

Statement of

The Honorable Chuck Grassley

United States Senator
Iowa
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Judiciary Antitrust Subcommittee Hearing, May 7, 2008

Chairman Kohl and Senator Hatch, thank you both for scheduling this important hearing. As you know, I requested this hearing because of widespread concerns about increased concentration in the agriculture industry, as well as concerns raised about the proposed acquisition of National Beef Packing Co., Smithfield Beef Group and Five Rivers Ranch Cattle-feeding by JBS Acquisitions. It's important that the Judiciary Committee review positive and constructive solutions to agriculture competition concerns, as well as potentially problematic mergers such as the JBS transaction.

For well over a decade, I've had serious concerns about increased consolidation in agriculture and its impact on rural America. I share the concerns of many family farmers and independent producers that the agriculture industry has consolidated to the point where many of these smaller market participants do not have equal access to fair and competitive markets. I share the concerns of many in the agriculture industry that large agribusinesses are in a better position to engage in anti-competitive and predatory business practices.

In this Congress, Senator Kohl and I introduced S. 1759, the Agriculture Competition Enhancement Act - or ACE Act - in response to concerns about excessive concentration in the agriculture sector. I was disappointed that we weren't able to include some version of the ACE Act in the Farm Bill. But, I hope that we'll be able to discuss the legislation today and hear the witnesses' views on it. I'd like to see this bill move in the Judiciary Committee, because I truly believe that it will help address concerns about agriculture mergers.

The JBS merger is a part of this growing "bigger is better" trend in agriculture. I wrote to the Justice Department's Antitrust Division to urge a careful review of this transaction, and to consider thoroughly the projected impact on the beef industry. JBS is the world's largest beef packer and the third largest beef processor in the United States. National Beef Packing and Smithfield Beef Group are the fourth and fifth largest beef processors in the nation. If this transaction were to be approved, JBS would control approximately 32% of the beef processing market share, killing far more animals than Cargill Meat Solutions or Tyson Foods.

I'm concerned that the proposed JBS merger could severely reduce the already limited number of buyers for the commodities of small, independent beef producers. The transaction could leave producers minimal selling options throughout large geographic regions. It would allow JBS to control the largest share of the beef market, and potentially decrease product choice and increase product prices for the American consumer. I spend a lot of time focused on the independent producers, but with rising costs of food world-wide, I'm particularly interested in hearing the potential affects on shoppers in the grocery aisle.

I'm not the only one that has issues with this proposed merger. Small independent producers, family farmers and other agricultural groups share my concerns about the proposed JBS transaction and increasing agribusiness consolidation. Expanded packer ownership, exclusive contracting and captive supply are adversely impacting their ability to compete in the marketplace. They share my concerns about reduced market opportunities, possible anti-competitive and predatory business practices, and fewer choices and higher costs for American consumers.

So I'm very pleased that we'll be able to have representatives from JBS and National Beef tell us what they believe will be the benefits to this transaction. I'm also pleased that we have industry folks and agriculture antitrust experts

here to also give us their views, both on the transaction as well as what they see going on in the agriculture industry. Again, I very much appreciate Chairman Kohl agreeing to hold this hearing on agriculture concentration.