ADM's sweetener deal to be dissolved

Editor's note: The Organization for Competitive Markets argues that the deal highlighted in this story doesn't go far enough to control the appetite of ADM. See the OCM news release following the story. -- RS

(Monday, July 28, 2003 -- CropChoice news) -- Carol D. Leoning, Washington Post, 07/24/03: A joint venture that could have given Archer Daniels Midland Co. more concentrated control over the market for manufacturing and selling corn sweeteners will be dissolved, under an agreement struck between the parties and approved yesterday by a federal judge.

In September 2002, agribusiness giant ADM purchased Minnesota Corn Processors, one of the five major players in the U.S. and Canadian corn-sweetener market, for $756 million. But the U.S. Justice Department filed suit over the sale, charging that the acquisition would violate antitrust laws by greatly lessening competition and increasing prices in the market.

The government said it was concerned because, in the purchase, ADM would gain control of a joint venture that MCP had with Corn Products International Inc., an exclusive outlet for selling the corn-sweetener products of both companies.

Under the government-negotiated agreement, approved by U.S. District Judge John D. Bates, ADM must dissolve MCP's joint venture for selling sweetener and, to the fullest extent possible, allow Corn Products International to compete with ADM.

In 2001, ADM sold $66 million worth of corn syrup and $480 million of high-fructose corn syrup. The same year, MCP sold $56 million in corn syrup and $153 million in high-fructose corn syrup. After buying MCP, the government estimated, ADM would control a third of the corn syrup manufacturing business and 40 to 50 percent of high-fructose corn syrup manufacturing. Corn sweeteners are used in thousands of food products.

http://www.washingtonpost.com/wp-dyn/articles/A37538-2003Jul23.html

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OCM Disappointed in Court Approval of ADM Acquisition

The Organization for Competitive Markets expressed disappointment today in last week’s court approval of ADM’s proposed acquisition of Minnesota Corn Processors. OCM opposed the combination of two of the nation’s dominant firms in the markets for corn syrup, high fructose corn syrup and ethanol.

“ADM is a serial price fixer that should not be allowed to increase its market power in any market,” asserted Keith Mudd, OCM vice president. “ADM and Minnesota Corn Processors are the number one and two ethanol producers in the country. Farmers are increasingly seeking to add value to their grains and oilseeds through new generation cooperatives. This acquisition will make it far more difficult for these new cooperatives to access fair and competitive markets because ADM now has an increased ability to engage in more exclusionary practices.”

DOJ filed a petition in Federal District Court, District of Columbia, on September 6, 2002 to block ADM’s proposed acquisition of MCP. On the same day, it asked the judge to approve a Consent Decree that would allow the merger if MCP pulled out of a joint venture with another corn processor. On September 13, 2002, DOJ filed a Competitive Impact Statement, as required under law, to explain why the Consent Decree will preserve competition. OCM filed its opposition to the acquisition in court on December 27, 2002. It is this Consent Decree that was approved by the court last week.

OCM's comments asked the federal judge to reject the consent decree because DOJ failed to show that the combination would preserve competition. Specifically, DOJ:

1. Failed to disclose MCP's market share in corn syrup and high fructose corn syrup, which is necessary to evaluate the effect of the deal on those markets.
2. Failed to disclose or discuss ADM's ownership interests in other companies with which it competes.
3. Failed to disclose or discuss a recent Seventh Circuit Court of Appeals decision that found a substantial risk of price fixing by ADM and others in the high fructose corn syrup market.
4. Failed to discuss or show how competition will be preserved after the deal is completed.

"There was no basis for the court to allow this acquisition," said Fred Stokes, OCM president. "We are very concerned that the markets in grain and oilseeds will continue to deteriorate causing pressure for row crop farmers to rely increasingly on government farm programs in the future."

The Organization for Competitive Markets is a multidisciplinary, nonprofit group of farmers, ranchers, academics, attorneys, and policy makers dedicated to reclaiming the agricultural marketplace for independent farmers, ranchers and rural communities.