

JBS TIMELINE CONTINUED

carefully investigate the potential consequences that would result from the JBS merger.

APRIL 9, 2008 – R-CALF USA submitted a 25-page “white paper” to the U.S. DOJ that fully explains the negative impact this merger would have on every segment of our industry – from the purebred breeder and cow/calf producer to backgrounders, stockers and feeders.

APRIL 15, 2008 – Attorney General of Missouri Jay Nixon sent a letter to U.S. Attorney General Michael Mukasey asking that the JBS merger be thoroughly investigated and that proper steps be taken to mitigate or block the inevitable anticompetitive effects of the consolidation.

APRIL 16, 2008 – R-CALF USA Region II Director Randy Stevenson and R-CALF USA CEO Bill Bullard met with six officials of the U.S. DOJ and explained in great detail R-CALF USA’s numerous concerns regarding the JBS merger.

APRIL 24, 2008 – Per the request from the U.S. DOJ, R-CALF USA submitted post-meeting comments following the April 16, 2008 meeting regarding the proposed JBS merger.

APRIL 29, 2008 – State Attorney General of North Dakota Wayne Stenehjem sent a letter to U.S. Assistant Attorney General Thomas Barnett asking him to not hurry the process to determine whether JBS’ proposed acquisition of Smithfield and National Beef is acceptable.

APRIL 30, 2008 – R-CALF USA along with the Organization for Competitive Markets (OCM) sent letters to 13 State Attorneys General requesting that they join with other state’s attorneys general to investigate the competitive effects of the JBS merger. The states Attorneys General who received this letter are from Colo., Iowa, Kan., Minn., Mo., Mont., N.D., Neb., N.M., Ohio, S.D., Oregon, Texas and Wyo.

MAY 7, 2008 – R-CALF USA presented both oral and written testimony regarding “Concentration in Agriculture and an Examination of the JBS/Swift Acquisitions” to the

U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy, and Consumer Rights.

MAY 8, 2008 – Per new research findings, R-CALF USA submitted supplemental comments (R-CALF USA’s third submission of comments to the DOJ) regarding the proposed JBS merger.

MAY 8, 2008 – State Attorney General of Minnesota Lori Swanson sent a letter to U.S. Attorney General Michael Mukasey asking for the U.S. DOJ to review the proposed merger’s impact carefully and to scrutinize any anticompetitive effects of such merger.

MAY 20, 2008 – Per updated research findings, R-CALF USA submitted supplemental comments (R-CALF USA’s fourth submission of comments to the DOJ) regarding the proposed JBS merger.

MAY 28, 2008 – Per updated research findings, R-CALF USA submitted additional supplemental comments (R-CALF USA’s fifth submission of comments to the DOJ) regarding the proposed JBS-Brazil Merger.

MAY 28, 2008 – State Attorney General of Oklahoma W.A. Drew Edmondson sent a letter to U.S. Attorney General Michael Mukasey asking the DOJ to “closely scrutinize” the JBS merger and to “take the necessary action to secure competition in the beef industry.”

JUNE 5, 2008 – R-CALF USA’s Post Hearing Brief following the May 7, 2008 meeting with the U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy, and Consumer Rights was submitted to the Senate Subcommittee.

JUNE 13, 2008 – Texas Commissioner of Agriculture Todd Staples and Texas Comptroller of Public Accounts Susan Combs sent a letter to U.S. Attorney General Michael Mukasey urging the DOJ to examine closely the ramifications of this merger.

JUNE 24, 2008 – U.S. Senator Herb Kohl (D-Wisc.) Chairman, Subcommittee on Antitrust, Competition Policy and Consumer Rights sent a strong letter to the DOJ urging the DOJ to block the JBS acquisitions.

SENATE ANTITRUST SUBCOMMITTEE TO DOJ: BLOCK PROPOSED JBS ACQUISITIONS

June 24, Washington, D.C. – Today, Sen. Herb Kohl, D-Wis., acting in his capacity as chairman of the Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights, sent a formal letter to the U.S. Department of Justice to request that the acquisitions of National Beef Packing Co., Smithfield Beef Group and Five Rivers Ranch Cattle Feeding by Brazilian-owned JBS be blocked because “these acquisitions are likely to result in substantially increased market power for JBS Swift and the other two remaining national beef processors, significantly lower prices to ranchers and higher prices for beef consumers.”

“R-CALF USA is grateful that the chairman of the subcommittee has taken such a strong position against this merger, recognizing that it will cause harm to both producers and consumers, and we hope the chairman’s letter will help to encourage the Justice Department and state attorneys general to work aggressively to block this merger as well,” said R-CALF USA CEO Bill Bullard.

Kohl wrote that these acquisitions, if permitted to proceed, would likely cause substantial harm to competition and consumers, would be contrary to section 7 of the Clayton Act, which forbids any merger or acquisition when the ‘effect of such acquisition may be substantially to lessen competition, or tend to create a monopoly,’ and that these acquisitions would give JBS alone control of nearly one-third of the U.S. cattle market.

“The likely anti-competitive effects of permitting such a high level of concentration in an already concentrated market are plain to see,” the letter states in part. “By reducing the number of major buyers for ranchers’ cattle from five to three – and in some regions even one or two – this deal will give the remaining beef processors enormous buying power. With little choice to whom to sell their cattle, ranchers will increasingly be left in a ‘take it or leave it’ position. On the national level, the JBS Swift acquisitions would combine 11 meat packing plants now owned by three meatpackers under the single owner-

ship of JBS Swift. On the regional level, many ranchers and feed lot operators will be left with only one, and at best two, meat packing plants to sell their cattle...

“...these acquisitions are likely to substantially injure competition for cattle sold by independent ranchers for slaughter, likely to substantially increase the market power of three remaining national meatpacking firms and significantly reduce the prices ranchers are able to obtain for their cattle,” the letter continues.

“These acquisitions also raise serious concerns that the three major meatpacking firms will substantially increase their market power in the downstream market – finished beef sold to supermarkets, small grocery stores, butcher shops and restaurants,” Kohl adds in his correspondence. “Reducing the number of major suppliers of beef from five to three obviously leaves retailers and restaurants, and ultimately consumers, with significantly fewer competitive choices.”

Note: To view Kohl’s letter to the Justice Department, visit the “Competition Issues” link at www.r-calfusa.com.

**For more information visit
www.r-calfusa.com**

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R-CALF USA CEO
Bill Bullard.
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***HELP STOP THE JBS PURCHASE OF ADDITIONAL BEEF
PACKING PLANTS AND FEEDLOTS IN THE UNITED STATES***

DONATE \$50, \$100 OR MORE TO R-CALF USA.

R-CALF USA relies exclusively on contributions to protect the interests of U.S. cattle producers, so we ask you to contribute any amount you can afford to R-CALF USA so it can effectively fight this merger.

ALSO, BECAUSE NUMBERS MEAN POWER,

we encourage you to help strengthen the voice of the cattle industry by becoming a member of R-CALF USA or by signing up a new member. Complete the membership application on the back of this newsletter along with the return envelope.

MEMBERSHIP DUES ARE \$50 PER YEAR, OR \$140 FOR THREE YEARS.

You can mail a check for your membership and a contribution to the R-CALF USA office at P.O. Box 30715, Billings, MT 59107, or you can call 406-252-2516 and pay your dues with VISA, MasterCard, American Express, or Discover.

No other national cattle association can hold a candle to the accomplishments of R-CALF USA: From successfully passing Country-of-Origin Labeling (COOL) in Congress (twice), elevating the need for Congress to address captive supplies, winning USDA concessions on importing Mexican cattle from tick-infested regions, delaying for months (through separate court actions) USDA's efforts to prematurely allow Canadian cattle and beef into the U.S. due to bovine spongiform encephalopathy (BSE), forcing USDA to back off of mandatory animal ID (at least temporarily), passing legislation to allow state inspected beef packing plants to market their beef across state lines, highlighting USDA's failure to properly enforce the Packers and Stockyards Act, to leading a nationwide and aggressive fight to prevent the further concentration of the U.S. beef packing and cattle feeding industries,

R-CALF USA is unparalleled when it comes to effectively ensuring that independent cattle producers continue to have a genuine opportunity to remain profitable and viable.

The reason for R-CALF USA's effectiveness is clear – it is the only significant national cattle association that represents only the interests of farmers and ranchers who raise live cattle, and it is supported by membership dues and contributions from actual cattle producers. We are beholden to no government contracts, no meatpackers, no ear-tag companies, and no political party. Our volunteer board represents the entire live cattle industry: from seed stock producers, auction yard owners, commercial cow/calf producers to independent feeders, the R-CALF USA Board of Directors knows our U.S. cattle industry.

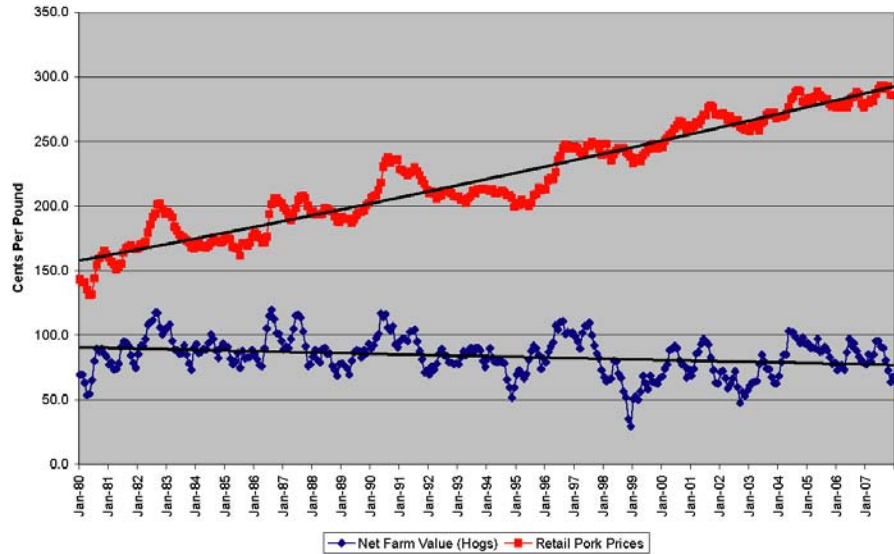
We're large enough to make a huge difference in our industry, as we have already done, but we need your support to become large enough to persistently win the many challenges that affect the profitability and viability of your cattle operation. Your membership will do more to ensure the long-term success of your industry than any other investment you could make today. **Please join and help R-CALF USA fight for the future of your industry.**



THE NEW, MORE CONSOLIDATED STRUCTURE OF THE U.S. HOG INDUSTRY PROVIDES INSIGHTS FOR THE FUTURE OF A FURTHER CONSOLIDATED U.S. LIVE CATTLE INDUSTRY.

Chart 1 - during the past 25-plus years, beginning January 1980, the new, more consolidated hog industry structure has resulted in a downward trend in live hog prices paid to producers and an upward trend in retail pork prices paid by consumers, along with an ever widening spread between farm prices and retail prices.

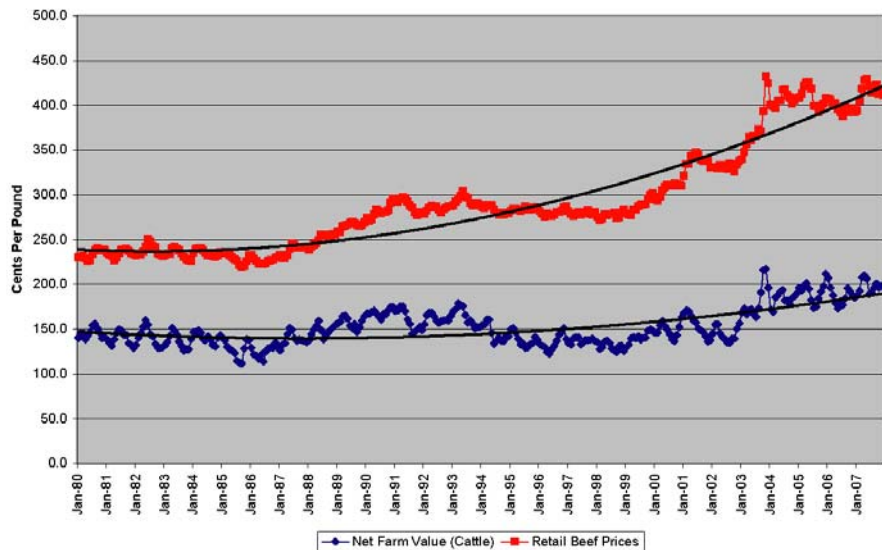
CHART 1 RETAIL PORK PRICES VS NET FARM VALUE (HOGS) WITH TREND LINES



ALTHOUGH A SYNCHRONOUS TREND APPEARS IN THE RELATIONSHIP BETWEEN RETAIL BEEF PRICES AND LIVE CATTLE PRICES, WARNING SIGNS OF IMPENDING CHANGE ARE EVIDENT.

Chart 2 reveals the relationship between retail beef prices paid by consumers and live cattle prices received by producers over the same 25-plus years that the cattle industry, like the hog industry, began its significant contraction. This is also the same period that the beef packing industry began its accelerated concentration. While the trend lines generally show that both retail beef prices and live cattle prices are synchronous and directed upward, thereby lacking the obvious inverse relationship present in the hog and pork prices depicted in Chart 1 above, the trend lines nevertheless show an obvious acceleration of the ever-widening gap between retail beef prices and cattle prices. This evidence suggests that there is an increased exercise of market power that enables beef packers and retailers to extract a disproportionate profit from the sale of beef to consumers when compared to the share of the profits the cattle industry realizes when selling cattle to the beef packing industry.

CHART 2 RETAIL BEEF PRICES vs NET FARM VALUE (CATTLE) WITH TREND LINES



MEMBER ACTION ALERT:

On May 7, 2008, R-CALF USA participated as a witness before a hearing of the U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy, and Consumer Rights (Subcommittee). At that hearing R-CALF USA testified that the proposed JBS merger would harm the U.S. cattle market, U.S. cattle producers and U.S. consumers. Following the hearing, R-CALF USA submitted answers to post-hearing questions submitted by various Senators on the Subcommittee.

On June 24, 2008, as a result of the facts gathered at the hearing, the Chairman of the Subcommittee, Herb Kohl from Wisconsin, wrote a very strong and direct letter to the U.S. Department of Justice (DOJ) urging that the JBS merger be "blocked" on the grounds that these acquisitions are anticompetitive and would likely cause substantial harm to competition and consumers. The Chairman referred to the outcome of the merger as "dangerous" and concluded that the DOJ should bring enforcement action to block the merger.

Of all the letters that have been sent to the DOJ by Members of Congress, state Attorneys General, and other officials, this letter by Chairman Kohl is by far the strongest and most direct, and it carries the most weight as it originates in the Senate Subcommittee with jurisdiction over antitrust matters.

We need your help to elevate the importance of blocking the JBS merger by writing two letters, one to the U.S. Assistant Attorney General and one to your Attorney General in your state. In your letter you can urge these officials to follow the recommendations of the Chairman of the U.S. Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights by taking enforcement action to block the JBS merger.

On the right is a sample letter you can use to send to both your state Attorney General and the U.S. Assistant Attorney General. If you are able, it would be helpful to send a copy of your letter that you send to the U.S. Assistant Attorney General to Chairman Kohl at the following address:

The Honorable Herb Kohl; Chairman, Subcommittee on Antitrust, Competition Policy and Consumer Rights; United States Senate; Committee on the Judiciary; Washington, D.C. 20510-6277

SAMPLE LETTER

DATE

The Honorable Thomas Barnett
Assistant Attorney General
Antitrust Division
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Dear Assistant Attorney General Thomas Barnett,

We are cattle producers from XXXX and have been in this business for XX years. We have witnessed shrinking competition within our cattle markets during the time that the meatpacking industry was becoming increasingly concentrated. We are deeply concerned that the proposal by Brazilian-based JBS Swift to purchase National Beef Packing Co. (National), Smithfield's Beef Division (Smithfield), and Five Rivers Ranch Cattle Feeding LLC (Five Rivers) will lead to a further reduction in market competition and increased market power in the hands of the remaining meatpackers.

The feeding sector of our industry is on the front line and is most directly impacted by reduced competition for fed cattle sold directly to the concentrated meatpackers. However, the cow/calf producers, backrounders and stockers in our state, and in all states, will also suffer from reduced competition for slaughter-ready cattle because the price of calves and yearlings is dependent on the expected future price for fed cattle.

The Chairman of the U.S. Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights recently sent a letter to the U.S. Department of Justice (DOJ) urging the DOJ to take enforcement action to block the proposed JBS Swift purchases. We strongly agree with the Chairman's recommendation and respectfully urge you to take all necessary enforcement action to permanently block the proposed JBS Swift purchases of National, Smithfield, and Five Rivers.

Any one of these purchases would further reduce competition in our markets and subject us to increased market power by the meatpackers. The future competitiveness of the U.S. live cattle industry is truly at stake and we are counting on you to protect our industry from the reduced competition and increased market power that will result from this proposed merger.

Sincerely, XXX

JBS MERGER'S DIRECT HARM TO COW/CALF PRODUCERS

May 29, 2008 Billings, Mont. – R-CALF USA has obtained evidence that demonstrates the proposed acquisitions of U.S. Premium Beef's National Beef Packing Co., the Smithfield Beef Group and Five Rivers Ranch Cattle Feeding would result in direct harm to cow/calf producers, backgrounders and stockers due to a lessening of competition in the feeder cattle market, a market dispersed across 48 states.

"Because the JBS mergers fold the exclusive U.S. Premium Beef/National Beef Packing relationship under the same ownership of Five Rivers, feeder cattle markets dispersed across the U.S. would experience a reduction in the number of competitive feeder cattle buyers," explained R-CALF USA CEO Bill Bullard. "Post-merger, all competing order buyers who are now filling orders for Five Rivers and National Beef would be filling orders for the same company – JBS-Brazil.

R-CALF USA provided the Justice Department with evidence showing that U.S. Premium Beef functions as a feedlot company, much in the same way as Five Rivers Ranch Cattle Feeding functions, and U.S. Premium Beef is a captive supply source to National Beef Packing. According to R-CALF USA, these two feedlots – U.S. Premium Beef and Five Rivers Ranch Cattle Feeding – are separate competitors that compete for nearly 10 percent of the feeder cattle sold annually in the United States. Following the merger, both of these important competitors would be controlled by JBS.

"In some, and perhaps many, feeder cattle markets, this would significantly reduce competition for a significant number of feeder cattle, resulting in lower prices paid to cow/calf producers, backgrounders and stockers," he continued. "This direct harm would adversely affect many states and would result in a substantial lessening of competition within the entire feeder cattle market, resulting from the loss of one or more competitive feeder cattle buyers in various regions across the country."

Note: To view this news release in its entirety visit www.r-calfusa.com.

JBS SWIFT REQUIRES U.S. FEEDLOTS TO WAIVE RIGHTS UNDER PACKERS & STOCKYARDS ACT

May 21, 2008 Billings, Mont. – In late April, JBS Swift began sending a one-year contract to U.S. feedlots regarding conditions for the sale of slaughter-ready cattle to JBS Swift. R-CALF USA believes this contract constitutes a contract of adhesion, as it extracts from producers a waiver of statutory rights in return for nothing more than access to the market.

"The fact that JBS Swift can cavalierly impose such a requirement on U.S. cattle feedlots itself demonstrates the tremendous market power presently enjoyed by JBS Swift – market power manifest by virtue of JBS Swift's dominant control over available slaughter capacity," wrote R-CALF USA CEO Bill Bullard in a letter sent Tuesday to the U.S. Department of Justice.

The letter constituted the organization's fourth submission to the Justice Department concerning the proposed JBS acquisitions of National Beef Packing Co., Smithfield Beef Group, and Five Rivers Ranch Cattle Feeding. Approval of the deal would make JBS the largest meatpacker in the U.S. and in the world.

According to the terms of the JBS Swift contract, feedlots must grant JBS Swift the right to withhold payment for "grade and yield" cattle for three days after the "final grade," and feedlot owners and managers must additionally waive any rights they have "under the trust provisions of Section 206 of the Packers and Stockyards Act, 1921, as amended (7 U.S.C. 106, Pub. L. 94-410)."

"This JBS Swift contract is evidence of R-CALF USA's contention that market power abuses are ongoing, and would likely worsen if the JBS mergers go through because those mergers would further elevate JBS Swift's dominance over available slaughter capacity, to the detriment of U.S. cattle producers," Bullard said.

Note: To view the JBS Swift feedlot contract and R-CALF USA's letter to the Justice Department, visit the "Competition Issues" link at www.r-calfusa.com.

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Security Code _____ Exp. Date _____

Signature _____

Membership Information is kept confidential, and is used for official R-CALF USA purposes only.

- Voting members must own cattle. Annual voting dues are \$50 per year per member (one-member/one-vote).
- Associate members do not own cattle and do not have voting rights.

Please mail application and dues (check, money order, or credit card information) to:

**R-CALF USA
PO Box 30715
Billings, MT 59107**

Contributions or gifts to R-CALF USA are not tax deductible as charitable contributions. However, they may be tax deductible as ordinary and necessary business expenses.



Fighting for the U.S. Cattle Producer!

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Cattlemen's Newsletter

United Stockgrowers of America

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