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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

July 18, 2003

The Honorable John Ashcroft
Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

Dear Attorney General Ashcroft:

I write regarding the July 15, 2003 announcement that Smithfield Foods, Inc. has offered to acquire the pork manufacturing and processing assets of Farmland Industries, Inc. of Kansas City, Missouri. As Ranking Member of the Senate Committee on Small Business and Entrepreneurship I have concerns about this proposed acquisition that I believe warrant your immediate attention and investigation.

Smithfield Foods, Inc. is the world's largest pork producer and processor. Last year, the company processed 20 million hogs, of which it owned more than 60 percent. Vertical integration of its hog operation has put Smithfield Foods in direct competition with America's small, independent hog producers.

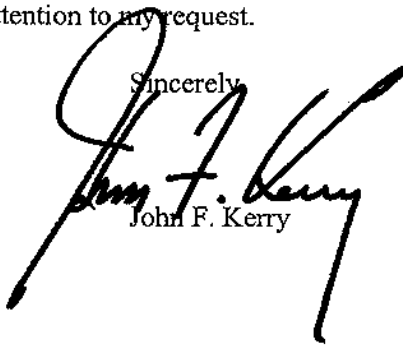
Farmland Foods, on the other hand, is the sixth-largest pork processor in the United States with about 7 percent of the market share and about \$1.8 billion in sales. It is evident that this acquisition, which would give Smithfield control over nearly one-third of the US pork processing industry, has the potential to harm consumers, small producers, and rural communities alike.

In the short-term, the acquisition may further erode regional markets where small, independent livestock producers are already struggling with inadequate market opportunities. The long-term implications of industry consolidation for the economic base of rural communities cannot be overlooked either. There is great concern that consolidation is driving small family farmers across America out of business and emptying rural communities.

These factors—market access, the future of independent producers, economies of small, rural communities, consumer selection and price—are too important to be ignored by the Department of Justice. For these reasons, I ask that you review this acquisition carefully, fully analyze the potential direct and indirect impacts on family farmers and rural communities, and that you act accordingly if there are, in fact, antitrust consequences.

Thank you for your prompt attention to my request.

Sincerely,



John F. Kerry