



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT APPROVES DAIRY MERGER
AFTER PARTIES AGREE TO DIVESTITURE

WASHINGTON, D.C. -- The Department of Justice approved a \$48 million acquisition involving two dairy companies--one from Tennessee and the other from Kentucky--after requiring certain changes to the deal that will assure that school milk prices in Virginia, West Virginia, North Carolina, South Carolina and Tennessee remain competitive.

The acquisition by Land-O-Sun Dairies Inc. of Flav-O-Rich Inc. was approved today by the Department's Antitrust Division after Mid-America Dairymen Inc., the owner of Flav-O-Rich, agreed to divest milk distribution routes to a strong third party competitor.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "This transaction could have increased milk prices to school districts in the Southeast. This spin-off will preserve competition, which is especially important in markets like this one, where there has been a history of collusion that has hurt consumers."

In several of the markets affected, the bidding process previously was subject to bid rigging collusion by competing dairies, the Department said.

In the past, the Department has charged the two companies with participating in conspiracies to rig bids on contracts to supply milk and other dairy products to public schools. Criminal charges against Land-O-Sun were filed in 1989 and 1992 in which the company pleaded guilty and paid fines totalling \$3.9 million. Criminal charges were filed against Flav-O-Rich in 1991 and 1992 in which the company pleaded guilty and paid fines totalling \$12.8 million.

Initially, the Antitrust Division told the parties that the deal as originally structured could lessen competition in the sale of milk to many school districts in five southeastern states--Virginia, West Virginia, North Carolina, South Carolina and Tennessee. For some of these school districts, Land-O-Sun and Flav-O-Rich were the only two dairies submitting bids to sell milk, the Department noted.

School districts purchase milk in half-pint containers. They have specific delivery and service requirements and use dairies with distribution systems in the district to service them. Contracts are typically awarded each year after a formal bidding process.

The Department said that, due to the importance of the distribution system, the divesting of these routes to Valley Rich Dairy of Roanoke, Virginia, will assure that competition is maintained in the school districts.

Valley Rich is a strong competitor in the bidding for school milk contracts in geographic areas close to those where Land-O-Sun and Flav-O-Rich compete, the Department noted.

Land-O-Sun Dairies Inc., headquartered in Johnson City, Tennessee, owns and operates fluid milk processing plants and ice cream plants. It sells and distributes its fluid milk and other products to a variety of customers, including school districts. In 1994, it had total revenues of approximately \$202 million.

Flav-O-Rich Inc. a subsidiary of Mid-America Dairymen Inc., headquartered in Springfield, Missouri, also owns and operates fluid milk processing plants and ice cream plants. Flav-O-Rich sells its fluid milk and other products to a variety of customers, including school districts. Flav-O-Rich's 1994 total revenues were approximately \$220 million.

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