 provided by the Parties there were several competitors with higher market shares than Nuova Castelli, such as Granarolo or Juustoportti.[565]

564 The combined value market shares for branded segment are slightly higher (by less than 5 percentage points) than the volume shares provided by the Parties.

565 Parties' response to the Commission's request for information RFI 20, Annex RFI 20-1 - Panel data.

(841) Second, the market investigation has indicated the presence of a significant number of alternatives for retailers in relation to the supply of branded cow milk mozzarella in Finland.[566]

(842) In its assessment of this plausible market, the Commission has also considered in its assessment the arguments presented in the below section as regards the overall market, and in particular concerning the availability of other suppliers and the impact of the Transaction that also apply to the assessment of branded cow milk mozzarella.

(843) In conclusion, in light of the above and based on the information available to the Commission and provided by Parties, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market with regard to the plausible market of branded cow milk mozzarella in Finland.

*(B) Overall market for cow milk mozzarella in Finland*

(844) For the overall market for cow milk mozzarella in Finland, based on the market shares data submitted by the Parties, their combined market share in 2018 does not amount to an affected market ([10-20]% in volume, Lactalis: [5-10]% and; Nuova Castelli: [10-20]%), However, for the sake of completeness, the Commission will assess this plausible overall market.

(845) The Commission considers that the Transaction does not raise serious doubts for the supply of cow milk mozzarella under any plausible market definition for the following reasons.

(846) First, according to the data submitted by the Parties, following the Transaction the merged entity will continue to face credible competitive constraints from the remaining competitors. Based on the Notifying Party's estimates, there appears to be a significant number of alternative suppliers for private label cow milk mozzarella in Finland: Bayerische Milchindustrie: [30-40]% and Pirkka: [20-30]%. These competitors, in addition to the competitors active in branded products are likely to continue exercising significant competitive pressure on the merged entity.

(847) Second, the Commission observes that, according to 2017 panel data, the demand for private label cow milk mozzarella represented [60-70]% of the overall market. Given that private label accounts for an important share of the overall market and the very limited activities of one of the Parties (Nuova Castelli: [5-10]% market share in 2017) on that segment, the Commission considers that it cannot be excluded that other private label suppliers, at least to some extent, would continue to exert competitive pressure on branded products suppliers.

(848) Third, a Finish retailer that expressed its views during the market investigation indicated that the Transaction will have no impact on competition in relation to the supply of Italian-type cheese. [567]

(849) Finally, the Commission found that the Transaction does not raise serious doubts as to its compatibility with the internal market on the plausible market for branded cow milk mozzarella in Finland.

(850) In light of the above and based on the information available to the Commission and provided by Parties, the Commission considers that the Transaction does not raise

566 Questionnaire to customers (Q2c), question 3.

567 Questionnaire to customers (Q2c), question 18.1.

serious doubts as to its compatibility with the internal market on the overall market for cow milk mozzarella in Finland

*5.12.2. Other markets*

(851) The Transaction results in additional affected markets in Finland, and in particular in the plausible markets for branded buffalo milk mozzarella, ricotta, mascarpone and Italian-type hard cheese.

(852) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited volume of sales or shares, and the presence of other competitors in these markets.

(853) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

**5.13. Belgium**

(854) The Transaction results in additional affected markets in Belgium, and in particular in the plausible markets for the overall (private label and branded) cow milk mozzarella, overall buffalo milk mozzarella, overall ricotta and overall mascarpone markets.

(855) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli, which bring a very limited increment to Lactalis' shares, and the presence of other competitors in these markets.

(856) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

**5.14. The Netherlands**

(857) The Transaction results in additional affected markets in The Netherlands, and in particular in the plausible markets for branded cow milk mozzarella, buffalo milk mozzarella, ricotta and mascarpone, and for the overall (branded and private label) cow milk mozzarella, buffalo milk mozzarella, ricotta and mascarpone.

(858) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli based on its limited volume of sales or shares and the presence of other competitors in these markets.

(859) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

**5.15. Spain**

(860) The Transaction results in additional affected markets in Spain, and in particular in the plausible markets for branded cow milk mozzarella, buffalo milk mozzarella and mascarpone, and for the overall (branded and private label) cow milk mozzarella and mascarpone.

(861) However, in all these markets the Transaction results in a negligible increment due to the small presence of Nuova Castelli, bringing a very limited increment to Lactalis' shares, and the presence of other competitors in these markets.

(862) On this basis the Commission finds that the Transaction does not raise serious doubts concerning these markets.

## 6. CONCLUSION

(863) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market. This Decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

*For the Commission*

*(Signed)*
*Margrethe VESTAGER*
*Executive Vice-President*