

Brussels, 5th August 1997

Commission approves the creation of Scandairy K/S, a joint venture between Arla ekonomisk förening and MD Foods amba

The European Commission has decided to approve the creation of Scandairy K/S, a joint venture in the dairy sector between the Swedish dairy cooperative Arla ekonomisk förening and the Danish dairy cooperative MD Foods amba. Following serious doubts expressed by the Commission as to the joint venture's compatibility with the competition rules, the parties decided to reduce its scope. Following this change, which limits the co-operation to a new and rapidly developing product area requiring large investments in R&D, the Commission considers that the current concerns have been met, although the co-operation will have to be re-examined after an initial period of seven years.

The joint venture Scandairy K/S, will be based in Denmark and have as its object to research, develop, produce and market dairy products in the form of functional food products, i.e. products marketed as having components incorporated which entail a physiological function in addition to normal nutritional properties (e.g. lowering of cholesterol levels). The joint venture will also acquire the rights to MD's range of functional food products sold under the Gaio trademark. Geographically, the joint venture will initially target Northern Europe, with a view to eventually covering the whole of the European Union.

MD dominates the Danish dairy sector, while Arla has a similar position in Sweden. The parties originally envisaged a joint venture which extended also to dairy based snacks and desserts, but, following the Commission's serious doubts as to the compatibility with competition rules, decided to exclude these products from the co-operation. The joint venture has thereby been limited to a new product area which is rapidly developing and where product development requires considerable investments, whereas traditional dairy products are not included in the co-operation.

The Commission accordingly considers that the agreements are, at least during a launching period, compatible with the competition rules. The parties have, however, been informed that the agreements will be re-examined in the light of any new circumstances which might alter this assessment and, in any event, after a period of seven years. To this end the parties have been invited to submit a report on the operation of the agreements no later than by the end of the year 2003, on the basis of which it can be determined whether the favourable view of the arrangements should be maintained.