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Loblaw Companies Limited - Acquisition of certain assets of The Oshawa Group Limited in Atlantic Canada

On October 16, 1998 Loblaw Companies Limited announced that it had acquired the Atlantic Canada assets of The Oshawa Group Limited. The transaction included three food warehouses in Nova Scotia and Newfoundland, and supply contracts for 80 retail stores located in 68 markets, which were previously serviced by Oshawa Group's Agora Food Merchants division and located throughout the Atlantic provinces. These retail stores operated under the IGA, Omni and Traditions banners.

Prior to the acquisition, Loblaw was the second largest food distribution company in Atlantic Canada after rival Sobeys. It supplies stores in the Atlantic provinces under such banners as Great Atlantic Superstore, Save-Easy, Supervalu, Red & White and Foodmaster. It also operates under the Dominion banner only in Newfoundland.

The impact of this transaction was analyzed on a regional basis and for each market where Loblaw will be supplying retail stores. The Bureau's assessment of each market focussed on the level and any increase in concentration and market share, the nature and extent of barriers to entry, and the effectiveness of remaining competition. It also examined if the transaction was likely to lead to interdependent behaviour which refers to conduct by a group of firms that is profitable for each of them only because of the accommodating co-operative conduct of the others. Such behaviour is more likely in markets in which firms can recognize and reach a co-operative understanding, monitor one another's behaviour, and respond to any deviations from the co-operating behaviour by others.

In examining the potential for interdependent behaviour, the Bureau noted that Loblaw has placed greater emphasis on private label product, which it has used to competitive advantage in the market. Most of its competitors have a more traditional product mix with greater emphasis on so-called national brands. The large number of products and the differentiation which has resulted, were key factors in determining that interdependent behaviour between Loblaw and other food distributors is unlikely.

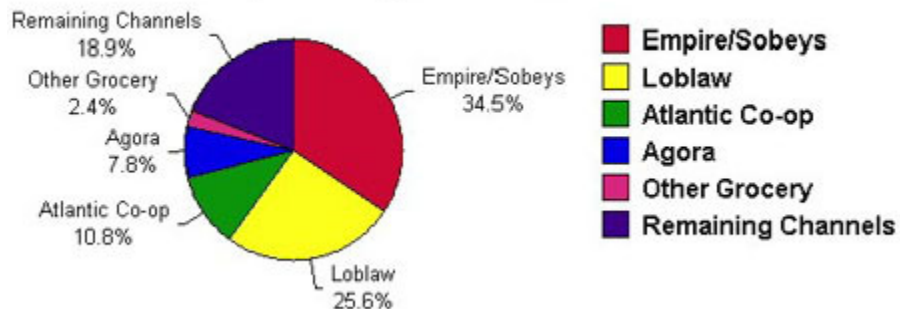
Loblaw acquired the right to supply 80 retail grocery stores located in 68 local markets across the Atlantic Provinces. The Bureau's examination focussed on retail grocery stores, however, the impact of mass merchandisers and club stores was also considered. The relevant geographic markets consisted of either individual small communities, or all or a portion of a larger municipality. Of the 68 relevant markets analyzed in this transaction, 54 represented new market entry for Loblaw.

In the markets that required further consideration, the stores are owned and operated by independent entrepreneurs who belong to the IGA franchise program, and have a 30-day clause in their contracts permitting them to switch to another wholesale supplier. The Bureau's analysis concluded that the operations of Agora Food Merchants had not been a vigorous and effective competitor in Atlantic Canada. These stores were typically pricing products several percentage points above the market leaders, Sobeys and Loblaw. As well, the majority of these stores in Atlantic Canada had been incurring significant losses prior to the merger.

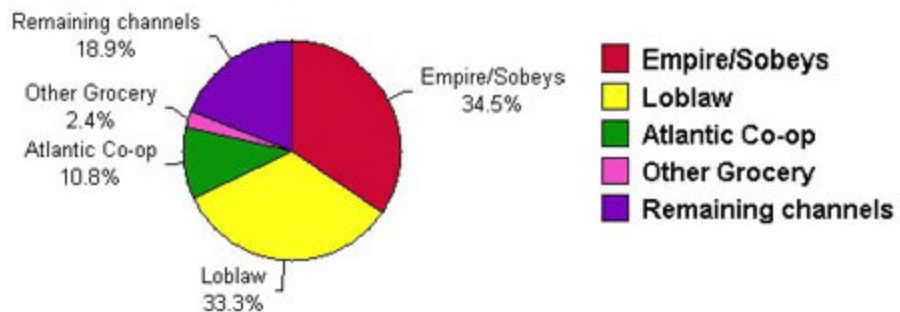
The Bureau concluded that there were competition concerns in four markets, namely, Halifax, Dartmouth and New Minas, Nova Scotia and St John's, Newfoundland. In each of these markets Loblaw provided the Bureau with written undertakings to divest its interest in a store. In four markets; Marystown, Newfoundland, Grand Falls, New Brunswick, Antigonish, Nova Scotia and Summerside, Prince Edward Island, the Bureau will continue to monitor the impact of the merger and Loblaw has undertaken to advise the Bureau of any divestiture or closures in these markets. Subsequently, Loblaw advised the Bureau that it would also be seeking to divest its interest in the store that was acquired in Summerside, PEI.

This merger represents a major expansion by Loblaw in Atlantic Canada, particularly in rural markets. The company remains the second largest wholesaler in the Atlantic region which will now be serviced at the wholesale level by two similarly-sized enterprises, Loblaw and Sobeys as well as a third player, Atlantic Co-op. Certain local markets are also serviced by smaller wholesalers. The pre- and post-merger market shares estimates are present in the following charts.

Estimated Pre-merger Grocery Market Shares



Estimated Post-merger Grocery Market Shares



Appendix A provides a detailed list by province of each market in which new entry occurred as a result of these transactions. Appendix B provides a market share categorization of the overlap markets in the Atlantic provinces.

Appendix A

New Entry Markets in Atlantic Canada

Nova Scotia	New Brunswick	Newfoundland	Prince Edward Island
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Annapolis Royal	Balmoral	Bay d'Espoir	Montague
Baddeck Bay	Barchois	Bishops Falls	Murray River
Bedford	Florenceville	Bonavista	Souris
Chester Basin	Grand Anse	Botwood	West Price/West Point
Cheticamp	Grand Manan Island	Carmanville	
Comeauville	Kedgewick	Catalina	
Greenwood	Lagaceville	Gambo	
Guysboro	Neguac	Glovertown	
Hantsport	Pokemouche	Harbour Breton	
Ingonish	Shediac	Harmitage	
Little Brook	St. Anselme	La Scie	
Liverpool		Lewisport	
Mabou		Pasadena	
Meteghan		St. Lawrence	
New Germany		Twillingate	
Oxford			
Parrsboro			
Pictou			
Sheet Harbour			
Shelbourne			
Springhill			
Tatamagouche			
Weymouth			
Wolfville			

Appendix B

Where the combined post-merger market share of the merged entity is less than 35% in any relevant market the Bureau ordinarily concludes that the merger will not lessen competition substantially (Green-Green) and any further analysis would not be necessary.

Above that screening threshold, the Bureau would conduct a detailed analysis including such factors as barriers to entry, removal of a vigorous and effective competitor and effective remaining competition.

The following tables provide estimated market shares ranges for local retail markets where both Loblaw and Oshawa operated prior to the merger. The pre-merger and post-merger market shares were calculated and categorized into the following bands:

- Green- less than 35%
- Orange- between 35% and 45%
- Red- greater than 45%

Loblaw-Oshawa Overlap Markets

Geographic Market	Pre-merger	Post-merger	Post Divestiture ⁽¹⁾
Antigonish, NS			
Bridgewater, NS ⁽²⁾⁽³⁾			

Dartmouth, NS			1
Halifax, NS			1
New Minas, Kentville, Wolfville, NS			1
Truro, NS			
Grand Falls, NB⁽²⁾⁽³⁾			
Miramichi, NB			
Saint John, NB			
Charlottetown, PEI			
Summerside, PEI⁽²⁾⁽⁴⁾			
Grand Falls, NF			
Marystown, NF⁽²⁾⁽³⁾			
St. John's, NF			1

¹Number indicates the number of stores in the market for which Loblaw has undertaken to divest its interest.

²Denotes a market where the Bureau will monitor the impact of the transaction.

³Loblaw only has the right to supply store. The supply arrangement can be cancelled on 30-days notice.

⁴Loblaw has subsequently advised the Bureau of its intention to divest its interest in the acquired store in this market.

[Acquisition of Provigo Inc. in Quebec and Ontario](#)

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