

Statement of

The Honorable Herb Kohl

United States Senator
Wisconsin
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KOHL STATEMENT FOR JBS SWIFT ACQUISITIONS HEARING
WASHINGTON, DC -

Today, Senator Herb Kohl (D-WI), Chairman of the Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights, opened the panel's hearing "Concentration in Agriculture and an Examination of the JBS/Swift Acquisitions" with the following remarks.

Today we meet to examine the rising tide of consolidation in agriculture. Recent years have witnessed an enormous transformation in the agriculture industry. The disparity in market power between family farmers and the large agribusiness firms all too often leaves the individual farmer and rancher with little choice regarding who will buy their products and under what terms. This hearing we will focus on just the latest example of that trend -- JBS Swift's plans to acquire two other meatpacking firms, a transaction that would reduce the number of major competitors in this industry from five to three.

In 1890, our nation's fundamental antitrust law - the Sherman Act - was passed in large part as a response to the consolidation in the meatpacking industry. We now appear to have gone full circle, as the JBS Swift acquisitions will leave the meatpacking industry even more concentrated than it was a century ago. If approved, the JBS Swift acquisitions will increase the market share of the top four firms to 91%. JBS Swift will also acquire Five Rivers, the nation's largest feedlot marketing two million cattle annually. This threatens to give JBS Swift a very strong lever over the nation's cattle supply, while leaving independent ranchers with little bargaining power.

By reducing the number of major buyers for ranchers' cattle from five to three and in some regions even two -- this deal will give the remaining beef processors enormous buying power. With little choice to whom to sell their cattle, ranchers will increasingly be left in a "take it or leave it" position.

And we should be equally concerned with effects on millions of beef consumers across the country in this era of rising food prices. Will only three major national sellers of beef be enough to ensure a competitive market for supermarkets, small grocery stores, and restaurants? Or will consumers need to go on a diet while the giant meatpacking firms grow fatter and fatter?

So I urge the Justice Department to undertake a close and serious examination of the effects of the JBS Swift acquisitions on both ranchers and consumers. Unfortunately, it appears that the Justice Department's antitrust enforcement efforts - both in the agricultural sector and generally - have been much too weak and passive in recent years.

In the opinion of many experts, the Justice Department has often failed to take effective action as merger after merger in the pork, milk, and seed markets have sharply increased concentration and reduced competition. Antitrust investigations in the dairy industry have languished with no resolution. While the Justice Department sits largely on the sidelines, agriculture concentration increases and food prices rise.

Weak antitrust enforcement, of course, has not been limited to agriculture. Previously unthinkable mergers among direct competitors in many other highly concentrated industries affecting millions of consumers have been approved by the Justice Department, often over the reported objections of career staff. The most recent example was the Department's approval of the XM/Sirius merger, a merger to monopoly in the satellite radio industry.

This is not the time for the government to take a cramped or limited view of antitrust enforcement. In this era of rising prices, and ever increasing consolidation, the need for vigorous enforcement of our antitrust laws has never been greater, in agriculture and in all other key sectors of the economy. Millions of consumers are depending on aggressive antitrust enforcement. Now is not the time for our antitrust enforcers to be asleep at the switch.

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