

# Pioneer regrets cartel

## ■ Firm faces new charge, but apologises for bread collusion

### Florence de Vries

PIONEER Foods "deeply regrets" its role in the 2006 bread cartel but could face yet another penalty if the Competition Commission decides to pursue its case against the group in the maize and wheat milling markets.

Andre Hanekom, the chief executive of the JSE-listed consumer goods group, told Business Report at the weekend that the directors were seeking closure on the matter.

"We are taking a conciliatory stance as we deeply regret this issue," he said.

He said the group wanted to apologise formally for its role in the bread cartel, which resulted in "higher prices, less choice and inferior services" for consumers between 1999 and 2006.

The Competition Tribunal

has levied a fine of close to R200 million on Pioneer Foods for its role in the matter, the highest levied by the authority in the controversial four-year-old bread cartel case and the highest that could be levied on Pioneer.

Hanekom would not say whether the group would appeal the tribunal's decision or not. "We shall have to respond by Wednesday. At the moment, I can't say anything other than we would really like to get this behind us."

Equity analyst Nazeem Hendricks from Argon Asset Management said Pioneer should pay its fine and move on.

"They should not drag this matter out for so long. This is a once-off penalty and investors will have forgotten about this by next year," Hendricks said.

He added that Pioneer

should get the matter of the fine "out of the way" as it already faced the maize and wheat milling issue with the commission.

The company said at the weekend that the commission had launched an investigation into the maize and wheat milling markets, concerning allegations of collusion among industry players, including Pioneer Foods.

"The commission has not to date issued a complaint referral with regard to the milling matter," the company said in a statement.

However, the commission had informed Pioneer Foods that it had concluded this investigation and would be referring the matter, in which Pioneer Foods was named as a respondent, to the Competition Tribunal for adjudication.

The company said the

commission had also invited it to enter into discussions with a view to settling the matter.

"The company has conducted an internal investigation in respect of its operations in the maize and wheat milling industries... The investigation is ongoing," Pioneer Foods said.

It added that revenue from wheat and flour sales for 2006 was R1.8 billion.

The group said it wanted to resolve this matter through co-operation with the commission, and without recourse to proceedings before the Competition Tribunal, if possible.

"Pioneer is showing its co-operation and behaving very differently in this instance," Hendricks said, adding that investors viewed the long-term future of a company seriously and that Pioneer would look to resolve the matter as soon as possible.

