NATIONAL FARMERS UNION

December 19, 1988

Hon. Donald Riegle
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Senator Riegle:

1988 has brought about an unprecedented rash of mergers and acquisitions among major business entities in the United States.

I'm writing today to express the concerns of this farm organization about these activities and to ask your help in insuring that the "takeover craze" does not cause irreparable harm to many segments of the U.S. economy.

Recently, the National Farmers Union Board of Directors adopted the enclosed resolution to showcase what we fear are very detrimental effects on the farm economy caused by the fallout from mergers and acquisitions.

Two recent examples of this activity involved food companies -- the Philip Morris acquisition of Kraft foods and the Kohlberg, Krivis, Roberts acquisition of R.J. Reynolds/Nabisco. We at NFU are deeply concerned about the increasing ratio of concentration in the food industry which may prove devastating to the family farmers of this country. The type of vertical integration many food processing and wholesaling entities are practicing today limits the competitiveness of the family farm operators who are the backbone of the industry.

Today, over half the fed cattle being slaughtered in the United States were fed in a handful of giant feedlots owned by major corporations. This same scenario is being played out in the broiler industry and other segments of the food production sector. The effects of this type of consolidation are clearly being felt on our farms and in our rural communities.

Secondly, the financing of acquisitions and mergers through leveraged buyouts is diverting useful investment capital away from needy sectors like agriculture and small business. Takeovers and mergers will use up more than $250 billion in capital this year alone! That money will help build no new plants, purchase no new equipment, and certainly, will not provide any new jobs. That money also becomes unavailable for farm, real estate, automobile, or consumer loans. Since much of the takeover capital is financed through leveraged buyout, junk

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bonds or other means, the buyout binge forces interest rates up and forces farmers and consumers to compete directly with the takeover promoters for financing.

At a time when consumers are scrambling for available housing loans; when the cost of educating our young people is skyrocketing and college loans are increasingly unavailable; when family farmers must struggle each spring to find operating capital at interest rates that eat up their profit; and when servicing the national debt is one of our government's largest budget items, we must insure that available capital is redirected toward more useful purposes.

Please join us in urging the imposition of a drastic limit on the consolidation and the wasteful diversion of capital merge-mania has brought about which today threatens the very lifeblood of our country.

Sincerely,

Leland Swenson

Leland Swenson
President

Enclosure