http://www.MSCNews.net/news/index.cfm?nk=19829

Kansas Cattlemen Ask Department of Justice to Protect Consumers

In October, Brazil-based JBS SA announced that its subsidiary, JBS USA, signed an agreement to take control and manage some of Canada's largest beef processing operations. The agreement included an exclusive purchase option over a number of XL's Canadian and U.S. operations. Since that time, the Kansas Cattlemen's Association (KCA) has been monitoring the situation and working to address how this purchase will affect the markets, competition, and the buying power JBS. KCA has been in contact with GIPSA, various states' Attorney Generals, and the Department of Justice (DOJ) in this matter. In a recent letter, KCA urged the DOJ to complete a full and complete investigation into the proposed purchase by JBS USA of XL Four Star Beef.

In 2011, JBS was the U.S.'s third largest beef processor, only slightly behind Cargill and Tyson. With eight U.S. factories, JBS has the capacity to process 28,850 head per day, and this does not include its JBS Pork or Pilgrim's Pride chicken processing businesses. XL Food's Omaha plant has a processing capacity of 1,200 head per day.

"KCA's concerns regarding the proposed purchase lay two fold. First, with only four processors controlling 88% of cattle in the U.S, the acquisition of XL Foods will increase the concentration of the packing industry. This has a direct association with the U.S antitrust laws. Second, if JBS is allowed to purchase XL Foods, it will provide even more global control over the meat industry. XL Foods is the second largest processor in Canada. JBS is the largest meat processor in the world, and this proposed acquisition, will gain even more control. This global control goes to the heart of food safety. Just as there was an incident with the egg industry in 2010 where a vast portion of the eggs in the U.S. were controlled by one company, and an outbreak devastated the egg industry and consumer confidence, the purchase of XL Foods by JBS can result in the same monopolistic actions and potential devastation for the beef industry. This has a direct impact on U.S. cattle producers. Food safety is critical to the future of our industry and consumer confidence."

Maintaining active processing of cattle at the Omaha plant is important to the Midwest region. However, with the purchase of the plant, there is no guarantee that the Omaha plant will remain open. Currently, the Nampa, Idaho plant is closed, and has been closed for over a year. Although producers do not want to lose a buyer in the market, the purchase of XL Foods by JBS will not create another buyer. It simply allows JBS to control more cattle and have more purchasing power. This takes negotiations out of the hands of feed yards and cattle sellers, as they will need to succumb to the power of JBS or be left without selling their cattle.

KCA continued, "The DOJ stood behind its commitment to enforce U.S. antitrust laws when it investigated and addressed the JBS acquisition of National Beef, headquartered here in Kansas. It also proved its commitment when the U.S. Department of Agriculture (USDA) and the DOJ held five joint public workshops to explore competition issues affecting the agriculture industry in the 21st century and the appropriate role for antitrust and regulatory enforcement in that industry."

Under the Hart-Scott-Rodino (HSR) Act, large mergers and acquisitions such as this must be filed by participating companies prior to the merger. KCA requested that the DOJ does not grant early termination of the waiting period, but rather conduct a full and thorough investigation of the proposed acquisition. KCA encouraged the DOJ to assess the proposed deal and extend the waiting period so that all business documents, data, products, services, market conditions, and competitive effects of the merger can be investigated.

KCA will continue to be actively engaged in oversight of mergers that affect competition and the cattle industry and are addressed by antitrust laws.