Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN CARGILL'S ACQUISITION OF CONTINENTAL GRAIN

Divestitures Protect Farmers, Suppliers in California, Illinois, Iowa, Louisiana, Minnesota, Missouri, North Dakota, Ohio, South Dakota, and Texas

WASHINGTON, D.C. -- The Department of Justice will require Cargill Inc., the largest privately owned business in the United States, to divest grain and soybean facilities in various states in order to proceed with its acquisition of Continental Grain Company's Commodity Marketing Group. The Department said that the deal as originally proposed would have been anticompetitive, resulting in American farmers getting less money for major crops they produce.

The Department's antitrust lawsuit and proposed consent decree were filed today in U.S. District Court in Washington, D.C. The consent decree, if approved by the court, would settle the lawsuit.

In its complaint, the Department said the proposed transaction would have eliminated an important competitor for the purchase of crops from U.S. farmers and other suppliers such as independent elevator operators. Cargill and Continental operate nationwide distribution networks that annually move millions of tons of grain and soybeans to customers throughout the U.S. and around the world.

"This enforcement action demonstrates the Department's commitment to preserve competition in agriculture, " said Joel I. Klein, Assistant Attorney General in charge of the

Department's Antitrust Division. "Without the divestitures, many American farmers would have faced lower prices for major crops they produce, such as wheat, corn, and soybeans."

Farmers sell wheat, corn, and soybeans at country, rail, river, and port elevators. According to the complaint, competition for the purchase of grain and soybeans from farmers and other suppliers would have been harmed by combining Cargill's and Continental's competing port elevators in:

--the Pacific Northwest, which purchase corn and soybeans from farmers in portions of Minnesota, North Dakota, and South Dakota;

--central California, which purchase wheat and corn from farmers in the Sacramento/Stockton area of central California; and

--the Texas Gulf, which purchase soybeans and wheat from farmers in east Texas and western Louisiana.

The complaint also alleges that the proposed acquisition would have substantially lessened competition for the purchase of grain and soybeans from farmers in a number of markets in Midwestern states, such as Illinois (along the Illinois River from Morris to Chicago), Iowa (in the vicinity of Dubuque), Kansas (in the vicinity of Salina), Missouri (in the vicinity of New Madrid/Caruthersville), and Ohio (in the vicinity of Troy), where Cargill and Continental operate competing river elevators and rail terminals.

In addition, the consolidation of Cargill and Continental river elevators along the Illinois River and the Continental port elevator in Chicago would have concentrated ownership of delivery points authorized by the Chicago Board of Trade (CBOT) for settlement of corn and soybean futures contracts under the control of Cargill and one other firm. This concentration would have increased the risk that prices for CBOT corn and soybean futures contracts could be manipulated.

"In most merger cases, the Department is concerned about the ability of the combining companies to increase the prices they charge customers after the merger," said Klein. "In this case, however, we were concerned about the ability of the combining companies to artificially depress the price they pay suppliers after the transaction."

Continental operates six port elevators, 27 river elevators, and 14 rail terminals. Under the terms of the consent decree, the parties are required to divest:

--four port elevators located in Seattle; Beaumont, Texas; Stockton, California; and Chicago;

--four river elevators located in East Dubuque, Illinois; Morris, Illinois; Lockport, Illinois; and Caruthersville, Missouri; and

--one rail terminal located in Troy, Ohio.

The consent decree includes additional provisions relating to certain facilities in which Cargill will be:

--required to enter into a "throughput agreement" to make one-third of the loading capacity at its Havana, Illinois, river elevator available to an independent grain company. "Throughput agreements" provide for one grain trader to lease elevator capacity from another;

--prohibited from acquiring the river elevator in Birds Point, Missouri, in which Continental until recently had held a minority interest;

--prohibited from acquiring the rail terminal facility in Salinas, Kansas, that had formerly been operated by Continental; and

--subject to restrictions in the event it seeks to enter into a throughput agreement with the operator of the Seattle facility.

The Department received assistance in the investigation from the U.S. Department of Agriculture, the Commodities Futures Trading Commission, and several state attorneys general.

Cargill Inc., a Delaware corporation with its headquarters in Minnetonka, Minnesota, is the largest privately owned business in the U.S., and the second largest grain trader in North America. In 1998, the company had total revenues of about $35 billion, and total grain revenues of about $9 billion.

Continental, a Delaware corporation based in New York City, is the fifth largest grain trader in North America. In 1998, the company had total grain revenues of about $5.5 billion.

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