



Department of Justice

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JUSTICE DEPARTMENT OBTAINS DAIRY PROCESSOR DIVESTITURE IN SETTLEMENT WITH DAIRY FARMERS OF AMERICA

Divestiture of Southern Belle Dairy Restores Competition for School Milk in Kentucky and Tennessee

WASHINGTON — The Department of Justice today announced a settlement that resolves its antitrust concerns with the Dairy Farmers of America Inc. (DFA) acquisition of Southern Belle Dairy Co. LLC, by requiring DFA to divest its interest in Southern Belle. As a result of the settlement, DFA's partner, the Allen Family Limited Partnership (AFLP), will also sell its interest in Southern Belle. The Department said that the divestitures restore the benefits of competition—lower prices and better quality services—to schoolchildren and their families in Kentucky and Tennessee.

As a result of the settlement filed today in U.S. District Court in London, Ky., both DFA and AFLP will sell their interests in Southern Belle to Prairie Farms Dairy Inc. The Antitrust Division has approved Prairie Farms as the buyer. The Commonwealth of Kentucky joined the Department in its settlement.

“This settlement restores competition for school milk contracts essential to the nutrition programs that serve schoolchildren in 100 school districts in Kentucky and Tennessee,” said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. “With the close cooperation of the Commonwealth of Kentucky's Office of the Attorney General, the United States has secured the relief that we expected to request from the court had we prevailed at trial.”

In April 2003, the Department's Antitrust Division and the Commonwealth of Kentucky filed a lawsuit in U.S. District Court in London, challenging DFA's acquisition of its interest in the Southern Belle dairy. The Department's lawsuit charged that DFA's acquisition reduced competition because it gave DFA ownership interests in two dairies—the Southern Belle dairy and the nearby Flav-O-Rich dairy in London—that competed against each other for school milk contracts. As a result, the acquisition reduced the number of independent bidders for school milk contracts from two to one for 45 school districts in eastern Kentucky, and from three bidders to two for 55 school districts in eastern Kentucky and Tennessee.

The federal district court initially dismissed the case, granting summary judgment for DFA. The Department successfully appealed the dismissal to the U.S. Court of Appeals for the Sixth Circuit, which reversed the district court and sent the case back for trial.

Before trial began, the Department and DFA reached an agreement that required DFA to divest its interest in the Southern Belle dairy. At the same time, DFA's joint venture partner, the AFLP, also agreed to sell its interest in the dairy. The Department filed its proposed settlement with the court today after approving the sale of DFA and AFLP's interests in Southern Belle to Prairie Farms.

Dairy Farmers of America is a national milk marketing cooperative headquartered in Kansas City, Miss. DFA is the largest dairy cooperative in the world. In 2005, DFA sold 60 billion pounds of raw milk to dairies and other processors and had almost \$9 billion in revenue.

Southern Belle Dairy Co. LLC, headquartered in Somerset, Ky., was formed in 2003 by DFA and the AFLP to manage the Southern Belle dairy. DFA and AFLP each own 50 percent of Southern Belle Dairy Co. LLC.

As required by the Tunney Act, the proposed consent decree, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Mark J. Botti, Chief, Litigation I Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, N.W., Suite 4000, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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