



## **CAK DECISION ON THE PROPOSED ACQUISITION OF ONE HUNDRED PERCENT (100%) SHAREHOLDING IN RAFIKI MILLERS LIMITED BY KITUI FLOUR MILLS LIMITED**

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1. The Competition Authority of Kenya has approved the proposed acquisition of one hundred percent (100%) shareholding in Rafiki Millers Limited by Kitui Flour Mills Limited unconditionally.
2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for wheat milling, nor elicit negative public interest concerns - the two key considerations during merger analysis.
3. **Kitui Flour Mills Limited**, the acquirer, is a limited liability company incorporated in Kenya. Its main activities are maize and wheat milling producing brands such as Premium Maize Flour, Dola Wheat Flour, Dola Chapati Flour, Atta Flour, Baba Lao Maize Flour, Baba Lao Wheat Flour, Jahazi Maize Flour, and Jahazi Wheat Flour.
4. **Rafiki Millers Limited** is a limited liability company incorporated in Kenya. It closed its operations in April 2021. However, before closure, it was involved in wheat milling and confectionery business.
5. The proposed transaction involves the acquisition of 100% of the issued shares in Rafiki Millers Limited by Kitui Flour Mills Limited. The transaction, therefore, qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010. The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares, or vertical integration.
6. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between Kitui Flour Mills Limited and Rafiki Millers Limited met this threshold for mandatory notification and full analysis as provided in the [Competition \(General\) Rules, 2019](#).
7. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market**.

8. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criterion, the relevant product market for the proposed transaction is the **market for wheat milling**.
9. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake their business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, the relevant geographical market for the proposed transaction is **national**.
10. Wheat is the second most important carbohydrate staple in Kenya after maize, making it critical for food security in Kenya. Wheat is a versatile crop that can be used in many ways, from making bread and cakes to animal feed. According to data from the Kenya National Bureau of Statistics (KNBS), the per capita consumption of wheat is approximately 43 kilograms.
11. There are over 40 formal grain millers in Kenya, a majority of whom are members of the Cereal Millers Association and representing over 85% of the total wheat milling capacity in Kenya. These millers mostly sell their products in the domestic market. The notable members of the Association are; Bakex, Baraka Maize Millers, Capwell Industries, ETG, Grain Industries Limited, Goldleaf Kenya Limited, Jamii Milling, Kenblest Group, and Kitui Flour Mills. Others are; Lotus Home Baking Flour, Louis Dreyfus Company, Maisha Flour Mills, Milling Corporation of Kenya, Mombasa Maize Millers Limited, Mcneel Millers, Osho Grain Millers Limited, Unga Limited, and United Millers Limited.
12. Kitui Flour Mills Limited commands 13% of the wheat milling market and is the third largest firm behind Mombasa Maize Millers (22%) and Grain Industries Limited (15%). The table below outlines the estimated market share for the main wheat millers in the country.

**Table 1: Estimated Market Shares of Wheat Millers 2021-2023**

MILLER	% SHARE (2021)	% SHARE (2022)	% SHARE (2023)
Mombasa Maize Millers	22	21	22
Grain Industries Limited	16	15	15
<b>Kitui Flour Mills Limited</b>	<b>11</b>	<b>9</b>	<b>13</b>
Pembe Flour Mills Limited	6	8	8
Uzuri Foods Limited	7	7	7
Unga Limited	4	5	4
<b>Rafiki Millers Limited</b>	<b>3</b>	<b>0</b>	<b>0</b>
Others	31	35	31
TOTAL	100	100	100

*Source: Merging Parties*



13. One criterion of assessing a merger's impact on competition is the post-merger market share of the undertakings involved in the transaction. Post-merger, the proposed transaction is unlikely to raise competition concerns post-transaction, the market share of the merged entity will remain unchanged and the parties will face competition from other players controlling 87% of the market. Therefore, the structure and concentration of the market for wheat milling will not be affected. Premised on this, **the proposed transaction is unlikely to lead to a substantial lessening of competition in the market for wheat milling in Kenya.**
14. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically-inclined concepts that, when considered, protect the welfare of the public. In the Act, some of the public interest considerations are;
- a) extent to which a proposed merger would impact employment opportunities;
  - b) impact on competitiveness of SMEs;
  - c) impact on particular industries/sectors; and
  - d) impact on the ability of national industries to compete in international markets.
15. As per the parties' submissions, this transaction will not elicit negative public interest concerns, specifically, on employment, since target currently has no employees.
16. Premised on the above, the Authority approved the proposed acquisition of one hundred percent (100%) shareholding in Rafiki Millers Limited by Kitui Flour Mills Limited unconditionally.