



Department of Justice

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MONDAY, OCTOBER 20, 2008
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JUSTICE DEPARTMENT FILES LAWSUIT TO STOP JBS S.A. FROM ACQUIRING NATIONAL BEEF PACKING CO.

Deal Would Combine Two of Top Four U.S. Beef Packers Resulting in Higher Beef Prices for Consumers

WASHINGTON — The Department of Justice filed a civil antitrust lawsuit today in U.S. District Court in Chicago to block the proposed acquisition by JBS S.A., currently the third-largest U.S. beef packer, of National Beef Packing Company LLC, the fourth-largest U.S. beef packer. The Department said that the proposed deal would combine two of the top four U.S. beef packers resulting in lower prices paid to cattle suppliers and higher beef prices for consumers. The Attorneys General of Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Texas and Wyoming are joining the Department's lawsuit.

JBS, headquartered in Brazil, is in the process of acquiring Smithfield Beef Group Inc. from Smithfield Foods Inc. The Department is not challenging JBS's acquisition of Smithfield Beef Group Inc. In 2007, JBS purchased Colorado-based Swift Foods Company.

Beef packers purchase annually \$30 billion in fed cattle from feedlots, slaughter them, and process them into USDA-graded cuts of beef and other products. Packers then package the cuts as boxed beef for sale to wholesalers and grocery store chains.

If not blocked, JBS's acquisition of Kansas City, Mo.-based National would make it the largest U.S. beef packer, with an ability to slaughter more than 40,000 head of cattle per day (or more than one third of U.S. fed cattle packing capacity) and annual sales of more than \$14 billion.

"The combination of JBS and National will likely lead to grocers, food service companies and ultimately American consumers paying higher prices for beef," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "It will also lessen the competition among packers in the purchase of cattle that has been critical to ensuring competitive prices to the nation's thousands of producers, ranchers and feedlots."

The Department said that JBS's acquisition of National would substantially restructure the beef packing industry, eliminating a competitively significant packer and placing more than 80 percent of domestic fed cattle packing capacity in the hands of three firms: JBS, Tyson Foods

Inc., and Cargill Inc. The Department concluded that the acquisition would lessen competition among packers in the production and sale of USDA-graded boxed beef nationwide.

The Department also concluded that JBS's acquisition of National would lessen competition among packers for the purchase of fed cattle – cattle ready for slaughter – in the High Plains, centered in Colorado, western Iowa, Kansas, Nebraska, Oklahoma and Texas, and the Southwest.

JBS, the world's largest beef packer, operates three beef packing plants in the High Plains region, located in Cactus, Texas; Grand Island, Neb.; and Greeley, Colo. It also operates a plant in Hyrum, Utah. JBS's annual beef sales in the United States exceed \$6 billion. JBS's headquarters in the United States are in Greeley, Colo. In March 2008, JBS announced its plan to acquire Smithfield Beef Group Inc., which has annual beef sales of more than \$2.5 billion. Smithfield Beef Group Inc. operates a plant in the Southwest, in Tolleson, Ariz., and also has plants in Green Bay, Wis.; Plainwell, Mich.; and Souderton, Pa.

National has two beef packing plants in the High Plains, in Liberal and Dodge City, Kan., and one plant in the Southwest, in Brawley, Calif. National has annual beef sales of about \$5 billion.

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