

Fighting for the U.S. Cattle Producer!



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October 24, 2012

The Honorable Eric Holder
United States Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

The Honorable Tom Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, D.C. 20250

Larry Mitchell
Administrator
Grain Inspection, Packers and Stockyards
Administration
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Room 2055-S, Stop 3601
Washington, D.C. 20250

Sent via e-mail and U.S. Mail

Re: Request for Antitrust Investigation and Enforcement Action to Stop the Proposed Acquisition of Two U.S. Beef Packing Plants by Brazilian-owned JBS

Dear Attorney General Holder, Secretary Vilsack, and Administrator Mitchell:

On October 18, 2012, Internet news service meatingplance.com published an article attached hereto indicating that Brazilian-owned JBS USA negotiated an exclusive option to purchase from Canadian-based XL Foods two cattle slaughtering plants in Canada, a feedlot and farmland in Canada, and two U.S. slaughtering plants.

Specifically in regard to the U.S., the article indicated that JBS USA secured an exclusive option from XL Foods to purchase one beef packing plant in Omaha, Nebraska, with a packing capacity of 1,200 head of cattle per day; and one beef packing plant in Nampa, Idaho, with a packing capacity of 1,000 head of cattle per day.

Based on the foregoing information, R-CALF USA hereby makes two urgent requests to the U.S. Department of Justice (Justice Department) and the U.S. Department of Agriculture (USDA) Grain Inspection Packers and Stockyards Administration (GIPSA):

Our first urgent request is for information regarding whether JBS USA has officially notified the Justice Department regarding its intentions to purchase the two aforementioned U.S.-based beef packing plants: one in Omaha, Nebraska, and one in Nampa, Idaho. And, if such notification has been made, information regarding the timeframe the Justice Department is now operating within for which to review the proposed acquisitions for purposes of determining any antitrust affects the proposal would cause to the U.S. live cattle market and to U.S. consumers.

Our second urgent request is for the Department of Justice and GIPSA to immediately initiate an investigation to determine the potential effects the proposed JBS USA acquisition of both the two Canadian beef packing plants and the Canadian feedlot and the two U.S. beef packing plants will have on competition within the U.S. live cattle market and the consumers' beef market.

Based on information and belief, the two Canadian beef packing plants and the Canadian feedlot are major beef and/or cattle exporters and the U.S. is the primary export market. To the extent that JBS USA and the other dominant beef packers in the U.S. *claim* that the U.S. cattle and beef industry and the Canadian cattle and beef industry operate in an *integrated, North American* market, it would be important to determine the potential effect on the U.S. cattle market should JBS USA acquire a dominant market position in Canada and further increase its dominant market position in the United States.

JBS is the world's largest beef packer and JBS USA already is this nation's second or third largest U.S. beef packer, along with owning the largest cattle feedlot company in the United States. Should JBS USA acquire the aforementioned Canadian assets and the two U.S.-based packing plants it is reportedly proposing to purchase, the Brazilian-based corporation likely will become one of the largest, if not the largest, beef packer in Canada and likely the first or second largest beef packer in the United States. We estimate the proposed acquisition of the two U.S. beef packing plants by JBS USA would increase its daily U.S. capacity to over 26,000 head of cattle per day, which would rival, if not exceed, the individual packing capacities of Tyson and Cargill – presently the first and second largest U.S. beef packers, respectively. Our estimate is based on dated information and a more current evaluation should be completed.

R-CALF USA has long held that both U.S. cattle producers and U.S. consumers already are being exploited by monopsony and monopolistic practices facilitated by the monopolistic structure of the U.S. cattle and beef markets in which JBS USA and only three other firms control approximately 82 percent of the market. We strongly oppose any further mergers or

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acquisitions by any of the “Big Four” U.S. beef packers on the grounds that any such merger or acquisition would result in the reduction, if not elimination, of competition in the U.S. cattle market and in the consumers’ U.S. beef market.

If the reported acquisition proposal described below is accurate, R-CALF USA would like to submit a more detailed analysis of its concerns along with a reiteration of its standing request that the Department of Justice and GIPSA initiate aggressive enforcement action to prevent any further consolidation of or concentration in the U.S. live cattle market. We look forward to your prompt response to our two requests.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bullard", written in a cursive style.

Bill Bullard, CEO

Cc: Mark Tobey
William Stallings
Alan Christian
The Honorable Herb Kohl
Select Members of Congress
Select Industry Representatives
Select State Attorneys General

October 18, 2012 Meatingplace Article:

Source: <http://www.meatingplace.com/>

INDUSTRY NEWS – AM

JBS takes over recall-addled XL Foods

By Tom Johnston on 10/18/2012

Embroided in a continuously expanding recall of beef products, XL Foods has agreed to hand the reins of some of its Canadian operations over to JBS USA and give the Greeley, Colo.-based subsidiary of Brazilian giant JBS SA the option to buy those and XL’s U.S. operations, JBS said late Wednesday in a news release.

The announcement came several hours after XL announced that its Brooks, Alberta, plant was [laying off hundreds of workers](#) that had been recalled amid the company's efforts to resume operations. As of Tuesday, when it was announced that more products were being recalled, the company had recalled more than 1,800 beef products on fears of E. coli O157:H7 contamination.

Under the agreement, JBS USA in Canada will manage the Alberta-based XL Lakeside beef processing plant, which has a total capacity to process 4,000 head of cattle per day. Meanwhile, XL will continue to oversee operations at its U.S. facilities during the option period.

As part of this agreement, JBS USA negotiated the exclusive option to purchase the following assets:

- 1 beef packing plant in Brooks (Alberta/Canada) with capacity to process 4,000 head of cattle per day.
- 1 beef packing plant in Calgary (Alberta/Canada) with capacity to process 1,000 head of cattle per day.
- 1 feedlot in Brooks (Alberta/Canada) with a one-time capacity to feed 70,000 head of cattle.
- 6,600 acres of farmland adjacent to the feedlot in Brooks (Alberta/Canada).
- 1 beef packing plant in Omaha (Nebraska/USA) with capacity to process 1,200 head of cattle per day.
- 1 beef packing plant in Nampa (Idaho/USA) with capacity to process 1,000 head of cattle per day.

If it were to exercise the exclusive option to purchase these assets, JBS would pay a total of US\$100 million, half in company shares and half in cash. JBS would not assume any of XL Foods' debt or liabilities, the company said.