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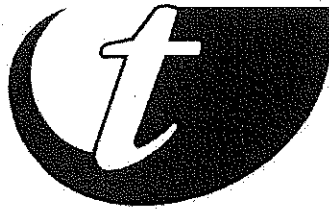
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Attached please find the Tribunal's reasons for the decision in the above matter.

Regards

Abigail Mashigo

CC: Dineo Mashego - 44584



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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:72/LM/AUG11

In the matter between:

**LAND AND AGRICULTURAL BANK
OF THE REPUBLIC OF SOUTH AFRICA**

Acquiring Firm

And

**THE PERFORMING FARMERS LENDING
BOOK OF GRO CAPITAL FINANCIAL
SERVICES (PROPRIETARY) LIMITED**

Target Firm

Panel	:	Norman Manoim (Presiding Member) Yasmin Carrim (Tribunal Member) Takalani Madima (Tribunal Member)
Heard on	:	19 October 2011
Order issued on	:	20 October 2011
Reasons issued on	:	25 October 2011

Reasons for Decision

Approval

[1] On 20 October 2011, the Competition Tribunal ("Tribunal") approved the large merger between Land and Agricultural Bank of the Republic of South Africa and the Performing Farmers Lending Book of Gro Capital Financial Services (Proprietary) Limited. We explain below our reasons for this conclusion.

The Parties to the transaction

- [2] The primary acquiring firm is Land and Agricultural Bank of the Republic of South Africa ("Land Bank"), an agricultural bank involved in the provision of financial services to participants in the agricultural and rural development as well as the provision of retail and wholesale finance.
- [3] The primary target firm is the Performing Farmers Lending Book Limited ("the Farmers Lending Book") currently owned by Gro Capital Financial Services (Proprietary) ("Gro Cap"). Gro Cap is a wholly owned subsidiary of AFGRI Operations which is controlled by AFGRI Limited.
- [4] In terms of the transaction, Land Bank will acquire Gro Cap's Performing Farmers Lending Book.

The Rationale

- [5] The merging parties submitted that Land Bank intends to acquire the Farmers Lending Book in order to increase its assets and better fulfil its development mandate.

The parties' activities

- [6] Land Bank is involved in the provision of financial services to participants in the agricultural and rural development as well as the provision of retail and wholesale finance. Through one of its subsidiaries, Land Bank also provides insurance products.
- [7] The Farmers Lending Book provides retail funds directly to corporate and individual agricultural clients. Some of the retail agricultural funding the Farmers Lending Book offers includes, seasonal production loans, revolving credit facilities, hire purchase contracts, medium term loans and irrigation crop production loans.

The relevant market and the impact on competition

- [8] The Commission defined the market as that for the provision of financial services and credit facilities and the brokering of crop and life insurance to firms in crop farming. However, the Commission found that certain elements

such as the size of a client and the amount that a firm is able to provide creates two levels of the market within the broad market for the provision of credit and financial facilities, being the upstream and downstream markets. The Commission submitted that although these two levels relate to the provision of credit facilities and financial services, they are not substitutable for one another. This, the Commission submitted is because, amongst others,¹ the customers in the upstream market are other financial institutions which require the finances in order to further on-lend to smaller companies and individual farmers whilst those in the downstream market are small firms and individual farmers who use the finance for their farming inputs or produce.

[9] As Land Bank is involved in both the upstream and downstream markets whilst the Farmers Lending Book is only involved in the downstream market, the Commission found that there is a horizontal overlap in the downstream market for the retail provision of financial services and credit facilities in the agricultural market. However, the Commission found that a post-merger market share of 14.15% was too low to raise any competition concerns.

[10] The Commission also found that there is a vertical integration as Land Bank provides the Farmers Lending Book with wholesale agricultural lending which the Farmers Lending Book on-lends to agricultural clients but found that as the market is fragmented and there are other alternative sources of finance or credit, foreclosure is unlikely.

[11] Accordingly, the Commission concluded that the transaction is unlikely to result in any substantial prevention or lessening of competition in the relevant markets

[12] At the hearing the parties suggested that post merger because of the Land Banks stronger capital base, the Farmers Lending Book would be able to offer retail loans at more competitive rates than it does presently.

¹ See page 8 of the Commission's Report.

CONCLUSION

[13] The parties submitted that the proposed transaction will not result in employment losses. The proposed transaction does not raise any other public interest issues.

[14] We agree with the Commission's conclusion above and find that the merger is unlikely to lead to any substantial prevention or lessening of competition in the relevant market. Accordingly, we approve the above merger unconditionally.



NORMAN MANOIM

25 October 2011
DATE

Yasmin Carrim and Takalani Madima

Tribunal Researcher: Tebogo Hlafane

For the merging parties: Edward Nathan Sonnenbergs

For the Commission: Dineo Mashego

