

Office of the Attorney General

NEWSRELEASE

ATTORNEY GENERAL OF TEXAS GREG ABBOTT

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Attorney General Abbott Takes Legal Action To Prevent Beef Processors From Merging

Texas, 12 states, and Department of Justice seek to prevent JBS Beef from acquiring Smithfield Beef and National Beef Packing

AUSTIN – Texas Attorney General Greg Abbott, 12 state attorneys general, and the U.S. Department of Justice took legal action to block JBS Beef, S.A., from acquiring Smithfield Beef Group and National Beef Packing Co. Brazil-based JBS, currently the world's largest beef processor, announced its intention to acquire Smithfield and National on March 5, 2008. If the planned acquisition were allowed to proceed, JBS would become the United States' largest beef processor.

Currently, the nation's two largest beef processors are Tyson and Cargill. JBS, National and Smithfield are the third, fourth and fifth largest processors in the United States, respectively. According to the complaint filed today in the federal district court in Chicago, allowing three of the five largest U.S. beef processors to combine would give just three firms control over 80 percent of U.S. beef processing capacity.

The states and the Department of Justice contend that the large processors' concentrated market power could have a negative impact upon cattle ranchers and feed lot operators in the high plains and the southwest United States. According to the today's legal action, the merger's potential anticompetitive implications include giving the processors' sufficient market share to lower the price they pay to ranchers and feed lots for live cattle. The complaint also indicates that the firms would have the ability to increase the price of processed beef, which processors sell to supermarkets and restaurants.

"Texas must continue to foster a vibrant, competitive, free market economy," said Attorney General Greg Abbott. "After months of negotiations and careful review, we are concerned that the proposed merger will harm ranchers and feed lots in Texas, which is the nation's number one beef producer. Today's legal action reflects an effort to ensure that competition thrives in an industry that annually contributes \$5 billion to the Texas economy."

The other states that are part of the legal action to block the planned acquisition are Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, North Dakota, Ohio, Oklahoma, Oregon, South Dakota and Wyoming.

The Office of the Attorney General has been investigating this transaction since May of this year in conjunction with the U.S. Department of Justice and several other state attorneys general.

To report suspected violations of state antitrust laws, contact the Office of the Attorney General at (800) 252-8011 or visit the agency's Web site at www.texasattorneygeneral.gov.