AUGUST 1981 - VOLUME 2 - NUMBER 8

B

GLOBAL NEWSWATCH

Cereal Companies Move to Kill Suit

Kellogg Co., General Mills Inc., and General Foods Corp - .the three largest cereal companies in the U.S.-are gaining increasing support in Congress for moves to delay or kill a nine-year-old antitrust suit against the three companies.

The Federal Trade Commission (FTC) brought the suit with the legally unprecedented charge of a "shared monopoly," that the three companies tacitly conspired to control cereal prices.

The FTC also charges that the cereal companies persuaded supermarkets to arrange shelves according to brand name instead of product, making comparison shopping difficult.

Pending in the House and in the Senate is a bill that would place a moratorium on decisions by the FTC in shared monopoly proceedings until Congress establishes the existence of the violation and defines its elements.

In addition, the House appropriations subcommittee voted on June 24 to suspend funding of the cereal case until alleged improper action by the FTC was investigated. The companies claim that the judge who had been hearing the case since 1972 has been wooed by the FTC to remain on the case, rather than retire.

A staff member of the House bill's sponsor, Rep. Howard Wolpe-who represents Kellogg's home base of Battle Creek, Michigan-said the FTC "is overstepping its authority" in raising the issue of a shared monopoly.

Federal Election Commission records show that in 1979 and 1980 Kellogg's Better Government Committee gave $3,500-its largest campaign contribution-to Wolpe's campaign.

The FTC has claimed this shared monopoly costs consumers $128 million a year, and the agency hoped to break the three cereal firms into five new companies. In addition, the FTC aimed to require "the big three" to license to other companies any new brands they develop within five years of their introduction.

Currently, Kellogg Co. controls 45%a of the $1.5 billion-a-year cereal market; General Mills claims 21%; and General Foods, 17%.

http://www.multinationalmonitor.org/hyper/issues/1981/08/cereal.html

B

http://news.google.com/newspapers?nid=2706&dat=19781112&id=2wBKAAAAIBAJ&sjid=Ph4NAAAAIBAJ&pg=2332,4110139

The Michigan Daily - Nov 12, 1978

The original 1972 complaint said that the four largest manufacturers of ready-to-eat cereal controlled about 90 per cent of the market. It said they realized that if they were aggressive in competing with outsiders and not with each other, they all would be highly profitable.

A commission staff study estimated that cereal prices would be 20 per cent to 25 per cent lower in a truly competitive market.

In addition to General Mills, defendants in the case are Kellogg Co. and General Foods Corp. Charges against a fourth cereal company, Quaker Oats Co., were dropped earlier this year.

The government alleges, among other things, that industry leaders pursue "follow-the-leader" pricing practices, participate in policies that limit access by competitors to grocery store shelves and introduced about 150 new cereal brands between 1950 and 1970 to stifle competition.

-What companies were/are dominating the cereal business?

-How would you define a “shared monopoly” using the vocabulary words we have studied?

a. monopoly.

b. trust.

c. corporation.

d. vertical integration.

-What 2 tactics have the cereal companies used to maintain dominance?