



FEDERAL TRADE COMMISSION
 PROTECTING AMERICA'S CONSUMERS

FTC Challenges Proposed Merger of Sysco and US Foods

Agency Charges Merger Would Create a National Broadline Foodservice Distributor With 75 Percent Market Share, And Harm Customers in Numerous Local Markets

FOR RELEASE

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The Federal Trade Commission today filed an administrative complaint charging that the proposed merger of Sysco and US Foods would violate the antitrust laws by significantly reducing competition nationwide and in 32 local markets for broadline foodservice distribution services. The FTC alleges that if the merger goes forward as proposed, foodservice customers, including restaurants, hospitals, hotels, and schools, would likely face higher prices and diminished service than would be the case but for the merger.

The FTC also authorized staff to seek in federal court a temporary restraining order and a preliminary injunction to prevent the parties from consummating the merger, and to maintain the status quo pending the administrative proceeding.

“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 across the country, and the businesses that serve them, 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 FTC complaint, a combined Sysco/US Foods would account for 75% of the national market for broadline distribution services. In addition, the parties would also hold 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:

- **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. Sysco and US Foods are the only broadline distributors with numerous distribution centers spread throughout the country. Many hotel chains, foodservice management companies, and group purchasing organizations, for example, consider Sysco and US Foods to be each other’s closest competitor, and in

- **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, according to the agency’s complaint.

The Commission also charges that the proposed sale of 11 US Foods distribution centers to Performance Food Group would neither enable PFG to replace US Foods as a competitor nor counteract the significant competitive harm caused by the merger. According to the FTC, even with the addition of 11 distribution centers, PFG would not approach the scale or competitiveness of US Foods today, and therefore would not restore the competition eliminated by this merger.

The following state attorneys general have joined the FTC’s complaint for a preliminary injunction to be filed in federal district court: California, Illinois, Iowa, Maryland, Minnesota, Nebraska, Ohio, Virginia, Pennsylvania, Tennessee, and the District of Columbia.

The Commission vote to issue the administrative complaint and to authorize staff to seek a temporary restraining order and preliminary injunction in federal court was 3-2, with Commissioners Maureen K. Ohlhausen and Joshua D. Wright voting no. The administrative trial is scheduled to begin on July 21, 2015.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The issuance of the administrative complaint marks the beginning of a proceeding in which the allegations will be tried in a formal hearing before an administrative law judge.

The FTC’s Bureau of Competition works with the Bureau of Economics to investigate alleged anticompetitive business practices and, when appropriate, recommends that the Commission take law enforcement action. To inform the Bureau about particular business practices, call 202-326-3300, send an e-mail to antitrust@ftc.gov, or write to the Office of Policy and Coordination, Bureau of Competition, Federal Trade Commission, 600 Pennsylvania Ave., NW, Room CC-5422, Washington, DC 20580. To learn more about the Bureau of Competition, read [Competition Counts](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

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