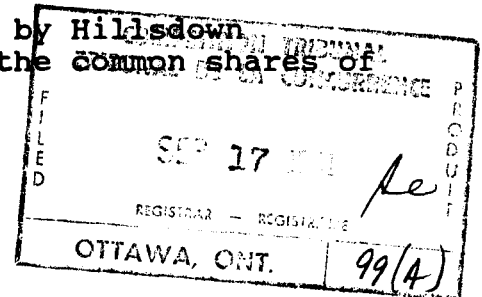


THE COMPETITION TRIBUNAL

IN THE MATTER of an application by the Director of Investigation and Research for orders pursuant to section 92 of the Competition Act R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER of the acquisition by Hillsgown Holdings (Canada) Limited of 56% of the common shares of Canada Packers Inc.



B E T W E E N:

THE DIRECTOR OF INVESTIGATION AND RESEARCH

Applicant,

- and -

HILLSDOWN HOLDINGS (CANADA) LIMITED,
MAPLE LEAF MILLS LIMITED,
CANADA PACKERS INC. and
ONTARIO RENDERING COMPANY LIMITED

Respondents

REPLY AFFIDAVIT OF DR. ERNA H.K. VAN DUREN

I, Dr. Erna H.K. van Duren, of the City of Guelph, in the Province of Ontario, MAKE OATH AND SAY:

1. I have been retained by Maple Leaf Foods Inc. to provide an opinion on trends in the North American red meat industry and the implications of these trends on the merger between Rothsay rendering operation and Orenco. I have also been asked to provide a forecast of the red meat renderable supply for the next 5 years. My background and qualifications are set out in my earlier affidavit, filed by the Respondents on August 2, 1991.

2. This reply affidavit provides my reply to the rebuttal affidavits of Thomas Ross and David Smith, filed by the Applicant on August 23, 1991.

3. I stated in my original affidavit that mergers such as this "must be allowed in Canada's red meat industry if firms in the Canadian industry are to survive and be competitive with their U.S.A. counterparts." At paragraph 10 of his rebuttal affidavit, Dr. Ross suggests that I came to this conclusion with no analysis of the effects of the merger on competition in the relevant market.

4. The first forty paragraphs of my original affidavit present the evidence for the statement with which Dr. Ross takes issue at paragraph 10 of his affidavit.

5. At paragraph 10 of his rebuttal affidavit, Dr. Smith points out that the various forecasts presented by the Respondents do not consistently show that the relevant markets will decline.

6. My original affidavit explains my reasons for preferring my forecast 2 over any other forecast. In my opinion, it takes into account all the factors which are likely to have a significant impact upon the supply of renderable beef and hog by-products in Ontario, Canada and the United States.

7. At paragraph 3 of his rebuttal affidavit, Dr. Smith asserts that the leanness of beef could increase demand, resulting in increased consumption of beef and thus presumably resulting in a greater supply of renderable material.

[REDACTED]

8. There is no good evidence that the increasing leanness of beef will significantly improve consumption. Lean raw beef does not produce the type of cooked product that consumers want. Indeed, a recent study conducted by researchers in the Department of Agricultural Economics and Business and the Department of Food Science at the University of Guelph* concludes that consumers want their steaks to have little or no fat, yet they also want them to be "tender and flavourful". However, it is the fat that usually allows beef to be cooked so that it is tender and flavourful. Consequently, Dr. Smith's speculation that switching away from beef will not continue is unlikely to be proven true.

9. Even if the increased leanness of beef did moderate the per capita decline in beef consumption, it would not significantly alter the fact that Ontario's proportion of cattle slaughter will continue to decline, reducing the amount of renderable material available in the Province.

* Braga, F., Martin, L., Paguaga, R., Roth, V. and Usborne, R., "How Would You Like Your Steak?" in Highlights of Agricultural Research in Ontario, December 1989, Vol. 12, No. 4, pp. 26-29

Sworn before me at the)
City of Guelph, in the)
Province of Ontario)
this 5th day of September 1991.)

Erna van Duren
Dr. Erna H.K. van Duren

A. Svoboda
A Commissioner, etc.

