



THE PROPOSED ACQUISITION OF DILPACK KENYA LIMITED'S ASSETS BY ELGON KENYA LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of Dilpack Kenya Limited's assets by Elgon Kenya Limited unconditionally.
2. Elgon Kenya Limited (Elgon Kenya), the acquirer, is a limited liability company incorporated in Kenya.
3. The acquirer is involved in the distribution of agrochemicals, fertilizers, seeds, animal health products, irrigation equipment and selective farm equipment. Elgon Kenya also manufactures greenhouse sheeting, corrugated boxes and self-adhesive labels, planting and carry bags, buckets and crates which are used for exporting flowers in Europe
4. Dilpack Kenya Limited (Dilpack Kenya), the target, is incorporated in Kenya. It is a wholly owned subsidiary of Van Dillewijn Group BV (Netherlands).
5. The target is involved in the production and supply of packaging materials to cut flower producers in Kenya. Specifically, the packaging materials include: printed and unprinted flexible packaging (films on rolls, sheets and sleeves) flower food and other accessories like rubber bands, secateurs and decorative materials, among others
6. The proposed transaction involves the acquisition of assets, including the trade name, of Dilpack Kenya Limited by Elgon Kenya Limited. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
7. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.
8. The parties' activities can be vertically integrated and, therefore, for purposes of analyzing the proposed transaction, the relevant product market was determined to be the market for provision for flexible packaging for cut flower.
9. The target primarily distributes its packaging to flower farms in Naivasha, Kenya. However customers are also accessible from other parts of the country. Therefore, for purposes of analyzing the proposed transaction, the relevant geographical market was determined as



national.

10. Data from the Kenya Flower Council, an association of growers and exporters of cut-flowers and ornamentals, indicates that approximately 38% of all cut flower imports, specifically roses, into the EU originates from Kenya. Kenya has experienced an increase in cut flower exports over the years and is currently exporting 159,961 metric tonnes annually.
11. Floral packaging boxes (flat and telescopic) are used for long distance transit whereas flower sleeves are used to protect flowers during short distance trips. Additionally, to prevent flowers packaged in the boxes from damage, they are usually covered in protective material such as newspapers, foliage, paper wool or shredded paper. Elastic straps anchor the flowers.
12. Cut flowers also require flower foods to keep them fresh throughout the value chain (from farm to consumer). Cut flower food is therefore a paramount input in the cut flower packaging sector.
13. Both the packaging and flower foods are complementary products and, therefore, competition in the sector is based on a player's ability to offer a complete package to cut flower producers.
14. Some of the major flower packaging companies and flower food manufacturers in Kenya include; Dilpack Kenya Limited, Manipal International Printing Press Limited, San Pack Industries Limited, Bobmil Industries Limited, Elgon Kenya Limited, Broekhof Africa, Packaging Industries Limited, Dutch Flower Group and Koen Pack Manipal Limited.
15. The market value for the sector is approximately Ksh. 210 Billion and, therefore, the target's market share is approximately 0.3% while that of the acquirer is about 4.7%.
16. Post-transaction, there will be minimal change in market shares. Additionally, the acquirer will face competition from the other players controlling 95%.
17. Based on the foregoing, the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for provision flexible packaging for cut flowers in Kenya.
18. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;
 - i. extent to which a proposed merger would impact employment opportunities;



- ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets.
19. The proposed transaction is not likely to lead to any negative public interest concerns given that the acquirer has indicated its intention to continue with operations in Kenya. Further, the target's poor financial performance had seen it retrench workers. The proposed transaction will therefore have a positive impact on employment through operationalization of idle assets.
20. Based on the foregoing, the Authority approved the proposed acquisition of assets of Dilpack Kenya Limited by Elgon Kenya Limited be approved unconditionally.