

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Lina M. Khan, Chair**
 Noah Joshua Phillips
 Rebecca Kelly Slaughter
 Christine S. Wilson
 Alvaro M. Bedoya

In the Matter of

**Tractor Supply Company,
a corporation,**

and

**Orscheln Farm and Home LLC,
a limited liability company.**

Docket No. C-4776

**REDACTED PUBLIC
VERSION**

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act (“FTC Act”), and by virtue of the authority vested in it by said Acts, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Tractor Supply Company (“Tractor Supply”), a corporation subject to the jurisdiction of the Commission, agreed to acquire Respondent Orscheln Farm and Home LLC (“Orscheln”), a limited liability company subject to the jurisdiction of the Commission, via a merger of Harvest MergeCo, LLC, a wholly-owned subsidiary of Tractor Supply, with Orscheln, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent Tractor Supply is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its executive offices and principal place of business located at 5401 Virginia Way, Brentwood, Tennessee.

2. Respondent Tractor Supply operates over 2,000 farm stores, with stores located in every state except Alaska. Tractor Supply is the largest farm store chain, by store count, in the United States.

3. Respondent Orscheln is a limited liability company organized, existing, and doing business under and by virtue of the laws of the State of Missouri. Its executive offices and principal place of business are located at 1800 Overcenter Drive, Moberly, Missouri.

4. Respondent Orscheln operates 166 farm stores under the Orscheln Farm & Home banner in Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska, Ohio, Oklahoma, and Texas. Orscheln is the second largest farm store chain, by store count, in the United States.

5. Respondents Tractor Supply and Orscheln operate farm stores in each of the geographic markets relevant to this Complaint and compete and promote their businesses in these areas.

II. JURISDICTION

6. Respondents and each of their relevant operating subsidiaries and parent entities are, and at all times relevant herein have been, engaged in commerce, or in activities affecting commerce, within the meaning of Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

III. THE PROPOSED TRANSACTION

7. Pursuant to an Agreement and Plan of Merger dated as of February 17, 2021, Tractor Supply proposes to purchase Orscheln for approximately \$320 million via a merger of Harvest MergeCo, LLC, a wholly-owned subsidiary of Tractor Supply, with Orscheln, with Orscheln surviving the merger as a wholly-owned subsidiary of Tractor Supply (“the Proposed Transaction”).

8. The Proposed Transaction is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

IV. THE RELEVANT PRODUCT MARKET

9. The relevant product market in which to evaluate the effects of the Proposed Transaction is brick-and-mortar farm stores. Farm stores offer their customers a broad, in-store assortment of products across multiple product categories to meet their farming, ranching, or other rural lifestyle needs, along with staff knowledgeable about the products. Farm stores sell a wide range of products, including, but not limited to, large animal and pet feed, supplies to care for horses, other livestock, and pets, fencing, equipment and tools used for farm or lawn and gardening maintenance, workwear, home goods, and other products related to maintaining a farm, a ranch, or other rural lifestyle activities. Products typically sold in farm stores include, but are not limited to, large animal feed, poultry feed, dog food, wild birdseed, T-posts, cattle panels, horse bedding, rubber stall mats, tractor fluid, engine oil, and agricultural chemicals.

10. Farm stores offer – and many of their customers value – this distinct combination of products and services. The broad product mix enables customers to purchase products to meet substantially all their farm or rural lifestyle needs and to receive accompanying service from knowledgeable employees at a single store. The Respondents describe farm stores as a unique

“one-stop shop” for farm and rural lifestyle products and provide customer service related to those products. The brick-and-mortar shopping environment also provides customers with the ability to touch and feel products before buying them, and in-person access to knowledgeable sales staff to learn about and select the products best suited for their rural lifestyle needs. These key distinguishing characteristics, among others, make farm stores a distinct relevant product market.

11. Respondents recognize that farm stores are a distinct type of retailer that customers value. Tractor Supply describes its business as “a specialized market niche: supplying the lifestyle needs of recreational farmers, ranchers, and all those who enjoy living the rural lifestyle” and its farm stores as “a trip consolidator for many basic maintenance needs for farm, ranch, and rural customers[.]” Similarly, Orscheln characterizes its stores as having the unique and necessary products essential to support the rural lifestyle.

12. Other types of brick-and-mortar retailers are not reasonable substitutes for farm stores. Retail stores other than farm stores, including big box general merchandisers, grocery stores, pet stores, home improvement stores, and other types of specialty retailers may sell some of the same products as farm stores, but they do not carry the same breadth of rural lifestyle products as farm stores. Tractor Supply states in its public SEC filings that it is “differentiated from general merchandise, home center, and other specialty retailers” because its product assortment focuses on the rural lifestyle customer. Orscheln has stated that its “[f]arm and ranch retail stores have unique, necessary products, many of which are not offered by grocers or mass merchandisers.” Retailers other than farm stores typically lack the breadth of rural lifestyle products that enables farm stores to meet substantially all of their customers’ rural lifestyle needs in one convenient stop.

13. Online retailers are not reasonable substitutes for brick-and-mortar farm stores. The brick-and-mortar shopping environment at farm stores provides their customers the ability to touch and feel products and provides in-person access to knowledgeable sales staff to learn about products best suited for their rural lifestyle needs. Orscheln believes that its customer service has helped it remain “Amazon-resistant” and that its customers do not “view e-commerce as a replacement for the in-store experience.” Tractor Supply sees brick-and-mortar farm stores as “well-insulated” against e-commerce retailers. Farm stores also provide immediate access to products that meet essential or immediate needs, such as animal feed when a customer runs out and tools and components to fix broken farm equipment. Additionally, many products sold at farm stores are not conducive to selling online, as they are large and heavy, and therefore impractical or expensive to ship.

14. A hypothetical monopolist of farm stores could profitably impose a small but significant and non-transitory increase in price.

V. THE RELEVANT GEOGRAPHIC MARKETS

15. The relevant geographic markets in which to analyze the competitive effects of the Proposed Transaction are the areas within a reasonable drive of Orscheln’s stores listed in

Appendix A. The relevant geographic markets encompass areas where Respondents meaningfully compete and where the Proposed Transaction will substantially lessen competition.

16. The relevant geographic markets for farm stores are local because customers visit farm stores to purchase rural lifestyle products in person. As a result, when choosing between farm store competitors, a customer is typically choosing between farm stores within a reasonable driving distance of the customer's farm or home. Respondents also view individual geographic regions within the United States as distinct markets when evaluating competitive conditions and implementing competitive strategies and market participants recognize that farm stores generally compete with other farm stores located within a reasonable drive of each other. The area within a reasonable drive of a farm store varies depending on a store's location, geography, population density, traffic conditions, and other local characteristics. While individual markets may be significantly smaller, typically, no relevant geographic market is broader than the area within a 60-mile drive of the stores.

17. For example, the area within a reasonable drive of Orscheln's store in Garden City, Kansas, is a relevant geographic market. Tractor Supply currently operates a Tractor Supply store (#1508) approximately three miles from Orscheln's store (#55) in Garden City, Kansas. Respondents' farm stores in this area currently compete for the sale of their products to customers within a reasonable driving distance of Orscheln's store, and the Proposed Transaction will substantially lessen competition in this geographic market.

VI. ENTRY CONDITIONS

18. Entry into the relevant markets would not be timely, likely, or sufficient in magnitude to prevent or deter the likely anticompetitive effects of the Proposed Transaction. Significant entry barriers include the time and costs associated with conducting necessary market research, selecting an appropriate location for a farm store, obtaining necessary permits and approvals, constructing a new farm store or converting an existing structure to a farm store, and generating sufficient sales to have a meaningful impact on the market.

VII. EFFECTS OF THE PROPOSED TRANSACTION

19. The Proposed Transaction would substantially lessen competition and harm farm store customers. Respondents' farm stores compete against each other to win customers' business by offering customers lower prices and other benefits. The Proposed Transaction would eliminate this important head-to-head competition to the detriment of farm store customers in the relevant markets.

20. Respondents are close competitors and focus on the same types of customers. Both Respondents offer customers a similar and broad mix of products to support a rural lifestyle alongside knowledgeable staff all in one place. No other type of retailer offers the same combination of brick-and-mortar retail shopping, product mix, and knowledgeable customer service all in one location. Therefore other types of retailers do not impose the same degree of competitive pressure on the Respondents that they, and other farm stores, impose on each other.

21. Respondents view each other as significant competitors and engage in head-to-head competition on price to win customers from each other. Respondents monitor each other's prices to compete more effectively. For example, [REDACTED]

[REDACTED] At the request of a customer, each will match the other's price on a similar product. Respondents also offer special pricing promotions when the other opens a new store nearby its already existing store and [REDACTED]

[REDACTED] Additionally, Respondents monitor each other's local prices at the individual SKU or product level and often respond to changes by increasing or decreasing their price for the same or similar SKUs. The Proposed Transaction will eliminate all forms of price competition between Respondents.

22. Competition between the Respondents to attract and retain customers also results in other benefits for customers, in addition to lower prices. Competition to attract and retain customers incentivizes Respondents to provide knowledgeable customer service and in-store amenities, and improves product selection and availability. For example, Respondents have opened pet washing services at some of their stores to better compete against each other. Competition for customers also encourages Respondents to offer live chicks for sale in their stores – Orscheln's normal course documents indicate that it takes into account its whether its farm store competitors, including Tractor Supply, offer chicks in nearby stores when deciding whether to carry live chicks.

23. The Proposed Transaction, if consummated, is likely to substantially lessen competition for the retail sale of products in farm stores in the relevant markets. By eliminating direct and substantial competition between Respondents Tractor Supply and Orscheln, the Proposed Transaction will likely enable Respondent Tractor Supply to exercise market power unilaterally. The Proposed Transaction would likely lead to increases in the prices of products sold at farm stores, and decreases in the quality and selection of products or services at farm stores in the relevant geographic markets.

VIII. VIOLATIONS CHARGED

24. The agreement described in Paragraph 7 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and the Proposed Transaction, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this ___ day of _____ 2022, issues its complaint against said Respondents.

By the Commission.

April J. Tabor
Secretary

APPENDIX A

<u>Orscheln Store Number*</u>	<u>Store Address</u>
1	2424 South Limit, Sedalia, MO 65301
9	3300 Paris Road, Columbia, MO 65202
11	1310 Business 54 South, Fulton, MO 65251
12	860 Washington Corners, Washington, MO 63090
20	2107 West Burlington Avenue, Fairfield, IA 52556
21	211 East Main Street, Parsons, KS 67357
22	724 Arlington Center, Ada, OK 74820
23	2000 South Wood Drive, Okmulgee, OK 74447
24	110 C W Parker Lane, Waynesville, MO 65583
25	910 Third Avenue, Kearney, NE 68845
27	518 South Lincoln Avenue, York, NE 68467
31	5320 10th Street, Great Bend, KS 67530
32	1500 East 11th Street, Hutchinson, KS 67501
33	1601 1st Street, Pratt, KS 67124
34	1701 North 14th Avenue, Dodge City, KS 67801
37	1133 SW Wannamaker Road, Topeka, KS 66604
38	124 East South Service Road, Sullivan, MO 63080
39	427 Hummels Place, Manhattan, KS 66502
41	2304 Missouri Blvd., Jefferson City, MO 65109
42	1315 West J Street, Hastings, NE 68901
43	321 Windward Drive, Newton, KS 67114
44	211 N. Maestri Road, Springdale, AR 72762
45	1 Lincoln Center, Highway 47, Troy, MO 63379
47	1525 West Business Highway 60, Dexter, MO 63841
48	1541 East 23rd Street, Lawrence, KS 66046
53	137 North Belt Highway, St. Joseph, MO 64504
54	715 North Mill Street, Pryor, OK 74361
55	1309 North Taylor Avenue, Garden City, KS 67846
56	6 East Shawnee Road, Muskogee, OK 74403
57	360 North Ohio Street #57, Salina, KS 67401
58	2900 Broadway Avenue, Hays, KS 67601
60	2204 East Kansas Avenue, McPherson, KS 67460
63	5640 Cornhusker Highway, Lincoln, NE 68507
67	2412 S. 11th Street, Nebraska City, NE 68410
69	2908 W. Central Ave., El Dorado, KS 67042
70	1602 North Highway 83, McCook, NE 69001
80	605 South 10th Street, Atchison, KS 66002
83	2424 West Main Street, Durant, OK 74701
84	2235 N. Westwood Blvd., Poplar Bluff, MO 63901
85	4800 N Highway 81, Duncan, OK 73533

86	1925 N. Rockford Road, Ardmore, OK 73401
93	700 A North 12th Street, Murray, KY 42071
95	2415 North 6th Street, Beatrice, NE 68310
99	1331 Vaughn Drive, Ottumwa, IA 52501
100	1701 Plumcreek Pkwy, Lexington, NE 68850
101	716 4th Street, Gothenburg, NE 69138
102	2501 East 4th Street, North Platte, NE 69101
106	181 S. Tanners Creek Drive, Lawrenceburg, IN 47025
107	1875 East Main Street, Greenfield, IN 46140
108	2100 National Road West, Richmond, IN 47374
110	1 Cherry Tree Plaza, Suite 120, Washington, IN 47501
111	1805 Gardner Lane, Corydon, IN 47112
112	1085 1/2 Market Street, Charlestown, IN 47111
115	515 South Webb Road, Grand Island, NE 68803
117	1055 US Highway 60 East, Republic, MO 65738
118	1476 South Sam Houston Blvd., Houston, MO 65483
120	1000 East 10th Street, Holden, MO 64040
125	1551 Commercial Street, Warsaw, MO 65355
126	1326 North Gardner Street, Scottsburg, IN 47170
127	1620 Lincoln Street, Concordia, KS 66901
134	212 East Highway 66, Tell City, IN 47586
135	1331 Spur Drive, Marshfield, MO 65706
137	420 Highway 49 North, Paragould, AR 72450
138	1966 Highway 62 West, Pocahontas, AR 72455
144	970 East Washington Street, Winchester, IN 47394
147	1160 West Amity Street, Louisburg, KS 66053
148	1918 North State Street, Iola, KS 66749
151	1110 Hwy. 24-36 East Unit #50, Monroe City, MO 63456
153	2302 South Baltimore Street, Kirksville, MO 63501
154	135 East Lincoln Trail, Radcliff, KY 40160
156	329 South Ash Street, Nowata, OK 74048
157	15256 Wolf Creek Parkway, Basehor, KS 66007
158	3910 South Providence Rd., Columbia, MO 65203
160	107 Gordon Hollow Road, Jane, MO 64856
161	20200 West Kellogg Drive, Goddard, KS 67052
162	2110 N. State Highway 3, North Vernon, IN 47265
163	1817 E. Parker Road, Jonesboro, AR 72404
172	18710 South Gardner Road, Gardner, KS 66030
173	206 Sterling Run Blvd., Mt. Orab, OH 45154
174	1100 S Hwy 7 - Lot 1, Blue Springs, MO 64014
175	2725 Hwy. 75 North, Sherman, TX 75090
176	102 College Park Drive, Weatherford, TX 76086
177	2701 S. Jack Kultgen Expressway, Waco, TX 76706

178	1200 W US Business Hwy 380, Decatur, TX 76234
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*The relevant geographic markets are the areas within a reasonable drive of the Orscheln stores listed below. *See* Comp. Section V.