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14 UNITED STATES DISTRICT COURT
15 FOR THE EASTERN DISTRICT OF CALIFORNIA

16 UNITED STATES OF AMERICA,)	
)	
17 Plaintiff,)	Civil No. CIVS-84-1066EJG
)	
18 v.)	ANTITRUST
)	Filed: August 17, 1984
19 RICE GROWERS ASSOCIATION OF)	
20 CALIFORNIA; and)	COMPLAINT FOR EQUITABLE
21 PACIFIC INTERNATIONAL RICE)	RELIEF FOR VIOLATION OF
22 MILLS, INC.,)	TITLE 15 U.S.C. SECTION 18,
)	<u>CLAYTON ANTITRUST ACT</u>
23 Defendants.)	

24 The United States of America, plaintiff, by its attorneys,
25 acting under the direction of the Attorney General of the United
26 States, brings this civil action to obtain equitable relief and
27 alleges as follows:

28 I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted
under Section 15 of the Clayton Act (15 U.S.C. § 25), in order to

1 prevent and restrain the violation by the defendants, as
2 hereinafter alleged, of Section 7 of such Act (15 U.S.C. § 18).

3 2. Pacific International Rice Mills, Inc. transacts business
4 and is found within the Eastern District of California. Rice
5 Growers Association of California transacts business and is found
6 within the Eastern District of California.

7 II

8 DEFINITIONS

9 3. As used herein the term "HHI" means the Herfindahl-
10 Hirschman Index, a measure of market concentration calculated by
11 squaring the market share of each firm in the market and then
12 summing the resulting numbers. For example, for a market
13 consisting of four firms with shares of 30, 30, 20, and 20
14 percent, the HHI is 2600 ($30^2 + 30^2 + 20^2 + 20^2 = 2600$).
15 The HHI takes into account the relative size and distribution of
16 the firms in a market. It approaches zero when a market is
17 occupied by a large number of firms of relatively equal size and
18 reaches its maximum of 10,000 when a market is controlled by a
19 single firm. The HHI increases both as the number of firms in the
20 market decreases and as the disparity in size between those firms
21 increases.

22 III

23 DEFENDANTS

24 4. Pacific International Rice Mills, Inc. ("PIRMI") is made
25 a defendant herein. PIRMI is a California corporation with its
26 principal place of business in Woodland, which is in the Central
27 Valley of California. PIRMI operates rice milling facilities in
28 Woodland. PIRMI buys, mills, and sells rice.

1 varieties, while other groups prefer the long-grain rice
2 varieties.

3 9. California's Central Valley is one of two principal rice
4 growing regions of the United States. Virtually all rice
5 currently grown commercially in the United States is grown either
6 in this region of California, or in a discrete region known as the
7 Southern Rice Belt, which includes parts of the Arkansas-
8 Mississippi border area, Louisiana, Missouri, and Texas. Of the
9 rice grown in California, virtually all is milled in or near
10 California's Central Valley, because transportation costs make
11 shipping unmilled rice (which weighs more than milled rice) for
12 long distances prohibitively expensive.

13 10. For climatic and other reasons relating to growing
14 conditions, substantially all short-grain rice currently grown in
15 the United States is grown in California, while most long-grain
16 rice currently grown in the United States is grown in the Southern
17 Rice Belt. Medium-grain rice is grown in both regions, but the
18 varieties of medium-grain rice actually grown in the two regions
19 differ.

20 11. A substantial portion of the rice grown in California is
21 sold for consumption in the Western United States. The purchasers
22 of this rice include direct food users, food processors, and
23 brewers. Rice customers located in the Western United States
24 purchase California-grown rice rather than rice grown in the
25 Southern Rice Belt either because they prefer the varieties of
26 rice grown in California, or because transportation costs make
27 Southern-grown rice significantly more expensive than California-

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1 grown rice. The two states with the largest direct food use
2 consumption of California-grown rice are California and Hawaii.

3 12. An insignificant quantity of rice is imported into the
4 United States from foreign countries. Large quantities of
5 California-grown rice are exported to Puerto Rico and foreign
6 countries.

7 13. The milling of California-grown rice is a highly
8 concentrated industry. Six California rice millers account for
9 the milling of virtually all California-grown rice. The top four
10 firms, that together account for over 95% of the milling of
11 California-grown rice, in descending order of size by quantity of
12 rice milled, are RGA; Farmers' Rice Cooperative, which is a
13 California agricultural cooperative based in West Sacramento;
14 PIRMI; and Comet Rice, Inc., which has a mill in Maxwell,
15 California. The market shares of RGA and PIRMI, based on mill
16 purchases of unmilled California-grown rice, are approximately 43
17 percent and 14 percent respectively, and as a result of the
18 violation alleged in this complaint, the HHI increased from 3167
19 to 4328.

20 14. During the period relevant to this complaint, RGA and
21 PIRMI have been engaged in interstate and foreign commerce and
22 their activities have substantially affected interstate and
23 foreign commerce. Substantial quantities of rice grown and milled
24 in California are regularly sold and shipped in interstate and
25 foreign commerce by California rice mills, including PIRMI and RGA.

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V

VIOLATION ALLEGED

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3 15. On or about July 18, 1984, RGA and PIRMI entered into an
4 agreement by which RGA or its subsidiaries agreed to purchase
5 PIRMI's California rice milling facilities and related business
6 assets.

7 16. On or about July 20, 1984, RGA acquired all right, title,
8 and interest to PIRMI's Woodland rice milling facilities and
9 related business assets, subject to a lease of these same
10 facilities and related business assets back to PIRMI until
11 August 31, 1984.

12 17. The effect of this acquisition may be substantially to
13 lessen competition in the aforesaid trade and commerce in
14 violation of Section 7 of the Clayton Act in the following ways,
15 among others:

- 16 (a) competition in the purchase or other acquisition
17 of short- and medium-grain rice grown in California
18 may be substantially lessened;
- 19 (b) concentration in the market for purchasing or
20 otherwise acquiring short- and medium-grain rice
21 grown in California may be substantially increased;
- 22 (c) competition in the milling and sale of short- and
23 medium-grain rice grown in California may be
24 substantially lessened; and
- 25 (d) concentration in the market for milling and sale of
26 short- and medium-grain rice grown in California may
27 be substantially increased.

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1 PRAYER

2 WHEREFORE, plaintiff prays:

3 1. That the Court adjudge and decree this acquisition of
4 PIRMI assets by RGA, or RGA's subsidiaries, to be unlawful and in
5 violation of Section 7 of the Clayton Act.

6 2. That RGA and PIRMI be ordered to rescind the contracts,
7 agreements, and understandings by which this acquisition was
8 effected as well as all ancillary agreements, and to take all
9 appropriate action, consistent with such rescission, to restore
10 effective competition in the rice milling industry for California-
11 grown medium- and short-grain rice.

12 3. That the plaintiff have further relief by way of
13 divestiture and reorganization with respect to the business and
14 properties of PIRMI and RGA as the Court may consider necessary or
15 appropriate to dissipate the effects of the unlawful activities
16 alleged in this complaint, and to restore competitive conditions
17 to the rice milling industry for California-grown medium- and
18 short-grain rice.

19 4. That PIRMI and RGA, their directors, officers, partners,
20 and all persons, firms, and corporations acting on their behalf or
21 under their direction or control be permanently enjoined from
22 engaging in, carrying out, or renewing any contracts, agreements,
23 practices, or understandings, or claiming any rights thereunder,
24 having the purpose or effect of continuing, reviving, or renewing
25 the aforesaid violation, or any contract, agreement, combination
26 or conspiracy having a like or similar purpose or effect.

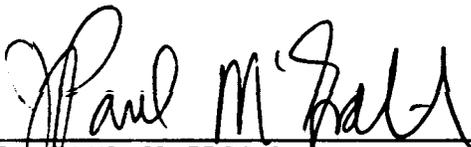
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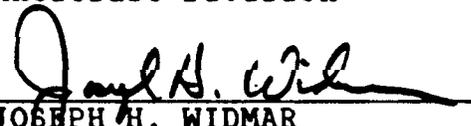
1 5. That, for a period of ten years, except with prior
2 approval of the plaintiff or the Court, PIRMI and RGA, their
3 successors, directors, partners, agents, and all other persons
4 acting on their behalf, be enjoined from acquiring the stock or
5 assets of any corporation or enterprise engaged in whole or in
6 part in milling California-grown medium- or short-grain rice.

7 6. That the plaintiff have such other and further relief as
8 the case requires and the Court deems proper.

9 7. That the plaintiff recover the costs of this suit.

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12 _____
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