



TEXAS CATTLE FEEDERS ASSOCIATION

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Efforts By JBS S.A. To Acquire National Beef Packing Company have ended as both companies issued statements today saying the deal is off. The proposed sale of National was announced in March 2008 as part of a series of transactions in which JBS also purchased Smithfield Beef Group and its subsidiary Five Rivers Cattle Feeding Company.

Although the Justice Department allowed the Smithfield sale to go through, in October 2008 Justice announced it would seek to block JBS's acquisition of National, citing concerns about diminished competition in the packing industry. Justice's decision triggered negotiations toward a compromise that would salvage the sale, but obviously those efforts were unsuccessful.

In its news release, JBS said the company had "endeavored to encounter a solution with the parts involved, but in the absence of satisfactory conditions decided not to follow on with the acquisition." JBS also said it will "continue to pursue further efficiencies at all its other units within the U.S.," which includes eight beef packing plants with a daily capacity of 28,100 head.

A statement by U.S. Premium Beef, LLC, the majority owner of National, said although the cancellation of the sale "is not the outcome we anticipated, we are excited to continue the growth and success of our business on a stand-alone basis." National also said that its Fiscal Year 2008 and First Quarter 2009 financial results show the company is generating "industry-leading profits."

NCBA Is Responding To Two Media Stories That Portray Beef As Bad For The Environment.

An article titled "Eat Your Greens" in the latest edition of *TIME* advises readers that the production of red meat has a high carbon cost. "The most efficient way to shrink the carbon footprint of your menu is to eat less meat, especially beef," according to *TIME*.

A similar story, issued by *AFP*, made its way onto several news websites including *Breitbart.com*, *Yahoo! News* and *RedOrbit.com*. Titled "Hamburgers are the Hummers of food in global warming," the *AFP* article claims that "simply switching from steak to salad could cut as much carbon as leaving the car at home a couple days a week."

In response to the two articles, NCBA staff has mounted a rebuttal effort and is reaching out to the reporters to get them the real facts about beef production and carbon emissions. As NCBA reminds us, animal agriculture actually makes only a minimal contribution to the production of greenhouse gases (GHG) emissions. The EPA estimates that the entire U.S. agriculture sector contributes just 6.4% of total U.S. GHG emissions. And the vast majority of global GHG emissions linked to livestock production results from deforestation and other significant land use changes that do not occur in our country; in truth, the U.S. has 16 million more acres of forestland than a century ago.

COOL Update: Agriculture Secretary Tom Vilsack told meat industry representatives in a meeting on Tuesday that he would not initiate a new round of rulemaking for COOL — letting the current rule take effect on March 16 — provided that packers voluntarily comply with stricter labeling guidelines. Vilsack said he would send out a letter to formally ask the meat industry to label each meat package indicating the country in which the animal was born, the country in which it was raised, and the country in which it was harvested. The letter also is supposed to explain changes in the inventory requirements for labeling ground products and detail the types of products previously classified as "substantially altered" — and thus exempt from labeling under the current rule — that he believes should carry country-of-origin labels. The Secretary expects the meat packers to write him back immediately, and if they do not, he will start a new rulemaking process. As of press time, Secretary Vilsack had not sent his letter.

In related news, U.S. President Barack Obama and Canadian Prime Minister Stephen Harper met in Ottawa Thursday to discuss trade and the two countries' economies. President Obama told reporters he reassured the Prime Minister that recent discussions about opening NAFTA and the "buy American" provisions in the

recently enacted stimulus package are not meant to weaken cross border trade. However, the President did not indicate whether the two leaders spoke about COOL.

Ethanol Producer VeraSun Has Signed An Agreement With Valero Energy Corporation to sell substantially all of its assets related to five production facilities and one development site. The proposed deal follows the Feb. 6 announcement by VeraSun that the company has taken action in U.S. bankruptcy court to sell almost all of its assets. *Feedstuffs* describes Valero's offer as a "stalking horse" bid that sets a floor price that other bidders can compete with in an auction. Valero's bid reportedly comes to \$280 million plus the value of inventory and certain pre-paid expenses.

Meanwhile, the ongoing struggles of the ethanol industry were detailed in a recent *New York Times* article. In addition to VeraSun's suspension of production at 12 of its 16 plants, three other companies have filed for bankruptcy protection: Renew Energy, Cascade Grain Products and Northeast Biofuels. And Pacific Ethanol has announced it is suspending operations at its plant in Madera, Calif.

The Renewable Fuels Association, an ethanol trade group, estimates that of the country's 150 ethanol companies and 180 plants, 10 or more companies have shut down 24 plants over the last three months, the *Times* reported.

"The ethanol industry is on its back despite the billions of dollars they have gotten in taxpayer assistance and a guaranteed market," said Amy Myers Jaffe, a Rice University energy analyst.

CAFO Permits: Today, TCFA filed comments on a draft EPA General Permit for Concentrated Animal Feeding Operations (CAFO) in New Mexico. The permit will implement the provisions required by federal revisions to CAFO regulations adopted in 2003 and 2008. Many of the permit provisions from the previous EPA permit in New Mexico will be retained. Additional emphasis will be placed on the development of Nutrient Management Plans for land application of manure and effluent. TCFA staff will continue to work with EPA Region 6 on completion of the permit.

In other permitting news, the Texas Commission on Environmental Quality (TCEQ) has made available for notice and comment a draft General Permit for CAFOs. This permit will replace the current one, which was issued in 2004. TCFA staff and committee members are reviewing the draft permit and will file comments by the March 17, 2009 comment deadline.

For feedyards in Oklahoma, EPA Region 6 will be proposing a General Permit in late February or early March. While EPA has decided to issue separate General Permits for Oklahoma and New Mexico, the draft permit for Oklahoma will be similar in content to the New Mexico permit. One area of difference may be the requirements for CAFOs located in watersheds where a concern for threatened or endangered species has been identified by the U.S. Fish and Wildlife Service.

NCBA Has Joined Forces With Agriculture For A Democratic Workplace (ADW) — a coalition of agricultural associations and organizations determined to protect private ballots in union-organizing elections for all workers. The coalition supports the goals of a new policy passed by NCBA members to oppose union card check legislation, which would eliminate the secret ballot system in voting to organize a union. Although businesses in general would suffer from a card check system, agriculture could feel the effect more acutely because of the size and structure of many individual operations and the sensitivity to supply chain disruptions. For information on ADW, go to www.coalitionforagriculture.org.

Smithfield, The World's Largest Pork Producer, Will Close Six Plants, a move that will result in the elimination of 1,800 jobs. *Dow Jones Newswires* noted that Smithfield, like rivals Tyson and Pilgrim's Pride, has been hit hard by a weakening supply and demand balance and last year's soaring feed costs. Meanwhile, Smithfield President and CEO C. Larry Pope told *Meatingplace.com* that the plant closings are part of a restructuring the company has been discussing for nearly a year. Pope said the action is not a result of the economic recession but instead reflects the company's efforts to integrate past acquisitions and improve cost structure. He pointed out that several of the company's facilities have been underutilized.

Net Farm Income Is Forecast To Be Down 20% This Year, according to a USDA report. According to USDA estimates, net farm income will be \$71.2 billion, down by \$18.1 billion from last year's record level. Nevertheless, the projected income is still 9% above the \$65 billion earned in the previous 10 years. To see more on the USDA outlook, go to <http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm>.

The Movement To Eliminate Horse Slaughter Is Getting Opposition in the legislatures of nine states, according to *UPI*. The Utah legislature has passed a non-binding resolution opposing federal legislation that would ban shipping U.S. horses to processing plants in other countries. Similar resolutions are pending in four more states — Arizona, Kansas, Minnesota and Wyoming. Efforts to reopen horse processing plants are underway in the legislatures of four other states: Arkansas, Illinois, Missouri and Montana.

A Nine Year Truce With PETA is Apparently Ending For McDonald's. PETA declared a moratorium on protests against McDonald's in 2000 after the company made a number of animal welfare changes including auditing processing plants. But new protests began this week as PETA attempts to persuade McDonald's to pressure its chicken suppliers into using the gas method of harvesting poultry, according to the *Chicago Tribune*.

The 2009 Beef Industry Safety Summit will be held March 4-6 in San Diego. The summit will bring together safety professionals who work in all sectors of the beef production, processing and marketing chain. Attendees will interact with leading HACCP experts and learn practical solutions to daily challenges, discuss current safety issues with representatives from all sectors of the beef industry, and build their knowledge on beef chain pathogens. For more information, and to register, go to <http://www.bifsc.org/>.

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