

# **Monsato Company and Rhône-Poulenc SA**

A report on the proposed merger



THE MONOPOLIES AND MERGERS COMMISSION

# Monsato Company and Rhône-Poulenc SA

A report on the proposed merger

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
October 1989**

## **Mmbbers of the Monopolies and Mergers Commission as at 21 September 1989**

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Mr D G Richards CBE (*Deputy Chairman*)  
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Mr C A Unwin  
Mr S Wainwright CBE  
Professor G Whittington  
Mr R Young

Mr S N Burbridge (*Secretary*)

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<sup>1</sup>These members formed the group which was responsible for this report (see Appendix 1.1, paragraph 2).

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest. The omission is indicated by a note in the text.

# Contents

	<i>Page</i>
<i>Chapter</i> 1 Summary .. .. .	1
2 The companies involved and the merger situation .. .. .	2
3 The market .. .. .	8
4 The views of the main parties .. .. .	24
5 The views of other parties .. .. .	28
6 Conclusions .. .. .	33
Glossary .. .. .	42

## *Appendices*

(The numbering of the appendices indicates the chapters to which they relate.)

1.1 Background information .. .. .	43
2.1 Monsanto Company: segmental analysis of 1988 assets, net sales and operating profit .. .. .	45
2.2 Monsanto plc: geographical analysis of 1988 turnover .. .. .	46
2.3 Rhône-Poulenc: segmental analysis of 1988 assets, sales and operating income .. .. .	47
3.1 Survey of customers .. .. .	48
6.1 European Commission Press Release .. .. .	51
6.2 Undertakings offered by Rhône-Poulenc in the event of an adverse public interest finding .. .. .	52

# 1 Summary

1.1. On 22 June 1989 the Secretary of State for Trade and Industry requested the Commission (see Appendix 1.1) to investigate and report on the acquisition of the analgesics business of Monsanto Company by Rhône-Poulenc SA. As a result of the proposed merger, Rhône-Poulenc would control over 80 per cent of the supply in the United Kingdom of salicylic acid, methyl salicylate and bulk aspirin.

1.2. Both Monsanto and Rhône-Poulenc are international chemical companies, the former having its headquarters in the United States and the latter in France. Both have declared their intention of proceeding with the merger, which involves Monsanto's world-wide analgesics business, whatever the outcome in the United Kingdom. Neither the United States authorities nor the European Commission have raised objections to the proposed merger.

1.3. From the standpoint of competition in the United Kingdom, there are a number of concerns about the effects of the merger. Competition ceases between the two main suppliers and their combined market share is currently very high. There is strong opposition from customers because of fears both about prices and the availability of certain grades of salicylic acid and bulk aspirin.

1.4. However, in our view, the most likely outcome of the merger in the United Kingdom is that Rhône-Poulenc will continue the manufacture of salicylates at Monsanto's plant at Ruabon in North Wales and will be constrained in its behaviour as far as prices and the availability of grades are concerned. Customers would otherwise take advantage of external competitive pressures in an international market where there is over-supply, freedom of entry and generally available technology. On the other hand, the most likely outcome of ruling against a merger in the United Kingdom is that Monsanto would cease production of salicylates, with adverse effects on employment. Customers would still have to buy from Rhône-Poulenc or from elsewhere in the world.

1.5. We have found that Rhône-Poulenc's ability to exploit its predominant position in the supply of salicylic acid, methyl salicylate and bulk aspirin following the proposed merger would be constrained by competition, particularly from Eastern European and Third World sources. We believe that as a result Rhône-Poulenc would be unlikely to be able to impose unreasonable price increases. We accordingly unanimously conclude that the proposed merger may be expected not to operate against the public interest.