



Attorney General Doug Peterson

News Release

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Attorney General Peterson Announces Successful Challenge to Merger of Two Largest Foodservice Distributors

Nebraska Attorney General Doug Peterson announced that a challenge to the merger of Sysco and US Foods has been successful, with a federal judge blocking the transaction pending further review.

In February of this year, the Nebraska Attorney General's Office joined with the Federal Trade Commission, ten other states, and the District of Columbia to halt the merger of the nation's two largest foodservice distributors. Last Tuesday, U.S. District Court Judge Amit P. Mehta, in the District of Columbia, issued a preliminary injunction blocking the merger. The public version of Judge Mehta's Memorandum Opinion was released last Friday. Judge Mehta agreed with the FTC and the Plaintiff States that the \$8.7 billion merger, if allowed to proceed, could reduce competition in the broadline foodservice distribution industry. Judge Mehta found that a preliminary injunction is in the public interest as there "is a reasonable probability that the proposed merger will substantially impair competition." The proposed merger was set to go before an administrative law judge in July, but the two companies announced yesterday that the proposed merger agreement has been terminated.

Sysco and US Foods are – by far – the largest broadline foodservice distributors in the United States. Broadline distributors offer extensive product lines, including national-brand and private-label food products, and provide frequent and flexible delivery, high levels of customer service, and other value-added services. A combined Sysco-US Foods would have controlled approximately 75 percent of the national market and approximately 90 percent of the Omaha-Council Bluffs market.

Sysco and US Foods compete aggressively for the business of foodservice customers that operate in Nebraska, and Attorney General Peterson joined this enforcement action to preserve such healthy competition. Furthermore, Sysco and US Foods are the only broadline distributors with a true national footprint, and the two companies compete vigorously with each other to meet the needs of customers with foodservice locations dispersed nationwide and across multiple regions of the country. If the merger was allowed to proceed, foodservice customers, including restaurants, hospitals, hotels, and schools, could have faced higher prices and diminished service.

In addition to Nebraska, the attorneys general of California, Illinois, Iowa, Maryland, Minnesota, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and the District of Columbia joined the FTC in this enforcement action.

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