

Tribunal to rule on second part of Nestlé, Pfizer deal

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The second leg of the Nestlé SA and Pfizer Nutrition transaction - the divestiture of the infant milk formula business of Pfizer Nutrition in SA to Aspen Nutritionals - is set to be heard before the Competition Tribunal from today, 9 December 2013.



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The Competition Commission has recommended an unconditional approval of the transaction, saying it is unlikely to have an effect on competition in the baby milk market in SA. The first leg of the transaction between Nestlé SA and Pfizer Nutrition - the largest and third-largest players in SA's infant milk formula market - was conditionally approved in February.

The commission said in its recommendation of the Aspen transaction - since Aspen has committed not to consolidate its Infacare baby milk brand with Pfizer's baby milk brands - consumers are unlikely to be affected by the deal as they will still get to choose between the existing Pfizer brands and the Aspen brands on the shop floor. The commission found that consumers tend to choose baby milk by brand rather than who owns the brand.

Nestlé is involved in the production, marketing and sale of a large variety of food and beverage products such as dairy products, coffee, cereals, confectionery and pet food. In the infant nutrition market some of its well-known brands include NAN, Lactogen, Nespray, Nestum and Cerelac.

Pfizer Nutrition is a paediatric nutrition company and its brands include the S-26 range of infant formulae, Infasoy and Centrum Materna, which is a range of maternal supplements.

The tribunal's condition for approving the Nestlé SA and Pfizer Nutrition transaction included that the purchaser of Pfizer's infant milk formula had to maintain competition between the existing Nestlé and Pfizer brands in the market. A similar set of conditions was imposed by several international competition agencies, including the Australian and Mexican authorities.

Nestlé has chosen Aspen as the appropriate licensee to continue producing and marketing the Pfizer baby milk brands. The commission found the transaction would restore the competition lost in the South African baby milk market following the

Nestlé and Pfizer deal.

"Nestlé's decision to select Aspen as the licensee is primarily based on Aspen being prepared to acquire both the South African and Australian infant milk formula business of Pfizer, while also making the highest monetary bid and complying with the tribunal's order of 11 February 2013," the commission said in its recommendation report.

The tribunal will hear testimony from 17 witnesses, including Aspen CEO Stephen Saad and a representative from the commission, who will address the tribunal on the effect of the deal on the market.

Source: Business Day

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