



Mergers: Commission approves acquisition of Fibria by Suzano, subject to conditions

Brussels, 29 November 2018

The European Commission has approved under the EU Merger Regulation the acquisition of Fibria by Suzano, both active in the production and supply of wood pulp from eucalyptus trees. The decision is conditional on full compliance with commitments offered by Suzano.

Suzano and Fibria, both from Brazil, are the two largest global suppliers of bleached eucalyptus kraft pulp ("BEKP"), an input to the paper, tissue and packaging industry.

The Commission's investigation

The Commission investigated concerns that the proposed acquisition would significantly reduce the level of competition in the market for the manufacture and supply of wood pulp, in particular BEKP. In particular, the merged entity would combine the two largest producers worldwide, three to four times larger than the next competitor.

Furthermore, Fibria had an offtake agreement since 2016 with Klabin S.A, another major Brazilian producer of BEKP. On the basis of this agreement, Fibria acted as an exclusive sales agent for all sales of BEKP produced by Klabin outside of South America. This further increased the combined volumes controlled by the merging companies, and effectively prevented the entry of Klabin as a competitor outside South America.

The proposed remedies

To address the Commission's competition concerns, Suzano offered the following commitments:

- the **termination of the offtake agreement in place between Fibria and Klabin**; and
- the **transfer of all assets and personnel necessary to allow Klabin to independently sell BEKP** in the European Economic Area (EEA), including: (1) storage capacity in the destination ports in the EEA, (2) shipping contracts and access to ports during a transitional period; (3) customers, credit history and other records; and (4) technical support and assistance during a transitional period.

These commitments eliminate the Commission's concerns in relation to the proposed acquisition. The proposed remedy reduces the merged entity's total capacity and sales, and ensures that Klabin's BEKP volumes, currently sold by Fibria, will not be under the control of the merged entity. In addition, the remedy facilitates the entry of Klabin as a new competitor into the EEA market, with incentives to grow further.

The Commission therefore concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns in the EEA. The decision is conditional upon full compliance with the commitments.

Companies and products

Suzano and Fibria, both based in Brazil, are mainly active in the manufacture and supply of wood pulp. Wood pulp is a dry fibrous material made from wood, used for the manufacture of printing and writing paper, tissue, packaging and specialty papers. Suzano exports a significant proportion of its production globally but also uses wood pulp internally to produce various paper grades. Fibria sells all of its BEKP externally.

Merger control rules and procedures

The transaction was notified to the Commission on 9 October 2018.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover

above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II). This deadline is extended to 35 working days in cases where remedies are submitted by the parties, such as in this case.

More information will be available on the Commission's [competition](#) website, in the Commission's [public case register](#) under the case number [M.8951](#).

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