



News Release

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Attorney General Joins FTC Challenge of Proposed Merger of Sysco and US Foods

Tennessee Attorney General Herbert Slatery, along with ten other Attorneys General, joined the Federal Trade Commission (FTC) today in seeking a temporary restraining order and preliminary injunction to prevent the proposed merger of Sysco and US Foods pending the FTC's administrative proceeding. The States and the FTC allege the merger would violate antitrust laws by significantly reducing competition nationwide and in 32 local markets for broadline foodservice distribution services, and that foodservice customers, including restaurants, hospitals, hotels, and schools, would likely face higher prices and diminished services.

"The proposed merger would result in one foodservice distributor controlling 81% of the distributor market in Memphis," Attorney General Slatery said. "This would have an obvious and adverse effect on businesses and consumers in the Memphis area so today Tennessee has joined the FTC and the other states to protect Tennessee's interest in maintaining a competitive market in this industry segment."

"This proposed merger would eliminate significant competition in the marketplace and create a dominant national broadline foodservice distributor," said Debbie Feinstein, the Director of the FTC's Bureau of Competition. "Consumers, and the businesses that serve them, across the country benefit from the healthy competition between Sysco and US Foods, whether they eat at a restaurant, hotel, or a hospital."

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 such as order tracking, menu planning, and nutritional information.

According to the complaint filed by the FTC and Attorneys General, a combined Sysco/US Foods would account for 75% of the national market for broadline distribution services and high shares in a number of local markets.

As detailed in the complaint, the merger presents a significant risk of competitive harm for two sets of customers who rely on broadline foodservice distribution:

- **Local customers** – Sysco and US Foods also compete aggressively for the broadline business of independent restaurants and other local customers that operate in a local area or region. The merger is likely to harm competition in 32 local markets, including Memphis which was listed as the #7 most impacted market according to the complaint.

- **National customers** – Sysco and US Foods are the only broadline distributors with a truly national footprint, and compete vigorously with each other to meet the needs of customers with foodservice locations dispersed nationwide or across multiple regions of the country. Many hotel chains, foodservice management companies, and group purchasing organizations, consider Sysco and US Foods to be each other’s closest competitor, and in some cases their only meaningful alternatives, for national broadline distribution services.

In addition to Tennessee, California, Illinois, Iowa, Maryland, Minnesota, Nebraska, Ohio, Pennsylvania, Virginia, and the District of Columbia have joined the FTC’s complaint for a preliminary injunction.