



April 7, 2008

The Honorable Thomas O. Barnett
Assistant Attorney General of the United States
U.S. Department of Justice
950 Pennsylvania Ave., NW
Washington, D.C. 20530-0001

Facsimile: (202) 514-4951

Dear Assistant Attorney General Barnett:

The United States Cattlemen's Association (USCA) is greatly concerned about the recent announcement by JBS Swift and Company to buy National Beef Packing, Smithfield Food's beef operations, and Five Rivers Ranch Cattle Feeding. If this deal is approved, it will effectively reduce five major packers to three major packers, and, because of the Five Rivers Ranch Cattle Feeding operation, this would allow a single packer to control of over 800,000 head of fed cattle in four states. USCA respectfully asks the Department of Justice to thoroughly investigate this proposal and block these proposed purchases if violations exist.

We encourage the Department of Justice to include in its thorough investigation a regional economic impact analysis for the reasons outlined below.

First, there are already regions in the United States where a single packer controls 100% of the market. This merger would exacerbate that situation and totally decimate any market competition in these regions. Smithfield, National and Swift now each have a plant in the Southwest servicing Southern California, Arizona, Utah, and Western New Mexico. If these three companies are allowed to be merged, JBS Swift would in effect control the fat cattle market in this geographic area, and there would no longer be a competitive market for producers and feeders to market their fat cattle.

A review of recent trends and reports of the packing industry shows a movement of packing consolidation and monopolistic actions as outlined in the March 2002 Government Accountability Office (GAO) study specifically designed to assist the U.S. Department of Agriculture and U.S. International Trade Commission design their treatment of competition, marketing practices, and international trade effects on U.S. cattle prices and producers' incomes. This report was preceded by an intensive investigation by the U.S. Department of Commerce and the U.S. International Trade Commission (USITC) into the U.S. cattle and beef industry wherein the USITC reported in Investigation No. 731-TA-812 that "the packer industry, which purchases

fed cattle for slaughter, is heavily concentrated among a few firms, with purchases by the four largest packers accounting for 81% of the fed cattle.... Because of the large number of cattle producers and the fact that each operation is small relative to the domestic market, domestic producers are price takers” (pp. 11-12).

Further, even if the proposed purchase would increase packing efficiency, there is no evidence that such a merger would increase competitiveness in the markets for producers, or that these increased efficiencies would be passed on to the consumer in the form of lower prices. The efficiencies of having a larger processing facility service a larger geographical area are immediately negated by the increased freight expenses of the plants procurements and delivery of finished product.

Additionally, we have very grave concerns that, because of this consolidation, there will be more geographical areas of the United States with only one major packer instead of two, thereby eliminating any competitive marketplace. In these geographical areas, even though producers will be able to sell to other packers, they will not be able to sell to other packers without incurring additional freight charges shipping to a different region of the United States. The packer in their geographical area will know this and will discount live cattle accordingly.

With all this in mind, USCA requests the oversight of the Department of Justice in a full and comprehensive review of the proposed JBS purchase, including a regional economic impact analysis. USCA is available to assist the Department of Justice in further research and interviews of cattle producer and feeder members.

Respectfully,

A handwritten signature in black ink, appearing to read "Jon Wooster", is written over a light blue horizontal line.

Jon Wooster
USCA President

Cc: Douglas Ross, Special Council for Agriculture