



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

FTC to Challenge Merger of Beech-Nut Nutrition Corp. and H.J. Heinz Co.

Companies are Number Two and Three U.S. Baby Food Producers

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FOR RELEASE

July 7, 2000

The Federal Trade Commission today authorized staff to seek a preliminary injunction to block H.J. Heinz Company's (Heinz) proposed \$185 million acquisition of Milnot Holding Company, owner of Beech-Nut Nutrition Corporation (Beech-Nut), citing concerns that the transaction would violate the federal antitrust laws by reducing the number of competitors in the baby food market from three to two, creating a duopoly. Heinz and Beech-Nut are the nation's second- and third-largest producers of prepared baby food.

"The transaction would violate the antitrust laws by allowing two firms, Gerber and Heinz/Beech-Nut, to control 98 percent of the U.S. baby food market," Richard G. Parker, Director of the FTC's Bureau of Competition, said. "Today's Commission action seeks to ensure that families are protected from a loss of competition that may lead to significant price increases for baby food."

The acquisition by Heinz, based in Pittsburgh, Pennsylvania, of Beech-Nut (and defendant Milnot Holdings Company) from Madison Dearborn Capital Partners, L.P., based in St. Louis, Missouri, would violate Section 7 of the Clayton Act by substantially lessening competition in the manufacture and sale of prepared baby food within the United States. The proposed transaction, which was announced on February 28, 2000, is valued at approximately \$185 million. Gerber, the industry leader, currently has approximately a 70 percent share of the baby food market, followed by Beech-Nut and Heinz which have approximately 14 percent each.

The Commission will contend that entry barriers in the U.S. baby food market are high, and that there hasn't been any significant entry in the market for over 60 years. Furthermore, the Commission will contend that the U.S. baby food market is already highly concentrated and that it will become substantially more concentrated if the transaction is consummated. This increased concentration - reducing the three leading firms into two - would increase the likelihood of coordinated anticompetitive interaction and actual or tacit collusion between the two remaining firms. It would also eliminate substantial head-to-head competition between Heinz and Beech-Nut in the production and sale of baby food in many markets in the United States, and would eliminate Beech-Nut as a substantial, independent and competitive force in the market.

Today's Commission action authorizes staff to seek a federal district court order to prevent the proposed acquisition of Beech-Nut. The FTC will argue in court for a preliminary injunction on the grounds that the transaction as structured would violate federal antitrust laws. If the court grants the FTC's motion, the Commission will have 20 days within which to determine whether to issue an administrative complaint. The FTC vote to challenge the acquisition was 3-2, with Commissioners Sheila F. Anthony and Orson Swindle dissenting. The motion will be filed by July 14, 2000 in the U.S. District Court in for the District of Columbia.

Copies of the Commission's complaint will be available upon filing from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580; 877-FTC-HELP (877-382-4357); TDD for the hearing impaired 1-866-653-4261. To find out the latest news as it is announced, call the FTC NewsPhone recording at 202-326-2710.

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