110TH CONGRESS 1ST SESSION S. 1759

To provide for the review of agricultural mergers and acquisitions by the Department of Justice, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 10, 2007

Mr. GRASSLEY (for himself, Mr. KOHL, and Mr. THUNE) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

- To provide for the review of agricultural mergers and acquisitions by the Department of Justice, and for other purposes.
 - 1 Be it enacted by the Senate and House of Representa-
 - 2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Agriculture Competi-

5 tion Enhancement Act of 2007".

6 SEC. 2. DEFINITIONS.

- 7 In this Act:
- 8 (1) AGRICULTURAL COMMODITY.—The term
 9 "agricultural commodity" has the meaning given

1	that term in section 102 of the Agricultural Trade
2	Act of 1978 (7 U.S.C. 5602).
3	(2) AGRICULTURAL COOPERATIVE.—The term
4	"agricultural cooperative" means an association of
5	persons that meets the requirements of the Capper-
6	Volstead Act (7 U.S.C. 291 et seq.).
7	(3) AGRICULTURAL INDUSTRY.—The term "ag-
8	ricultural industry" means any dealer, processor,
9	commission merchant, or broker involved in the buy-
10	ing or selling of agricultural commodities.
11	(4) ANTITRUST LAWS.—The term "antitrust
12	laws" has the meaning given that term in the first
13	section of the Clayton Act (15 U.S.C. 12).
14	(5) Assistant attorney general.—The
15	term "Assistant Attorney General" means the As-
16	sistant Attorney General in charge of the Antitrust
17	Division of the Department of Justice.
18	(6) BROKER.—The term "broker" means any
19	person (excluding an agricultural cooperative) en-
20	gaged in the business of negotiating sales and pur-
21	chases of any agricultural commodity in commerce
22	for or on behalf of the vendor or the purchaser.
23	(7) CHAIRMAN.—The term "Chairman" means
24	the Chairman of the Federal Trade Commission.

(8) COMMISSION MERCHANT.—The term "com mission merchant" means any person (excluding an
 agricultural cooperative) engaged in the business of
 receiving in commerce any agricultural commodity
 for sale, on commission, or for or on behalf of an other.

7 (9) DEALER.—The term "dealer" means any
8 person (excluding an agricultural cooperative) en9 gaged in the business of buying, selling, or mar10 keting agricultural commodities in commerce, except
11 that no person shall be considered a dealer with re12 spect to sales or marketing of any agricultural com13 modity produced by that person.

"processor" 14 (10)PROCESSOR.—The term 15 means any person (excluding an agricultural cooper-16 ative) engaged in the business of handling, pre-17 paring, or manufacturing (including slaughtering) 18 an agricultural commodity, or the products of such 19 agricultural commodity, for sale or marketing in 20 commerce for human consumption (excluding sale or 21 marketing at the retail level).

(11) SECRETARY.—The term "Secretary"
means the Secretary of Agriculture.

24 (12) SPECIAL COUNSEL.—The term "Special
25 Counsel" means the Special Counsel for Competition

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1	Matters of the Department of Agriculture estab-
2	lished under section 8.
3	(13) TASK FORCE.—The term "Task Force"
4	means the Agriculture Competition Task Force es-
5	tablished under section 4.
6	SEC. 3. DEPUTY ASSISTANT ATTORNEY GENERAL FOR AG-
7	RICULTURAL ANTITRUST MATTERS.
8	There is in the Antitrust Division of the Department
9	of Justice a Deputy Assistant Attorney General for Agri-
10	cultural Antitrust Matters, who shall—
11	(1) be responsible for oversight and coordina-
12	tion of antitrust and related matters which affect
13	agriculture, directly or indirectly; and
14	(2) work in coordination with the Task Force
15	and the Department of Agriculture on all agricul-
16	tural competition matters.
17	SEC. 4. AGRICULTURE COMPETITION TASK FORCE.
18	(a) ESTABLISHMENT.—There is established, under
19	the authority of the Attorney General, the Agriculture
20	Competition Task Force, to examine problems in agricul-
21	tural competition.
22	(b) Membership.—The Task Force shall consist
23	of—

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1	(1) the Deputy Assistant Attorney General for
2	Agricultural Antitrust Matters, who shall serve as
3	chairperson of the Task Force;
4	(2) the Special Counsel;
5	(3) a representative from the Federal Trade
6	Commission;
7	(4) a representative from the Department of
8	Agriculture, Office of Packers and Stockyards;
9	(5) 2 representatives selected jointly by the at-
10	torneys general of States desiring to participate in
11	the Task Force;
12	(6) 2 representatives selected jointly by the
13	heads of the departments of agriculture (or similar
14	such agency) of States desiring to participate in the
15	Task Force;
16	(7) 4 individuals who represent the interests of
17	small family farmers, ranchers, and independent
18	producers—
19	(A) 1 of whom shall be selected by the Ma-
20	jority Leader of the Senate;
21	(B) 1 of whom shall be selected by the Mi-
22	nority Leader of the Senate;
23	(C) 1 of whom shall be selected by the
24	Speaker of the House of Representatives; and

1	(D) 1 of whom shall be selected by the Mi-
2	nority Leader of the House of Representatives;
3	and
4	(8) 8 academics or other independent experts
5	working in the field of agriculture, agricultural law,
6	antitrust law, or economics—
7	(A) 2 of whom shall be selected by the Ma-
8	jority Leader of the Senate;
9	(B) 2 of whom shall be selected by the Mi-
10	nority Leader of the Senate;
11	(C) 2 of whom shall be selected by the
12	Speaker of the House of Representatives; and
13	(D) 2 of whom shall be selected by the Mi-
14	nority Leader of the House of Representatives.
15	(c) DUTIES.—The Task Force shall—
16	(1) investigate problems in competition in the
17	agricultural industry;
18	(2) define and focus the national public interest
19	in preserving an independent family farm and ranch
20	sector;
21	(3) coordinate Federal and State activities to
22	address unfair and deceptive practices and con-
23	centration in the agricultural industry;

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1	(4) work with representatives from agriculture
2	and rural communities to identify abusive practices
3	in the agricultural industry;
4	(5) submit to Congress such reports as the
5	Task Force determines on the state of family farm-
6	ers and ranchers, and the impact of agricultural con-
7	centration and unfair business practices on rural
8	communities in the United States; and
9	(6) make such recommendations to Congress as
10	the Task Force determines on agricultural competi-
11	tion issues.
12	(d) Working Group.—
13	(1) IN GENERAL.—The Task Force shall estab-
14	lish a working group on buyer power to—
15	(A) study the effects of concentration, mo-
16	nopsony, and oligopsony in agriculture, make
17	recommendations to the Assistant Attorney
18	General and the Chairman, and assist the As-
19	sistant Attorney General and the Chairman in
20	drafting agricultural guidelines under section
21	6(b); and
22	(B) select certain agricultural mergers and
23	acquisitions that were consummated within the
24	past 10 years, review the effects of such merg-
25	ers and acquisitions on competition in agricul-

1	tural commodities markets, and make rec-
2	ommendations to the Assistant Attorney Gen-
3	eral, the Chairman, and the Secretary.
4	(2) MEMBERS.—The working group shall in-
5	clude any member of the Task Force selected under
6	subsection (b)(8).
7	(e) Meetings.—
8	(1) FIRST MEETING.—The Task Force shall
9	hold its initial meeting not later than the later of—
10	(A) 90 days after the date of enactment of
11	this Act; and
12	(B) 30 days after the date of enactment of
13	an Act making appropriations to carry out this
14	section.
15	(2) MINIMUM NUMBER.—The Task Force shall
16	meet not less than 3 times each year, at the call of
17	the chairperson.
18	(f) Compensation.—
19	(1) IN GENERAL.—The members of the Task
20	Force shall serve without compensation.
21	(2) TRAVEL EXPENSES.—Members of the Task
22	Force shall receive travel expenses, including per
23	diem in lieu of subsistence, in accordance with sub-
24	chapter I of chapter 57 of title 5, United States
25	Code.

1 (g) STAFF OF TASK FORCE; EXPERTS AND CON-2 SULTANTS.—

3 (1) Staff.—

4 (A) APPOINTMENT.—The chairperson of 5 the Task Force may, without regard to the pro-6 visions of chapter 51 of title 5 of the United 7 States Code (relating to appointments in the 8 competitive service), appoint and terminate an 9 executive director and such other staff as are 10 necessary to enable the Task Force to perform 11 its duties. The appointment of an executive di-12 rector shall be subject to approval by the Task 13 Force.

14 (B) COMPENSATION.—The chairperson of 15 the Task Force may fix the compensation of the 16 executive director and other staff without re-17 gard to the provisions of chapter 51 and sub-18 chapter III of chapter 53 of title 5 of the 19 United States Code (relating to classification of 20 positions and General Schedule pay rates), ex-21 cept that the rate of pay for the executive direc-22 tor and other staff may not exceed the rate of 23 basic pay payable for level V of the Executive 24 Schedule under section 5315 of title 5 United 25 States Code, as in effect from time to time.

(2) EXPERTS AND CONSULTANTS.—The Task
 Force may procure temporary and intermittent serv ices of experts and consultants in accordance with
 section 3109(b) of title 5, United States Code.

5 (h) Powers of the Task Force.—

6 (1) HEARINGS AND MEETINGS.—The Task 7 Force, or a member of the Task Force if authorized 8 by the Task Force, may hold such hearings, sit and 9 act at such time and places, take such testimony, re-10 ceive such evidence, and administer such oaths or af-11 firmations as the Task Force considers to be appro-12 priate.

13 (2) Official data.—The Task Force may ob-14 tain directly from any executive agency (as defined 15 in section 105 of title 5 of the United States Code) 16 or court information necessary to enable it to carry 17 out its duties under this section. On the request of 18 the chairperson of the Task Force, and consistent 19 with any other law, the head of an executive agency 20 or of a Federal court shall provide such information 21 to the Task Force.

(3) FACILITIES AND SUPPORT SERVICES.—The
Administrator of General Services shall provide to
the Task Force on a reimbursable basis such facilities and support services as the Task Force may re-

quest. On request of the Task Force, the head of an
 executive agency may make any of the facilities or
 services of such agency available to the Task Force,
 on a reimbursable or nonreimbursable basis, to as sist the Task Force in carrying out its duties under
 this section.

7 (4)EXPENDITURES CONTRACTS.—The AND 8 Task Force or, on authorization of the Task Force, 9 a member of the Task Force may make expenditures 10 and enter into contracts for the procurement of such 11 supplies, services, and property as the Task Force or 12 such member considers to be appropriate for the 13 purpose of carrying out the duties of the Task 14 Force. Such expenditures and contracts may be 15 made only to such extent or in such amounts as are 16 provided in advance in appropriation Acts.

17 (5) MAILS.—The Task Force may use the
18 United States mails in the same manner and under
19 the same conditions as other departments and agen20 cies of the United States.

(6) GIFTS, BEQUESTS, AND DEVISES.—The
Task Force may accept, use, and dispose of gifts,
bequests, or devises of services or property, both real
and personal, for the purpose of aiding or facilitating the work of the Task Force. Gifts, bequests,

or devises of money and proceeds from sales of other
 property received as gifts, bequests, or devises shall
 be deposited in the Treasury and shall be available
 for disbursement upon order of the Task Force.

5 (i) AUTHORIZATION OF APPROPRIATIONS.—There
6 are authorized to be appropriated to carry out this section
7 \$1,000,000 for each of fiscal years 2008, 2009, and 2010.
8 SEC. 5. AUTHORIZATION FOR ADDITIONAL STAFF AND

FUNDING.

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10 There are authorized to be appropriated such sums 11 as are necessary to hire additional employees (including 12 agricultural law and economics experts) for the Transportation, Energy, and Agriculture Section of the Antitrust 13 Division of the Department of Justice, to enhance the re-14 15 view of agricultural transactions and monitor, investigate, and prosecute unfair and deceptive practices in the agri-16 17 cultural industry.

18 SEC. 6. ENSURING FULL AND FREE COMPETITION IN AGRI-

19 CULTURE.

20 (a) BURDEN OF PROOF.—Section 7 of the Clayton
21 Act (15 U.S.C. 18) is amended by adding at the end the
22 following:

23 "In this paragraph, the term 'covered civil action'
24 means a civil action brought against any person for vio25 lating this section in which the plaintiff alleges that the

effect of a merger, acquisition, or other transaction affect-1 2 ing commerce may be to substantially lessen competition, 3 or to tend to create a monopoly, in the business of pro-4 curing agricultural products from, or selling products to, 5 agricultural producers in one or more geographic areas, 6 and establishes that a merger, acquisition, or transaction is between or involves persons competing in the business 7 8 of procuring agricultural products from, or selling prod-9 ucts to, agricultural producers. In any covered civil ac-10 tion-

"(A) if the plaintiff is the Federal Government or a State government, the burden of
proof shall be on the defendant or defendants
to establish by a preponderance of the evidence
that the merger, acquisition, or transaction at
issue will not—

17 "(i) substantially lessen competition;18 or

19 "(ii) tend to create a monopoly in 1 or
20 more geographic markets; and

21 "(B) for any other plaintiff, if the plaintiff
22 demonstrates that the parties to the merger, ac23 quisition, or other transaction have a combined
24 market share of not less than 20 percent in any
25 relevant market, the burden of proof shall be on

1	the defendant or defendants to establish by a
2	preponderance of the evidence that the merger,
3	acquisition, or transaction at issue will not—
4	"(i) substantially lessen competition;
5	or
6	"(ii) tend to create a monopoly in 1 or
7	more geographic markets.".
8	(b) Agricultural Guidelines.—
9	(1) FINDINGS.—Congress finds the following:
10	(A) The effective enforcement of the anti-
11	trust laws in agriculture requires that the anti-
12	trust enforcement agencies have guidelines with
13	respect to mergers and other anticompetitive
14	conduct that are properly adapted to the special
15	circumstances of agricultural commodity mar-
16	kets.
17	(B) There has been a substantial increase
18	in concentration in the markets in which agri-
19	cultural commodities are sold, with the result
20	that buyers of agricultural commodities often
21	possess regional dominance in the form of oli-
22	gopsony or monopsony relative to sellers of such
23	commodities. A substantial part of this increase
24	in market concentration is the direct result of
25	mergers and acquisitions that the antitrust en-

1	forcement agencies did not challenge, in large
2	part because of the lack of appropriate guide-
3	lines identifying particular structural character-
4	istics in the agricultural industry and the ad-
5	verse competitive effects that such acquisitions
6	and mergers would create.
7	(C) The cost of transportation, impact on
8	quality, and delay in sales of agricultural com-
9	modities if they are to be transported to more
10	distant buyers result in narrow geographic mar-
11	kets with respect to buyer power.
12	(D) Buyers have no economic incentive to
13	bid up the price of agricultural commodities in
14	the absence of effective competition. Further,
15	the nature of buying makes it feasible for larger
16	numbers of buyers to engage in tacit or overt
17	collusion to restrain price competition.
18	(E) Buyers with oligopsonistic or
19	monopsonistic power have incentives to engage
20	in unfair, exploitive, discriminatory, and exclu-
21	sionary acts that cause producers of agricul-
22	tural commodities to receive less than a com-
23	petitive price for their goods, transfer economic
24	risks to sellers without reasonable compensa-

tion, and exclude sellers from access to the market.

3 (F) Markets for agricultural commodities 4 often involve contexts in which many producers 5 have relatively limited information and no bar-6 gaining power with respect to the sale of their 7 commodities. These conditions invite buyers 8 with significant oligopsonistic or monopsonistic 9 power to exercise that power in ways that in-10 volve discrimination, exploitation, and undue 11 differentiation among sellers.

12 (G) Some Federal courts have incorrectly 13 required a plaintiff to show harm to competition 14 generally, in addition to harm to the producer 15 of agricultural commodities when making a de-16 termination that an unfair, unjustly discrimina-17 tory, deceptive, or preferential act exists. Those 18 same courts have also incorrectly held that it is 19 a complete defense if a defendant can show any 20 nonharmful justification for an act or practice, 21 even though such conduct was not essential to 22 the business activities of the defendant or there 23 were less harmful ways to achieve a reasonably 24 comparable result with respect to the legitimate 25 and necessary interests of the defendant.

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1	(2) ISSUANCE OF GUIDELINES.—The Assistant
2	Attorney General and the Chairman, in consultation
3	with the Special Counsel, shall issue agricultural
4	guidelines informed and guided by the findings
5	under paragraph (1) that—
6	(A) facilitate a fair, open, accessible, trans-
7	parent, and efficient market system for agricul-
8	tural products;
9	(B) reflect the national public interest in
10	preserving a substantial and diverse family
11	farm and ranch sector;
12	(C) recognize that increasing competition
13	in the purchase of agricultural products by
14	highly concentrated firms from a sector in per-
15	fect competition is entirely consistent with the
16	objective of the antitrust laws to protect con-
17	sumers and enhance consumer benefits from
18	competition; and
19	(D) prevent any merger or acquisition in
20	the agricultural industry, if the effect of that
21	merger or acquisition may be to substantially
22	lessen competition or tend to create a monop-
23	oly.
24	(3) CONTENTS.—The agricultural guidelines
25	issued under paragraph (2) shall consist of merger

1	guidelines relating to existing and potential competi-
2	tion and vertical integration that—
3	(A) establish appropriate methodologies for
4	determining the geographic and product mar-
5	kets for mergers affecting agricultural com-
6	modity markets;
7	(B) establish thresholds of increased con-
8	centration that raise a presumption that the
9	merger will have an adverse effect on competi-
10	tion in the affected agricultural commodities
11	markets;
12	(C) identify potential adverse competitive
13	effects of mergers in agricultural commodities
14	markets in a nonexclusive manner; and
15	(D) identify the factors that would permit
16	an enforcement agency to determine when a
17	merger in the agricultural commodities market
18	might avoid liability because it is not likely to
19	have an adverse effect on competition.
20	(c) Agriculture Competition Task Force
21	WORKING GROUP ON BUYING POWER.—In issuing agri-
22	cultural guidelines under this section, the Chairman and
23	the Assistant Attorney General shall consult with the
24	working group on buyer power of the Task Force estab-

lished under section 4(d) and shall incorporate and imple ment the recommendations of that working group.

3 (d) COMPLETION.—Not later than 1 year after the
4 date of enactment of this Act, the Chairman and the As5 sistant Attorney General shall issue agricultural guidelines
6 under this section.

7 (e) REPORT.—Not later than 1 year after the date 8 of enactment of this Act, the Chairman and the Assistant 9 Attorney General shall jointly submit a report to the Com-10 mittee on the Judiciary of the Senate and the Committee 11 on the Judiciary of the House of Representatives regard-12 ing the issuing of agricultural guidelines under this sec-13 tion.

14 SEC. 7. POST-MERGER REVIEW OF AGRICULTURAL TRANS-15 ACTIONS.

(a) IN GENERAL.—Not later than 5 years after the
date of a covered merger or acquisition, the Assistant Attorney General or the Chairman, as the case may be, shall
conduct a post-merger review to determine whether the effect of that covered merger or acquisition tended to substantially reduce competition in the agricultural industry.

(b) SHARING OF RESULTS.—The Assistant Attorney
General or the Chairman shall submit the results of any
post-merger review under subsection (a) to the Task

Force, for its consideration in examining problems in agri cultural competition.

3 (c) DEFINITION.—In this section, the term "covered merger or acquisition" means a merger or acquisition-4 5 (1) in the agricultural industry; 6 (2) that is subject to the notification require-7 ments under section 7A of the Clayton Act (15 8 U.S.C. 18a); 9 (3) for which the Assistant Attorney General or 10 the Chairman, as the case may be, required the sub-11 mission of additional information or documentary 12 material under section 7A(e)(1)(A) of the Clayton 13 Act (15 U.S.C. 18a(e)(1)(A)); and 14 (4) for which, after review under that section, 15 the Assistant Attorney General or the Chairman, as 16 the case may be— 17 (A) did not institute a proceeding or action 18 under the antitrust laws; or 19 (B) instituted a proceeding or action under 20 the antitrust laws that was resolved through a 21 settlement agreement or consent decree. 22 SEC. 8. SPECIAL COUNSEL FOR COMPETITION MATTERS. 23 (a) IN GENERAL.—There is established within the 24 Department of Agriculture the Office of Competition and

Fair Practices, headed by a Special Counsel for Competi tion Matters.

3 (b) DUTIES.—The Special Counsel shall—

4 (1) analyze mergers within the food and agri5 cultural sectors, in consultation with the Chief Econ6 omist of the Department of Agriculture, the Assist7 ant Attorney General, and the Chairman, as re8 quired under section 9; and

9 (2) investigate and prosecute violations of the
10 Packers and Stockyards Act, 1921 (7 U.S.C. 181 et
11 seq.).

12 (c) AUTHORIZATION FOR ADDITIONAL STAFF AND13 FUNDING.—

(1) ADDITIONAL STAFF.—The Special Counsel
shall hire sufficient employees (including antitrust
and litigation attorneys, economists, and investigators) to appropriately carry out the responsibilities
of the Office of Competition and Fair Practices
under this Act.

20 (2) AUTHORIZATION.—There are authorized to
21 be appropriated such sums as are necessary to carry
22 out paragraph (1).

1 SEC. 9. AGRIBUSINESS MERGER REVIEW AND ENFORCE-2 MENT BY THE DEPARTMENT OF AGRI-3 CULTURE.

4 (a) NOTICE.—The Assistant Attorney General or the 5 Commissioner, as appropriate, shall notify the Secretary of any filing under section 7A of the Clayton Act (15) 6 7 U.S.C. 18a) involving a merger or acquisition in the agri-8 cultural industry, and shall give the Secretary the oppor-9 tunity to participate in the review proceedings.

- 10 (b) REVIEW.—
- 11

(1) IN GENERAL.—After receiving notice of a 12 merger or acquisition under subsection (a), the Sec-13 retary may submit to the Assistant Attorney General 14 or the Commissioner, as appropriate, and publish 15 the comments of the Secretary regarding that merg-16 er or acquisition, including a determination regard-17 ing whether the merger or acquisition may have a 18 substantial adverse impact on rural communities or 19 the family farm and ranch sector, such that further 20 review by the Assistant Attorney General or the 21 Commissioner, as appropriate, is warranted.

22 (2) SECOND REQUESTS.—For any merger or 23 acquisition described in subsection (a), if the Assist-24 ant Attorney General or the Chairman, as the case 25 may be, requires the submission of additional infor-26 mation or documentary material under section

1	7A(e)(1)(A) of the Clayton Act (15 U.S.C.
2	18a(e)(1)(A))—
3	(A) copies of any materials provided in re-
4	sponse to such a request shall be made available
5	to the Secretary; and
6	(B) the Secretary—
7	(i) shall submit to the Assistant At-
8	torney General or the Chairman such addi-
9	tional comments as the Secretary deter-
10	mines appropriate; and
11	(ii) shall publish a summary of any
12	comments submitted under clause (i).
13	(c) Report.—
14	(1) IN GENERAL.—The Secretary shall submit
15	an annual report to Congress regarding the review
16	of mergers and acquisitions described in subsection
17	(a).
18	(2) CONTENTS.—Each report submitted under
19	paragraph (1) shall provide a description of each
20	merger or acquisition described in subsection (a)
21	that was reviewed by the Secretary during the year
22	before the date that report is submitted, including—
23	(A) the name and total resources of each
24	entity involved in that merger or acquisition;

1	(B) a statement of the views of the Sec-
2	retary regarding the competitive effects of that
3	merger or acquisition on—
4	(i) agricultural markets; and
5	(ii) rural communities and small,
6	independent producers; and
7	(C) a statement indicating whether the As-
8	sistant Attorney General or the Chairman, as
9	the case may be, instituted a proceeding or ac-
10	tion under the antitrust laws, and if so, the sta-
11	tus of that proceeding or action.
12	SEC. 10. AUTHORIZATION FOR ADDITIONAL STAFF AND
13	FUNDING FOR THE GRAIN INSPECTION,
14	PACKERS, AND STOCKYARDS ADMINISTRA-
15	TION.
16	There are authorized to be appropriated such sums
17	as are necessary to enhance the capability of the Grain
18	Inspection, Packers, and Stockyards Administration to
19	monitor, investigate, and pursue the competitive implica-
20	
20	tions of structural changes in the meat packing and poul-

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21 try industries by hiring litigating attorneys to allow the
22 Grain Inspection, Packers, and Stockyards Administration
23 to more comprehensively and effectively pursue its en-

24 forcement activities.