EUROPEAN LIVESTOCK AND MEAT TRADING UNION / EUROPÄISCHE VIEH- UND FLEISCHHANDELSUNION

U.E.C.B.V.
Union Européenne du Commerce du Bétail et de la Viande
SIEGE SOCIAL: STRASBOURG - BOURSE DU COMMERCE

"Let me recall that before Europa became a continent, in Greek legend she was of course a woman. The god Zeus, impressed by her beauty, disguised himself as a bull and carried her off to Crete on his back."

Mariann Fischer Boel
Member of the European Commission responsible for Agriculture and Rural Development

O/REF: Note **N-046-2008-EN**

Brussels, 10 April 2008

Globalization of the Meat Industry = Brazilian Beef Imperialism?
UPDATE 25 MARCH 2008

"[The takeover by JBS] means the globalization of the meat industry, which contrary to the rest of the food industry had no global companies, with the European and US corporations focused on their consumer markets," **Quickfood Argentina's CEO Miguel Gorelick**

A major independent meat company owned by a large international (Brazilian's JBS) is not unusual in our business. It's a continuation of an ongoing trend," **Jeremy Russell, Director of communications and government relations for the United States National Meat Association**

"This is a global company that processes cattle in Europe, Brazil, Argentina, Australia and the US, and it will help us secure bigger markets overseas because of our expertise in selling beef around the world," **JBS spokesman**

"This (joint venture with Brazilian Minerva) is a key strategic move to fully globalise our supply capability and to develop new business with potential customers in North America and Asia," **Chief Executive of Dawn Farms Larry Murrin, Ireland**

"If you look at our track record, what we have been doing for the last 20 years is buying companies without profitability to make them profitable," **Wesley Mendonca Batista, Chief Executive Officer of JBS USA**

"As part of JBS's globalization strategy, the acquisitions of National Beef, Smithfield and Tasman represent the conclusion of an investment plan to build a sustainable platform for the slaughter, production and commercialization of red meat in the United States and Australia. "This process began in July 2007 with the purchase of Swift & Company and culminates with these acquisitions." **Joesley M. Batista, president and CEO of JBS S.A.**

"These acquisitions reinforce JBS' strategy to strategically diversify its production and distribution units, reaffirming its global presence in the main meat producing countries. It also allows us to reach customers across the world," **Wesley M. Batista, president & CEO of JBS USA.**

"This result [net revenue climbed 56.8% to BRL3.3bn] was due to an expanded slaughtering capacity and higher value-added processed products in Argentina, Brazil and Uruguay and a substantial increase in sales in the domestic market following a greater demand for beef in the domestic market," **a spokesperson for Marfrig about the results achieved in 2007.**

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INTRODUCTION

Over the year 2006-7, major Brazilian meat producing companies like Marfrig, Minerva, Bertin and especially JBS Friboi expanded their operations in South America by purchasing a significant amount of slaughterhouses. Their expansion strategy continued equally across the globe taking different successful approaches. As a result, Brazilian-owned meat companies gained significant global market share and entry in previously unknown markets. In the case of JBS, their rapid expansion in 2007 allowed them to become leader in beef production in the United States raising concerns about the overall global concentration of beef production.

The objective of the present note is twofold. In the first part, based upon information coming from various sources like news reports and official press releases, we present the key Brazilian meat companies and assess and regularly update the stake that they have in the world meat market in 2008. Secondly, we analyse what first consequences can be drawn from it. More concretely, Part 1 relates to the major trends and changes in the Brazilian meat market, introducing key players and their current business strategy. Part 2 takes a closer look at these large-scale meat producers individually. It is shown how many slaughterhouses were acquired in the last years across South America, and their monthly and yearly slaughter and export capacity are assessed. Finally a detailed look is taken at their different responses to the globalisation of the meat industry, before drawing the conclusion that the developments in 2007 greatly accelerated fundamental shifts in global meat industry.

A particular focus is placed on the expansion of the JBS group which has outgrown every other meat company in the world by acquisition and takeover, becoming the undisputed world leader in meat production. This note will look in more detail into its international presence, which begun in September 2005 with the acquisition of Swift Armour S.A. Argentina. Last year JBS bought Swift & Company, expanding its presence into the United States beef and pork industries and the Australian beef business. Also, at the end of 2007 JBS finalized the agreement to buy 50 percent of Inalca headquartered in Italy, which holds production and distribution units in Europe, Russia and four African countries before the latest takeovers in March 2008.

OVERVIEW[1]

Company	Country / Region	Slaughtering capacity heads/day	Employees/ workers	Market position	Turnover
JBS-Fribol	Worldwide	79,200 (cattle) 12,000 in Brazil 48,000 (pig)	63,000 worldwide 16,000 in Brazil	Brazil's and the world's largest beef producer, processor and exporter	€ 9.25 billion
Marfrig	South America	21,100 (cattle) 4,200 (pig) 450,000 (lamb/year)	n/a	Brazil's 2nd largest and world's 4th largest beef processor	€ 1.2 billion
Bertin	South America	5,400 head (cattle)	18,000	2nd beef largest exporter after JBS	n/a
Minerva	South America	7,850 head (cattle) today 9250 heads by 2009	5,000	A market leader in the production and sale of beef products, leather and live cattle	€ 598 million

[1] Various sources – indication/estimation only - complete accuracy is difficult to obtain due to the changing numbers from ongoing rapid mergers and acquisitions, conflicting statements and different calculation methods.

PART 1: THE BRAZILIAN BEEF INDUSTRY

With an estimated 187.7 million head of cattle in 2007, Brazil has the largest cattle herd in the world for commercial purposes. India has the largest cattle herd in the world, but does not raise significant numbers of cattle for commercial purposes due to religious reasons.

The table below shows the cattle inventory of the principal beef producing countries (in millions of head) at December 31, 2003, 2004, 2005, 2006 and 2007 (estimated)[2]:

Live Cattle Herd (in millions of head)

Country	**2007**[3]	**2006**	**2005**	**2004**	**2003**
India	282.0	282.0	282.3	282.5	283.1
Brazil	187.7	180.3	173.8	169.6	165.5
China	149.5	145.3	141.6	137.8	134.7
United States	97.6	97.1	96.7	95.4	94.9
European Union[4]	84.8	85.2	85.8	86.4	87.5
Argentina	51.6	51.2	50.2	50.2	50.8
Australia	28.4	26.6	27.8	27.3	26.6
Mexico	26.5	26.9	26.9	27.6	28.4
Russia	18.3	19.0	19.9	21.1	22.3
Canada	13.9	14.3	14.8	15.1	14.7
Others	N/A	74.5	75.1	75.0	78.4
Total	**N/A**	**1003.8**	**998.0**	**998.0**	**986.9**

Brazil’s beef exports increased by approximately 27.5% on average from 2000 through 2006 as a result of:

- increased productivity in the Brazilian beef sector and decreased production costs,
- expanded marketing and advertising efforts,
- an increased number of export destinations,
- a reduction in sanitary and trade barriers, and
- a drought in Australia, a leading beef exporter to Asian countries, in 2002 and 2003.

In April 2007, according to data released by the Brazilian Foreign Trade Office (*Secretaria de Comércio Exterior*), or Secex, Brazilian exports of fresh beef reached approximately €177 million and the average price of beef sold by Brazilian exporters was €1.60/kg in 2006. On average, the cost of land in Brazil is significantly lower when compared to the United States and Europe. In addition, there is more grazing land available in Brazil compared to the other major beef producing countries, which allows Brazilian cattle breeders to utilize open grazing as opposed to the intensive and confined breeding and feeding practices used in the United States, Canada and countries in the European Union. In addition, the cost of feed in Brazil is generally lower than in other major beef producing countries, as natural feeds (hay or grass) are cheaper than grain-based feeds. These factors contribute to give Brazil substantially lower cattle-raising costs compared to other major beef producing markets.

[2] Source: USDA
[3] Estimated
[4] The data for the European Union includes data from only 25 member countries.

Competitive Strengths of Brazil, Argentina, Uruguay and Chile in the production of beef

Brazil has the largest commercial cattle herd and is the leading exporter of beef in the world. The volume of Brazilian exports increased at a compound annual growth rate, or CAGR, of 25.4% from 2000 to 2006, notwithstanding the commercial and sanitary import restrictions against Brazilian fresh and frozen beef imposed by the United States, Canada, Mexico and Japan. Uruguayan and Chilean beef are not subject to these same restrictions. Uruguayan beef may be exported to the United States, Canada, Mexico and the Caribbean, and Chilean beef to the main beef importers, including the United States, Japan, South Korea and Europe. Boned fresh beef may also be exported to Europe.

Brazil, Argentina, Uruguay and Chile have several competitive advantages in producing beef, including:

- *Low production cost*. Brazil has one of the lowest production cost among major global producers, due to the low cost of land, extensive raising practices, low cost of labour and ample supply of raw materials. According to AgraFNP, a consulting firm specializing in agribusiness and member of the Agra Informa Inc. group, the costs of raising cattle in Brazil are 40% lower than those in the United States and up to 15% lower than those in Australia.

- *High growth potential*. According to the USDA, Brazil has the largest commercial cattle herd in the world with 180.3 million head of cattle; Argentina (the fifth largest cattle herd) and Uruguay (the eleventh largest cattle herd) have cattle herds of 51.2 million and 12.1 million head of cattle, respectively. According to USDA data for 2006, Brazil has a slaughter rate, or Rate of Output, of 23.3%, Argentina and Uruguay have Rates of Output of 29.0% and 22.1% respectively, compared to 31.3% in Australia and 34.8% in the United States, evidencing a growth potential for production in those countries without the need for increases in cattle herds. In addition, Brazil has large amounts of available grazing land, another factor that will permit substantial increases in Brazilian beef production.

- *Disease-resistant breeding practices and other advantages*. Brazilian, Argentinean, Uruguayan and Chilean cattle are mostly grass-fed and/or are provided vegetable-based feed, which is largely viewed as a practice that eliminates the risk of an outbreak of bovine spongiform encephalopathy (commonly referred to as “mad cow disease”), or BSE. In addition, Brazilian beef is characterized by its low fat content and lack of chemicals and growth hormones used in other countries. These key factors are important for marketing Brazilian beef in international markets, in particular in developed nations.

- *Strong domestic market demand*. Brazil and Argentina have very large domestic markets, which consume approximately 80% and 84% of their respective beef production.

Based on this background, in 2008, a few big dynamic companies will continue to dominate Brazilian beef exports. JBS/Friboi and Bertin are the leading exporters (big volumes) but some other medium-sized companies like Minerva and Marfrig are also rapidly growing.

Growing, growing, growing

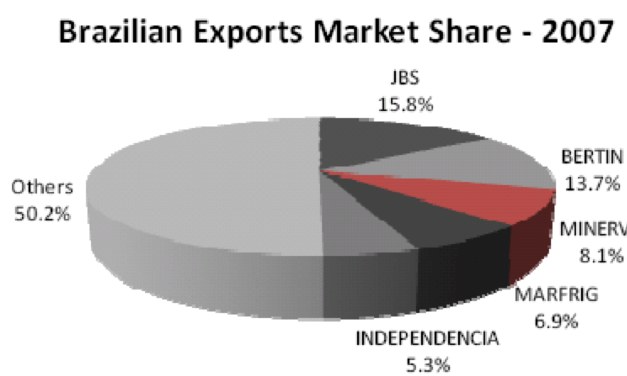
In 2007, total GDP growth in Brazil was between 4 – 4.5 %[5]. Since 2001, exports from agribusiness have more than doubled. In 2006, 16% of these exports concerned meat (beef 8%, poultry meat 6%, pork 2%, other 1%)[6]. Brazil's agribusiness exports have a growth rate of 26%, which is double the amount that developed counties have on average[7].

2008

Now, after the 2007 figures for exports (see below), the first economic forecasts for the 2008 calendar year for Brazilian meat production have been published[8] (see right). They show to what extent the three largest companies (JBS, BERTIN, MINERVA) will expand their export share pushing away other players (e.g. Marfrig).

	exports 000 t cwe	exports share
JBS/Friboi	361	23%
Bertin	328	21%
Minerva	171	11%
Marfrig	163	10%
Independencia	95	6%
Mercosul	68	4%
Quatro Marcos	52	3%
Mataboi	46	3%
Margen	40	3%
others	267	17%

Source Gira from Secex



Source: SECEX

Brazilian Export Slaughtering house	2007 US$ F.O.B (Million)	2006 US$ F.O.B (Million)	Sector Ranking 2007	Sector Ranking 2006	Total Share 2007	Total Share 2006	Brazil Ranking 2007	Brazil Ranking 2006
JBS	1,070	922	1st	1st	15.8%	15.8%	22nd	20th
BERTIN	924	838	2nd	2nd	13.7%	14.4%	30th	25th
MINERVA	**546**	**438**	**3rd**	**3rd**	**8.1%**	**7.5%**	**50th**	**53rd**
MARFRIG	469	416	4th	4th	6.9%	7.2%	60th	58th
INDEPENDENCIA	361	243	5th	5th	5.3%	4.2%	78th	95th
QUATRO MARCOS	161	133	6th	7th	2.4%	2.3%	145th	157th
MERCOSUL	109	174	7th	6th	1.6%	3.0%	200th	128th
MARGEN	105	102	8th	9th	1.6%	1.8%	205th	192nd
MATABOI	95	118	9th	8th	1.4%	2.0%	226th	173rd
Other	2,926	2,439	-	-	43.2%	41.9%	-	-
Total	**6,766**	**5,824**						

Source: SECEX (including fresh beef / processed, leather and live cattle)

5
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Livestock
Cattle numbers are still forecast to grow by 6.865 million over 2007, down from the April forecast of 7.367 million. Total numbers are again forecast to grow by another 8.622 million head over 2008. Total breeding cow numbers at the start of 2007 have been revised up by 55,000 with the forecast for numbers at the start of 2008 at 90.035 million cows, an increase of 3.530 million over 2007. The forecast growth in total numbers over 2008 is certain to see breeding numbers rise again by the end of 2008.The calf drop forecast for 2007 is static but the forecast for 2008 is higher by 3.402 million head.

Slaughter
Total slaughter for 2007 has been revised up by 715,000 head to 43.065 million and is forecast to rise to 44.630 million head in 2008. These trends clearly indicate the growing potential of Brazil to continue increasing beef production and exports.

Beef production
Brazil's beef production for 2007 has been revised up again by 145,000 t. to 9.47 million t. (carcass weight), an increase of 450,000 t. over 2006. There has been an adjustment to exports back to 1997 by a small amount each year. Exports in 2007 have been revised up by 165,000 t. to a record 2.4 million t. and are forecasted to grow to another record of 2.65 million t. in 2008. Despite some signs of a slowdown after their foot and mouth outbreak, the result has almost been the opposite with production and export records being broken again. This trend will continue while beef numbers continue to grow.

Consumption
Domestic beef consumption has been revised up slightly in most years back to 1997 as exports were reduced. Domestic consumption is forecast to reach another record in 2007 although the forecast is down on the April forecast by 25,000 t. Domestic consumption in 2008 is forecast to rise again to 7.225 million t., up by 130,000 t. on 2007. Per-capita beef consumption has continued to grow and is forecast to reach 39.9 kg in 2008. Poultry consumption will exceed beef consumption in 2007 and move further ahead in 2008. The most likely outcome of higher prices for beef in Brazil is for per-capita consumption to stabilize around 40 kg.

Suspicion of cartel operations in Brazil
Out of 11 major beef operators 5 have been condemned for forming a purchasing cartel by establishing a purchasing price list, pushing prices down and having a negative impact on profitability[9]. For example, JBS/Friboi already concluded an agreement and agreed to pay a BRL 13.7 mio fee (€ 6.5 mio). Bertin, Minerva, Franco Fabril and Mataboi have also been condemned. It is widely believed that the cartel is the main reasonable explanation of the significant price drop in 2005 when domestic and export market conditions were good.

[9] Source: www.girafood.com

PART 2: EXPANSION OF BRAZILIAN MEAT COMPANIES

The following section explores the different expansion strategies by the most important Brazilian meat companies.

2.1 BECOMING A NATIONAL GIANT– MINERVA

Minerva S.A. is one of the market leaders in Brazil in the production and sale of fresh beef, processed beef and beef byproducts, with a daily slaughtering capacity of 5,000 head of cattle and a daily processing capacity of 1,200 tons, or approximately 7,500 head of cattle. In 2006, the Company was among the three largest Brazilian exporters of beef, processed beef and beef byproducts based on gross export sales revenue of R$ 1 billion to approximately 600 customers in 80 countries. Minerva S.A[10]. distributes and markets food and meat products to the consumer products sector. It offers beef steaks, sausages, cold slaws, and minced meat. It is one of the market leaders in Brazil in the production and sale of fresh beef, processed beef and beef byproducts. In addition to beef products, Minerva also exports wet-blue hides and live cattle.

Minerva Ends 2007 as Third-Largest Brazilian Beef Exporter

According to Minerva[11], on 1st February 2008 the Brazilian Ministry of Agrarian Development, through the Secretary of Foreign Trade (Secex), released data on 2007 exports in which Minerva ranks 3rd among Brazilian meatpackers and 50th among all Brazilian exporters, moving up three places in the comparative rankings from last year. Minerva consolidated its position in 2007 with a 25% increase in exports, outpacing the 16% average growth among Brazilian exporters, and accounting for 8.1% of all industry exports. Minerva achieved this result by pioneering and consolidating new export markets, such as Russia, the Middle East and North Africa. Minerva boasts a solid and diversified customer base, with some 600 clients in nearly 80 countries that buy not only fresh and processed beef, but also wet-blue hides and live cattle.

National expansion

Minerva S.A is headquartered in Barretos, Brazil and owns 10 plants: 3 in Sao Paulo (SE); 1 in Mato Grosso do Sul (in the Midwest); 1 in Goiás**,** 1 new plant in Tocantin**,** 2 recently purchased units in Southern Pará and Rondônia (all in northern Brazil). Latest investments include new slaughterhouses for bovine cattle in Rolim de Moura and Redenção (Pará) raising total slaughter potential to 7,850 head per day in 2008 with a deboning capacity of 11,600.

For the fourth quarter and full year of 2007, the company reported organic growth in net revenue of 20.2% year on year, to BRL 487.7 million (€179.9 million). The hike in beef prices more than compensated the continued increase in fattened cattle prices in the quarter. For the year 2007, gross revenue grew 23.4% year on year to BRL 1,620 million (€ 598 million). Adjusted net income grew 23.7% in 2007 to close the year at BRL 66.3 million (€ 24.5 million), with net margin stable at 4.5%[12].

On 25th February 2008, it was announced that Minerva bought Lord Meat – Industria Comercio Importacao e Exportacao Ltda[13] based in Goianesia, Brazil. The company owns and operates cattle slaughterhouses. Its bovine meat product line includes forequarter cuts, hindquarter, and beef loafs. The acquisition will be paid by way of meat exports to Russia. The acquisition of Lord Meat, which has a 550 head/day slaughtering capacity, initially raises Minerva´s installed capacity by 10%. In six months, with the expansion of the cold chambers, the plant´s slaughtering capacity will increase to 750 head/day, finally reaching 1,500 head/day by mid-

[10] http://www.minerva.ind.br/
[11] http://www.mzweb.com.br/minerva/web/arquivos/Minerva_PR_SECEX_01022008_ENG.pdf
[12] http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?capId=36313803
[13] www.lordmeat.com.br/english/index.asp

2009. The total forecast investment in the acquisition and expansion plans is estimated at R$60 million. With a strategic location, the state of Goias stands out in the market for having one of Brazil´s largest cattle herds (approximately 20.5 million heads) having 48% of all confined herds in Brazil, as well as for being a free area for exports to the major Russian and European Union markets. The acquisition will consolidate Minerva´s position in the state, where it will have two active plants, one in Palmeira de Goias, located to the south, and this in Goianesia, north of the state. Operating in the fresh beef market, Lord Meat has leading-edge equipment in the production, packaging, conservation and sale of its products. The Company´s quality standard is ensured by continuous investments in technology control and processes. The Company management believes that Minerva´s experience, acquired through its long history in the distribution and sale of beef products, added to Lord Meat´s staff competence, will qualify it to expand its business and to optimize previously consolidated operation channels[14].

By the end of 2008, Minerva will have invested 95 million Reais (€ 48 million)[15] especially in expansion and construction of units.

DIVERSIFICATION: Adding Value in Leather Division

On the same day, 25th February 2008, Minerva also announced, in line with the Company's strategy of adding value in its Leather Division, it has leased its second tanning unit in the state of Sao Paulo. The tannery is strategically located in the city of Monte Aprazivel, between the industrial plants of Barretos (150km) and Jose Bonifacio (40km). Its daily production capacity is of 2,500 leather units/day, distributed among wet-blue hides, and semi-finished and finished items for use in car and residential upholstery, footwear and bags. With its focus on adding value through the production of semi-finished and finished leather, the Company had already leased a tanning unit in Fernandopolis in August 2007, where it is already producing and is concluding investments for the production of 2,500 leather units per day between semi- finished and finished leather for residential and car upholstery. With the new unit, the Leather Division's production capacity increases to 5,000 processed, high value added leather units per day. By the end of 2008, Minerva plans to reach total production capacity of 7,000 leather units per day, 10% of which will be wet-blue hides, 70% semi-finished and 20% finished leather, directly employing more than 1,000 people.

In 2007, the Leather Division accounted for 7% of the Company's gross revenue, whilst wet-blue hides represented 90% of the division's total sales. With the new unit, the Leather Division is expected to account for 10% of Minerva's total sales. The Company, which accounted for about 4% of total Brazilian leather exports in 2007, should reach 7% this year, with the focus being on higher value added semi-finished and finished products.

[14] http://www.thecattlesite.com/news/21946/minerva-acquires-lord-meat
[15] according to data supplied by the company

ECONOMIES OF SCALE AND EXPERTISE: International expansion through joint venture

Internationally, the company is willing to expand its foreign sales. Minerva currently owns offices in Algiers (Algeria), Beirut (Lebanon), Tehran (Iran), and Moscow (Russia). The company "is looking very carefully" at Paraguay and Uruguay. No slaughterhouses are currently owned abroad, but future purchases in Australia are also a possibility. It looks for units to buy in Argentina or Uruguay. Internationally, it runs sales offices in Russia, Lebanon, Chile and Algeria. In January 2008, at a time where Brazilian bovine meat faces import restrictions to the European Union, the official inauguration of a €25m, 10,000 square meter state of the art cooked meat ingredient facility in Sao Paulo was announced by the Minerva Dawn Farms company**,** a 50/50 joint venture between the Irish Dawn Farm Foods and Minerva Sao Paulo.

A state of the art cooked meat ingredient facility

The plant, which operates to USDA and EU standards, specialises in the production of customised meat ingredients for application within the foodservice and manufacturing sectors worldwide. It will draw heavily on Dawn Farms well-recognised expertise as the European market leader in this area. Moreover, the Brazilian company will use the modern technology of the Irish partner to produce meats of bigger aggregate value. The unit has an expected capacity to produce 38.4 t. of frozen processed meat in the first half of 2008 which so far had not been in the portfolio of Minerva. This allows now to establish a real cooked meat ingredient business in Brazil whilst supplying European and Asian markets.

Minerva's EU Trade

In 2007, the EU accounted for nearly 14% of the beef volume exported by the Company, which represented 22% of the export revenues, or 15% of the Company's total gross revenue, which were considerably below the Brazilian average (see the chart below). During the last quarter of 2007, the EU's percentage had decreased to 8% of the volume exported and 15% of the export revenue, and just 9% of total gross revenues – due to the higher representation of the domestic market and consolidation of other emerging markets with higher growth rates and low sanitary requirements[16].

Brazilian Beef Exports	Total		EU	
	Revenue[1]	Volume[2]	Revenue[1]	Volume[2]
Fresh Beef	3,485,726	1,285,807	29.5%	14.4%
Total	4,179,718	1,495,293	31.7%	19.0%

[1] US$
[2] Tons
Source: ABIEC

[16] http://www.mzweb.com.br/minerva/web/arquivos/Minerva_Comunicado_UE_31012008_ENG_FINAL.pdf

A win-win situation for Minerva and Dawn Meat

The 50/50 joint venture between Minverva and Dawn Farmers for processed meats is a strategic move by both companies to widen their supply capability for their combined blue chip global customer base. The biggest advantage for Minerva S.A. is the expansion of performance, the access to new customers and the increase in the aggregate value of their products. Fernando Galletti de Queiroz, commercial director of Minerva said; "*Added value processing in Brazil has been based upon traditional processing systems that offer little flexibility. We are missing the growing opportunity for greater added value products that our more competitive raw material costs in beef should afford us. The local market and supply knowledge of Minerva coupled with the well recognised expertise in cooked meat protein and processing technology of Dawn Farms creates an opportunity to put the Minerva Dawn Farms joint venture several steps ahead of its competitors in terms of technology and know how in Brazil.*"

COMPANY PROFILE: **Dawn Farm Foods** (www.dawnfarms.ie) part of the privately owned Queally Group, is a leading manufacturer and exporter of fully cooked meat ingredients for sale into the European and Middle Eastern food manufacturing and service sectors. In October 2006, it announced the acquisition in Britain of TMI Foods, which is a market leader in the sale of microwave cooked bacon, party foods and grilled vegetables. Earlier that year, it announced a €28m investment programme at its food campus in Naas. This includes a €10m spent on the first privately owned Meat Science and Innovation Centre to be built in Ireland.

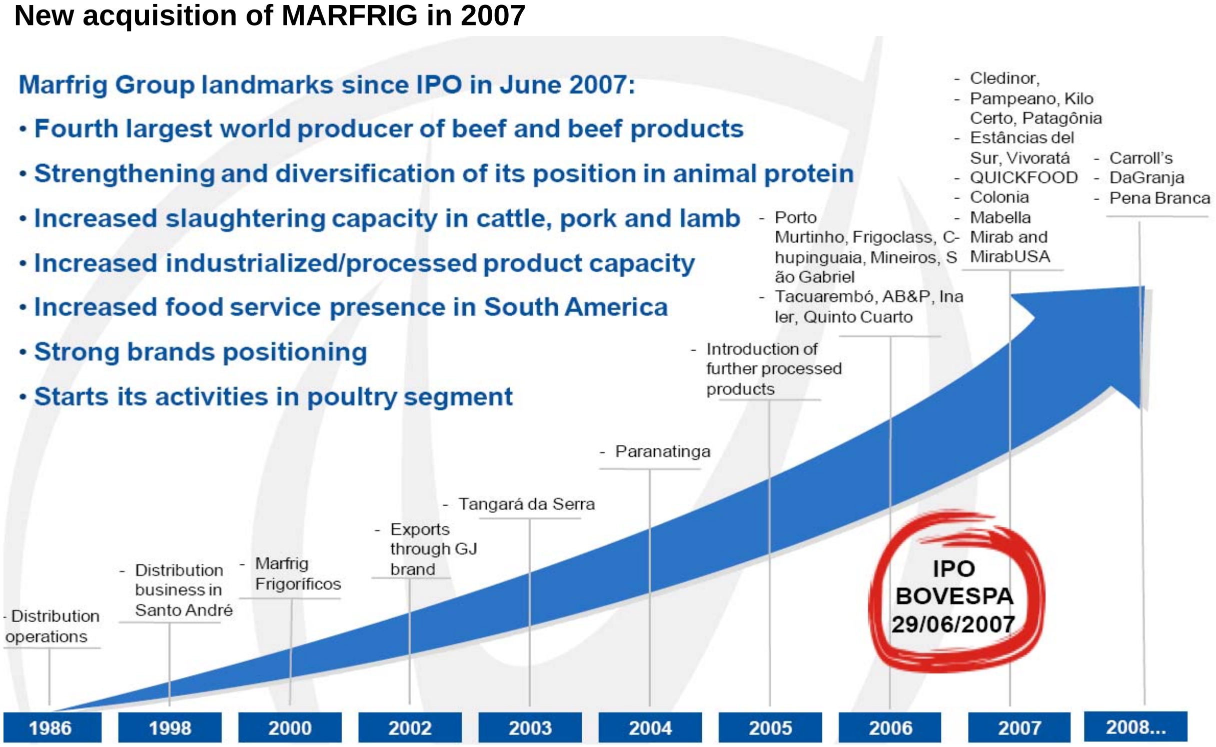
COMPANY PROFILE: Established in 1957 by the Vilela de Queiroz family, **Minerva** (http://www.minerva.ind.br) is one of Brazil's best-known and largest producers and exporters of beef, supplying mostly chilled and frozen beef to manufacturing, retail and food service customers in the UK, Italy, Russia, the Middle East and within Latin America. In 2007, the company maintained its position as the third largest beef exporter in Brazil. Minerva is also the world's eighth largest slaughterhouse, with a slaughtering capacity for 7,850 head of cattle per day, and a processing capacity for 1,200 daily tonnes. Until September 2006, the slaughterhouse had posted revenues of 1.13 billion Brazilian reais (€ 570 million), a 25% increase over the same months of 2005. The growth in 2007 was expected to be around 30%.

2.2 QUALITY AND QUANTITY – MARFRIG

Marfrig Frigorificos e Comercio de Alimentos SA[17] is Brazil's second largest and world's fourth largest beef processor in the world. Its operations include the processing and distribution of fresh, hogs and lambs processed and industrialized beef products to customers in Brazil and abroad. It has a 6% export share. The company also distributes other types of meat and food products, including frozen pre-cooked potato chips, pork and lamb cuts, frozen vegetables, poultry, fish, ready meals and pasta. Marfrig's product mix includes traditional and special beef cuts, portion cuts, frozen cooked beef, canned beef and beef jerky.
Its production activities are focused in South America, with units in 4 countries, reaching International and Domestic Markets. For beef production, in 2008 it will have 18 slaughter units with 9 located inside Brazilian states, 4 slaughter units in Uruguay and 5 in Argentina, in addition to 1 de-boning plant in Chile. The slaughter and production units, located in Bataguassu and Porto Murtinho in Mato Grosso do Sul, Tangará da Serra and Paranatinga in Mato Grosso, two units in Promissão in São Paulo (one of them for special products process), Chupinguaia in Rondonia, Sao Gabriel in the Rio Grande do Sul and Mineiros in Goiás plus the south American units, in Chile (Quinto Cuarto), Uruguay (Tacuarembó and Best Beef) and Argentina (AB&P) slaughter up to 10,000 animals per day. There is a distribution and storage facility strategically positioned in Santo André, which is near to the cost and the large Brazilian consumer markets. For pork meat, there are 4 plants located in the states of Santa Catarina, Rio Grande do Sul, São Paulo and Mato Grosso (Brazil). For lamb meat, there is a slaughter unit located in Patagonia (Chile)[18] and 2 in Uruguay.

In 2007, some acquisitions of Marfrig included: Best Beef and Estancia del Sur-EDSA (Argentina), Colonia and Caballada (Uruguay). The company also informed about the purchase of tannery *Promissão* in São Paulo for US$ 1.8 million with a capacity of processing 1,500 hides per day. Marfrig also purchased the *Mar-Yi* plant located in Vivoratá, near the summer tourist resorts of Mar Chiquita and Mar del Plata. *Mar-Yi* slaughtered 98,181 cattle head in 2006 and is also known as "slaughterhouse *Vivoratá*".

New acquisition of MARFRIG in 2007

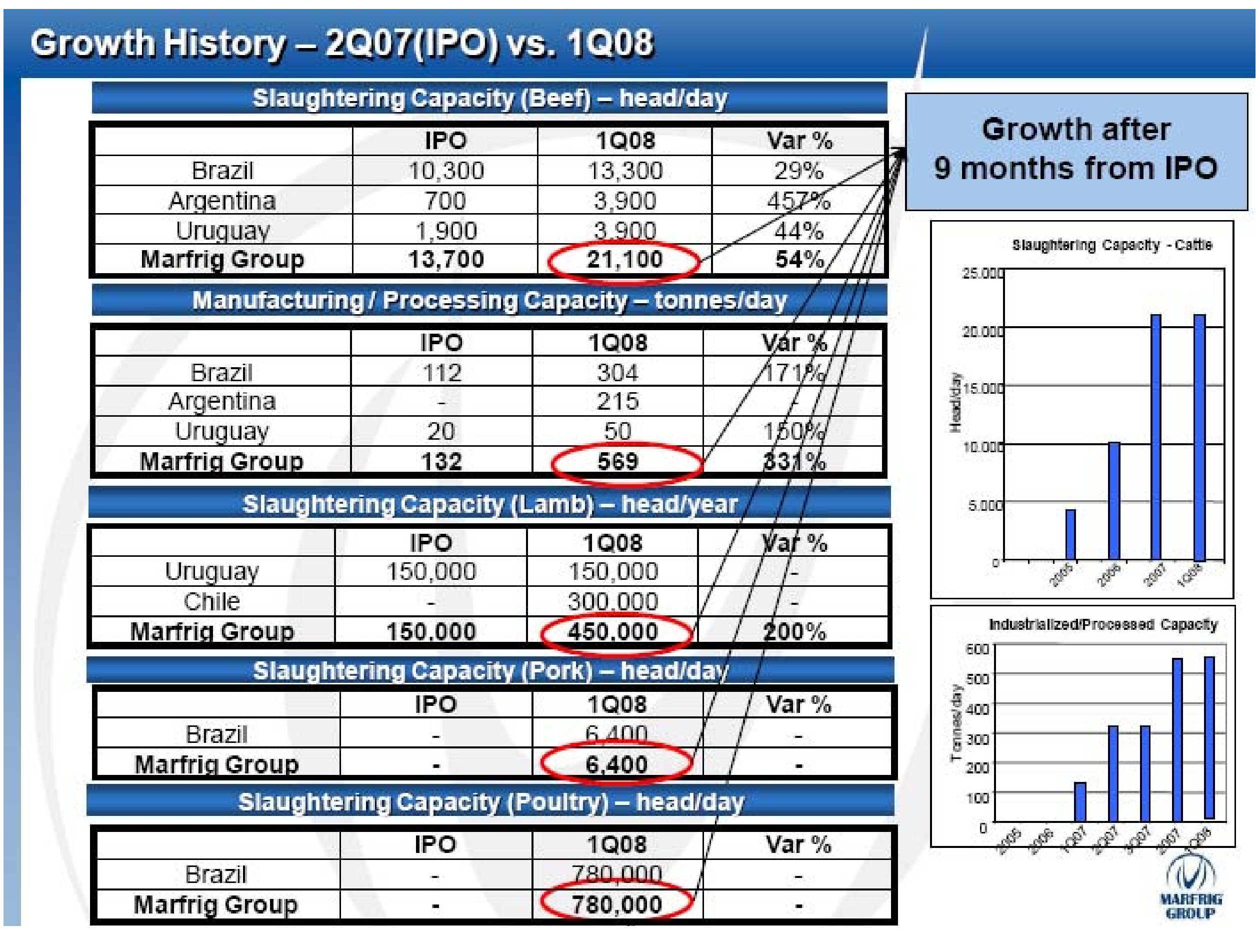


ARGENTINA (Total approx. monthly slaughter 50.000)	Slaughter (Heads)	Exports (US$)
ARGENTINE BREEDERS & PACKERS www.abyp.com.ar	102.659	53.200.000
ESTANCIAS DEL SUR S.A.	153.437	15.000.000
QUICKFOOD S.A. www.quickfood.com.ar	174.408 + 142.358	77.600.000
MAR-YI S.A. www.vivorata.com	98.181	

URUGUAY (Total approx. monthly slaughter 56.000)	Slaughter (Heads)	Exports (US$)
TACUREMBÓ - MARFRIG LTDA.	198.681	102.119.655
INALER – MARFRIG	121.256	47.454.066
COLONIA – MARFRIG www.fcolonia.com	215.988	111.586.360
CLEDINOR – MARFRIG	149.037	71.002.381

CHILE	Slaughter (Heads)	Exports (US$)
SACOR S.A. – OVINE SLAUGHTER www.frigorificopatagonia.com	300.000	n/a

The following slide originates from an institutional presentation in March 2008[19].



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19 http://www.mzweb.com.br/marfrig/web/arquivos/MARFRIG_APRESENTACAO_20080317_eng.pdf

On 7th March 2008, the fourth quarter and 2007 results were released[20]. Accordingly, the gross revenue moved up by 55.8% over 2006. In the fourth quarter 2007, gross revenue was 48.1% higher than in the fourth quarter 2006 and 33.9% higher than in the third quarter 2007. The net revenue climbed by 56.8% to BLR 3.3 billion (€ 1.2 billion) over 2006 while the net income rose by 32.1% in comparison to 2006. In 2007, exports to the EU made up 3.9%, to other parts in Europe 13.1% whilst 31% were exported to Asia.
National and international expansion continues for Marfrig in 2008. On 26th February 2008 Marfrig agreed to buy local pork processor Carroll's Food do Brasil in a deal worth BRL42.3m (€ 16.0m) to diversify its business throughout Brazil. Carroll's, a mid-sized pork processor, has a feed plant in Mato Gross state and two ranches located in the cities of Petrovina and Diamantino. On 12th March 2008, Marfrig bought UK-based food importer and distributor CDB Meats for €7.7m. The purchase - through Marfrig's UK subsidiary Weston Importers - also includes Ham Packers Ltd, a wholly-owned subsidiary of CDB, which operates a canning factory in Cornwall. CDB and Ham Packers have a combined turnover of around GBP30m (€39m). CDB supplies branded and own-label food products, including corned beef, canned ready meals and tuna, to the retail, foodservice and food manufacturing sectors, under brands such as Meteor, Concord, Caprice and Channel Maid.

In 2008 investments will also be dramatically high. At least another € 9.6 million will be made available throughout the year to mark-up its food producing installations in Argentina in products such as processed meat, hamburgers, sausages and cooked and kosher products. Besides, the company wishes to repeat the experience already started in Brazil and Uruguay: to finance providers to enhance production.

The following table offers an overview of slaughter capacity:

PRODUCTION CAPACITY IN 1Q08

	SLAUGHTER			PROCESSED/ MANUFACTURED (Tonnes/Day)
	BEEF (Heads/Day)	PORK (Heads/Day)	LAMB (Heads/Year)	
BRAzIL	13,300	4,200		304
ARGENTINA	3,900	-		215
URUGUAY	3,900	-	150,000	50
CHILE	-	-	300,000	0
Total	**21,100**	**4,200**	**450,000**	**569**

OBS: The numbers presented above considers the following production capacity.

Brand's of Marfrig

[20] http://www.mzweb.com.br/marfrig/web/arquivos/Marfrig_CALL_4Q07_20080306_eng.pdf

NEW: Marfrig enters into poultry sector buying Pena Branca and DaGranja

On 12th March 2008, it further announced agreements to purchase DeGranja Agroindustrial Ltda. for €37 million, the fifth largest poultry company in Brazil. In addition, it will purchase the operations in the poultry segment of Moinhos Cruzeiro do Sul S.A. for €34 million. The core business of DaGranja Agroindustrial is slaughtering, industrial breeding and sales of poultry and pork.The net revenue in 2007 was around €228 million with 25,000 customers and exports to more than 25 countries. The second acquisition includes all equity of Penapaulo Alimentos Ltda and the brand Pena Branca. Penapaulo/Pena Branca is the largest poultry industry in Sao Paulo state with a core business in the creation, production, slaughter and sales of poultry as well as the industrialization, production and export of poultry products. The company posted 2007 net revenue of €125. The move prevents Tyson Foods from completing its planned purchase of Pena Branca, and for the third time frustrating Tyson's attempt to enter the Brazilian poultry market.

Marfrig's entry into the poultry sector could signal the start of a new era in the Brazilian poultry industry, seeing as the red meat sector has never been involved in poultry before.

2.3 SECOND LARGEST MEAT EXPORTER – Bertin

Bertin Ltda[21] is an industrial conglomerate that offers farming and cattle raising, but also foods, construction, bio diesel, cosmetics, leather, pet products and many other products. The company provides meat and leather processing and packaging services and bio diesel amongst many others. The company was founded in 1977 by the homonymous family of Italian origin and is headquartered in Lins, Brazil. Bertin Ltda operates as a subsidiary of Heber Participações, Ltda. The meat and leather businesses account for nearly 85% of total sales. Bertin procures 85% of its cattle from independent farmers and keeps an 80,000 heads farm and a 100,000 heads feedlot in reserve. Bertin Ltda is the leading integrated beef and hide processor in Brazil, with slaughtering capacity of about 5,400 heads per day. Bertin exported $505 million worth of beef in 2006 and employs 30,000 people in some of its 28 facilities nationwide. It is the No. 2 beef exporter behind the Friboi Group. According to a report from Franco Ferrari, who visited the company in 2003[22], Bertin's principal export destinations are Europe, Chile, Iran, and Egypt. The philosophy of the Bertin Group is all in one word, or more precisely three: quality, quality, and quality. It buys its cattle according to accurate and inflexible selection criteria, in its search for the best, and declares itself to be in the van in the preparation of ready-made products. Bertin also distinguishes itself in the field of genetics and in researches aimed at improving livestock farming. Bertin's lines of business include: beef processing, tanning and production of semi-finished and finished hides and dog toys (chewable bones).

A $90 million loan for Bertin

A $90 million loan granted on 8th March 2007 by the IFC[23] supported Bertin's corporate investment programme to expand and modernize its operations across the country and help it develop a system, the first of its kind in Brazil, to ensure that Bertin's cattle is sourced from ranchers that use sustainable practices and do not contribute to increased deforestation of the Amazon. Their total expansion and modernization investment programme cost $424 million in 2005-2007 and included:

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21 www.bertin.com.br
22 http://www.pubblicitaitalia.com/cocoon/pubit/riviste/articolo.html?idArticolo=4287&Testata=1&lang=eng
23 International Finance Cooperation: http://www.ifc.org/ifcext/disclosure.nsf/Content/Brazil_Bertin

- increasing slaughtering capacity by 82% by 2007, including doubling the capacity of Bertin's slaughterhouse in Marabá;
- shifting production to value-added products in beef, leather and other by-products.

DIVERSIFICATION: The world's largest bio diesel plant

Moreover, in August 2007, the company began operations of a 110-million-liter-per-year biodiesel plant run on cow tallow. While Bertin expects to produce its biodiesel principally from cow fat, which is currently one of Brazil's cheapest feedstocks, the plant can also use vegetable oils to produce the biofuel, said the Bertin press person. The company earlier this year entered a joint venture with local agribusiness company JB Agropecuaria to construct a BRL330 million ($163.3 million) ethanol mill in the city of Dourados in the center-west state of Mato Grosso do Sul.

CERTIFIED MEAT: Giving Europeans no reason to refuse Brazilian meat

In 2007, the Bentin Group had its Sao Paulo cattle confinement facilities approved under the EurepGAP Integrated Farm Assurance standards for food safety. Agribusiness companies qualify for the IFA certificate by meeting European standards for animal well being, labour conditions and environmental management, according to the EurepGAP website. Overall, Bertin invested some 300 million Brazilian reals ($140.84 million) in facility upgrades in 2007. Company chief financial officer Douglas Oliveira said part of the investments would go to environmental management. Brazil's livestock industry is often considered one of the main culprits for deforestation, providing a negative image for Brazil's beef exports primarily in Europe[24].

ECONOMIES OF SCALE: The world's biggest meat processing plant

In 2008, the company will invest BRL 230 mio in a new slaughterhouse and processing plant in MT. It recently completed the extension in MS (BRL 320 mio invested) to give birth to the biggest meat processing plant of the world (4000 head/day). It is also strong in the valorisation of sub-products for the leather and soap industry.

Slaughterhouses in South America outside Brazil owned by the *BERTIN* group

PARAGUAY	Slaughter (Heads)	Exports (US$)
QUALITY MEAT S.A. (member of Bertin, Brazil)		45.000.000

URUGUAY	Slaughter (Heads)	Exports (US$)
BERTIN – CANELONES	182.532	102.189.319

[24] http://www.cattlenetwork.com/Content.asp?ContentID=99467

2.4 LARGE SCALE INTERNATIONAL EXPANSION – JBS / Friboi

JBS started as a family business, with humble beginnings in 1953 operating out of a single butcher shop. The founder, Mr Jose Batista Snr, his wife and their three sons and three daughters are all still involved in the day to day running of the business.

Upon the closing of the latest acquisitions in March 2008, JBS, which has over 55 years of tradition in the food sector, will have 63,000 employees worldwide, a cattle slaughter capacity of 79,200 head per day in five countries (Brazil, Argentina, Italy, United States and Australia), 48,000 head of hogs per day, an annual sales of approximately US$ 21.5 billion and control of 10% of the global beef market[25]. JBS is listed on Brazil's Novo Mercado exchange and has with 23 plants in Brazil and six in Argentina in addition to the US, Australian and European facilities. In the 12 months ending September 2007, JBS generated pro forma net revenue of €7,64billion and processed 9 million head of cattle.

Traditional reasons for expanding internationally relate to better profit margins through product diversification and economies of scale. To describe the international expansion strategy US CEO OF JBS Batista said that *"these acquisitions will increase the ability of JBS to meet the specific demands of its clients as well as generate economies of scale and other operational efficiencies that will create value for its shareholders. For the next several years, JBS will be focused on the improvement of its operational efficiency, maximizing synergies and organic growth with the objective of creating value to its shareholders, customers, suppliers and employees."* Nonetheless, it could be argued that, in the beginning of 2008, a new reason, which is of crucial importance especially for meat producer and traders, became very important for JBS as well as other international meat traders: the need for geographical diversification to avoid interdependence of political decisions in other parts of the world, to which the group exports. Geographical diversification allows JBS to position itself in the global market as a secure and reliable producer and supplier of meat, being able to shoulder not only economic shocks but also to be able to limit the impact of political decisions by countries to which the group exports. As such, JBS now expands in many parts of the world, notably in the US, Australia and Europe to bolster sales in markets that restrict imports of Brazilian beef. This was the case with the European Union in the beginning of 2008. In the first month of 2008, this international expansion scheme continued drastically, notably with the € 1 billion acquisition drive by JBS in March 2008 to purchase major red meat processing assets in the US and Australia (see below). This has again focused attention on concentration of ownership within the beef processing sector. The overview below indicates financial expectations of JBS in 2008:

GUIDANCE FOR 2008

Business Units	Net Revenues (in R$ million) (1)	CAPEX (2) (in R$ million)
JBS Brazil	R$ 5,700.00	R$ 300.00
JBS Argentina	R$ 1,300.00	R$ 200.00
JBS Australia	R$ 3,500.00	R$ 20.00
JBS USA	R$ 15,000.00	R$ 80.00
TOTAL	**R$ 25,500.00**	**R$ 600.00**

[25] http://www.jbsswift.com/media/releases/English_press_release_March_5_2008_release_FINAL.pdf

Expansion of JBS-FRIBOI in Brazil & South America

JBS/Friboi has geographically diversified cattle slaughtering plants in Brazil and Argentina with a geographical extension in particular in the Centre West. With investments on 5 of its 15 plants in Brazil, JBS-*Friboi* increased its daily slaughter capacity by 5,100 cattle head by the end of 2007. In August 2007 it slaughtered 24,100 head daily. During the first half of 2007, the company destined R$ 326 million (€ 106.8 million) – between investments and acquisitions – to increase its production. Since 2007, the *Swift* plants in the USA and Australia have been included in the group's slaughtering capacity. In Argentina the group owns:

ARGENTINA (Total approx. monthly slaughter 75.000)	Slaughter (Heads)	Exports (US$)
SWIFT ARMOUR S.A. ARGENTINA www.swift.com.ar	268.011 + 79.272	171.000.000
CONSIGNACIONES RURALES S.A.	88.611	n/a
COL CAR S.A. www.colcarsa.com.ar	94.442	n/a

Expansion of JBS in the U.S.A

Over the last 12 months, the massive expansions of JBS in the United States have lead to a situation where, in March 2008, for the first time in history, the US processing industry is dominated by an offshore group. The combined JBS Swift capacity in the US to process cattle will now reach 42,500 head a day, compared with second-placed Cargill Meat Solutions' 29,000 head and Tyson Foods' 28,700.

Major expansion in the US begun on 12th July 2007 when JBS acquired "Swift and Co"[26] and 4 plants in Greeley, Colorado. The sale came in the wake of tough times for Swift, which had been owned by a Dallas private equity firm, HM Capital Partners, since 2002. A federal immigration raid last December also resulted in 1,300 workers being arrested at Swift plants, including about 200 at the Worthington, Minnesota, plant. Swift announced after that it might sell out. As a consequence, J&F Partners - a major shareholder of Brazilian beef processing company JBS - and HM Capital partners announced the deal late in June 2007. Swift & Company is the third largest meatpacker in the USA, after Smithfield *(which JBS took over in March 2008 – see below)* and Tyson Foods. The company sells primarily meat cuts to the U.S. market under the Swift Angus beef brand name and Swift Premium pork. Swift was a highly sought-after company because so few meat-packaging plants had been put up for sale in wake of U.S. industry consolidation. It has plants in six states and an operation in Australia (see below). In 2006, U.S. beef sales from this company accounted for € 3,822 million with 4,800,000 head slaughtered, equal to about 17 % of the U.S. total slaughter. Currently, daily slaughtering capacity is about 18,800 head. JBS Swift's share of total US beef exports through August 2007 is roughly calculated to be over 8%. *"The acquisition reflects the constant expansion policy of JBS*", said the company's CEO Joesley Mendonca Batista who added that the expansion strategy was to make JBS a global company and with Swift "*we'll reach the Asia-Pacific markets*"[27].

[26] http://www.jbsswift.com/media/releases/2007_07_12_JBS_Swift_closing_FINAL.pdf
[27] http://www.brazzilmag.com/index.php?option=com_content&task=view&id=8305&Itemid=54

On 4th March 2008, JBS acquired assets in the US beef unit of Smithfield Foods, the fifth-largest beef processor in the US, and National Beef Packing LLC[28], the nation's fourth largest beef processor[29]. Unfavourable market conditions, including the combination of tight cattle supplies and excess slaughter capacity, have made the U.S. beef processing industry a buyer's market — especially for cash-laden JBS, already the world's largest beef processor — and forced challenged beef operations such as Smithfield to sell. Smithfield, the largest American pork producer, is exiting the beef business as rising corn costs and surplus production capacity eroded profit. The transactions require regulatory and other approvals, a process expected to take until well into summer or early fall. The sale to JBS will include 100 percent of Five Rivers Ranch Cattle Feeding LLC ("Five Rivers"), which *excludes* substantially all live cattle. Live cattle currently owned by Five Rivers will be transferred to a new 50/50 joint venture between Smithfield Foods and CGC. Smithfield Beef processes approximately 1.5 billion pounds of fresh beef annually. Its processing capacity is 7,600 cattle per day. Five Rivers is the largest cattle feedlot operation in the US with a one-time feeding capacity of 811,000 head of cattle. *"We see this acquisition as an opportunity to participate in a segment of the business and a region where we are not present today. The synergy created will help us increase our customer base and reduce overheads in a highly competitive industry,"* said Wesley Mendonca Batista, Chief Executive Officer of JBS USA. "*JBS's purchase of U.S. beef assets is a positive*," Farha Aslam, an analyst with Stephens Inc. in New York, said in a telephone interview. "*The U.S. industry needs to rationalize capacity given the lack of growth in the U.S. cattle herd*." Batista said JBS is intent on not only turning around its new holdings but also turning around the entire U.S. market. He cited Tyson Foods' closure of its Emporia, Kan., slaughter operations in saying, "*The market is already getting better*."

COMPANY PROFILE: The Smithfield Beef Group, based in Green Bay, Wis., is the fifth-largest beef processor in the US, with the capacity to slaughter 8,000 head per day, the company said on its Web site. The beef unit had sales of $2.6 billion in fiscal 2007, accounting for about 20 percent of the total for its parent company, based in Smithfield, Virginia.

JBS also acquired control of the privately held National Beef in the US for $465 million in cash and $95 million in stock[30]. National Beef operates packing plants in Liberal, Kansas City and Dodge City in Kansas; in Brawley, Calif.; Hummels Wharf, Pa.; and Moultrie, Ga.

COMPANY PROFILE: National Beef, based in Kansas City, is the US' fourth-largest meatpacker. It has operations in California, Pennsylvania and Georgia. It had sales of $5.6 billion and processed 3.9 million head of cattle in the 2007 fiscal year, according to a company filing with the US Securities and Exchange Commission. According to the CEO of JBS in the US, "*National Beef's reputation for efficiently producing high quality beef and for serving its customers is recognized worldwide. It is an industry leader in value added fresh beef in the United States and is also a leading United States exporter of fresh chilled and frozen beef to Japan - both of which are strengths that will complement our business plan for growth in beef processing in the United States and especially the Pacific Rim*."

[28] http://www.mzweb.com.br/jbs/web/arquivos/JBS_FR_National_eng.pdf

[29] http://www.jbsswift.com/media/releases/English_press_release_March_5_2008_release_FINAL.pdf

[30] http://www.mzweb.com.br/jbs/web/arquivos/JBS_FR_National_eng.pdf

In the US, JBS Swift alone controls 30% of the US national beef kill, and the three largest players - JBS, Cargill and Tyson - represent 76% of beef slaughter capacity. Reaction in the US to the news of JBS Swift's purchase of Smithfield Beef Group and National Beef Packing Co has been mixed. The National Cattlemen's Beef Association president Andy Groseta says 76% of beef slaughter capacity would now be in the hands of three companies.

Expansion of JBS in Australia

When JBS purchased US meat processor Swift & Co, it also gained control of Australian Meat Holdings, for €1.17 billion. Australia's largest beef processor "Australia Meat Holdings Pty Ltd" therefore trades now as "JBS Swift Australia". The Queensland-based Australia Meat Holdings is Australia's largest food and meat processor with a turnover of €1.7 billion a year. JBS Swift is now also the largest cattle buyer in Australia, spending more than € 680 million a year. AMH operates four processing plants in Queensland - at Dinmore, Townsville, Rockhampton and Beef City near Toowoomba. It processes more than 1.4 million cattle a year. It has 4,900 employees around Australia and operates four feedlots with about 100,000 cattle. Throughout 2007, the company expressed its intention to maximize its investments in the Australian industry through further development of its feedlotting, processing activities. In 2006, JBS had sales of € 1.2 billion and slaughtered more than 3.4 million head of cattle. With Swift aboard it will turn over as much as € 8.2 billion – with AMH's contribution running at €291 million in the March 2007 quarter[31].

On 5th March 2008, the owners of Tasman Group, Australia's largest multispecies meat processor, announced the sale of the business to Swift Australia. Tasman Group, with six multi-species plants in Victoria and Tasmania, was previously ranked fourth largest in Australia, representing 5.7% of the national kill. The group is called Australia's largest multi species meat processor with turnover of approximately $500m and processing approximately 2.7m animals per annum. The Company is headquartered at Brooklyn near Melbourne and has plants located at Brooklyn, Cobram and Yarrawonga in northern Victoria and at Longford, Devonport and King Island in Tasmania. It also owns a feedlot in New South Wales at Burraboi. Swift Australia is headquartered at Ipswich in Queensland and operates four beef processing plants at Dinmore near Ipswich, Beef City near Toowoomba, Rockhampton and Townsville. The Company also operates feedlots in Queensland at Beef City and Mungindi and in New South Wales at Griffith and Caroona. The Managing Director of Tasman Group, Mr Gilbert Cabral, said "*With its recent double digit growth in revenues and strong balance sheet, Tasman is in sound financial shape. Our abattoirs and feedlot are in excellent condition and despite the sales process, Tasman has continued to implement new capital initiatives and improvements to its business processes*''. The major shareholder in Tasman, Mr Joe Catalfamo, said that "*Notwithstanding its strong financial position, the owners believed that substantial capital was needed to take the business to the next stage and give the business and its brands a national and international footprint. Swift has the financial resources, the operational expertise, and the international markets to grow and take the business to the next level.*" Mr Catalfamo said that "*Swift will be able to carry our Tasman vision forward, significantly expand plants and value adding capacity and increase the current presence of 'King Island Beef' and Tasman's other leading brands in national and international markets*."

[31] **Sources:** Herald Sun 31 May 2007 and Courier Mail 1 June 2007

With this acquisition, JBS Swift will operate a total of 10 processing operations across the eastern Australian seaboard, from Townsville in the north to Launceston and Devonport in Tasmania, with a total slaughtering capacity of 8,555 head of cattle and 16,500 head of smalls (sheep, pigs, calves) per day. The combined workforce in Australia will be in excess of 7,000.

In Australia, JBS Swift's purchase of Tasman Group has lifted Swift Australia's share of the national kill (all red meats, including beef, veal, sheepmeat) from 15.3% to 21%. That is now more than twice the size of its nearest rival, Teys Brothers, at 9.6%.

Based on 2006 data collected for Meat and Livestock Australia's Top 25 Processors report, the top three in Australia - JBS, Teys and Nippon Meat Packers - now control 36.5% of the national red meat kill. For beef only, the figure is around 50%.

Expansion of JBS in the European Union

On 21st December 2007 JBS entered with a 50 % stake in the share capital of an Italian beef processor Inalca S.p.A ("Inalca"), a company owned by Cremonini S.p.A ("Cremonini"), one of the main European players in the production of beef and beef byproducts for a total value of € 225 mio.

COMPANY PROFILE: Cremonini, with over 7,600 employees, is one of the largest food groups in Europe and operates in three business areas: production, distribution and catering. The group, which had total revenues of € 2,348.8 million in 2006, is leader in Italy in the production of beef and meat-based processed products (Montana Alimentari S.p.A., "Montana") and the marketing and distribution of food products to the catering sector (MARR). It also has a significant presence in the catering sector and, in particular, the leadership in Europe in the on-board train services and, in Italy in railway stations, in airports and in motorway services areas (Chef Express).

COMPANY PROFILE: Inalca is the absolute leader in Italy and one of the main European operators in the processing beef sector. It produces and markets a complete range of fresh and frozen meat, packed under vacuum or portioned in a protective atmosphere, canned meat, ready-to-serve products, fresh and frozen hamburger, minced meats and, pre-cooked products. Inalca supplies beef to McDonald's across Europe, with exclusive contracts in Italy, Greece, Denmark, Cyprus and Russia. With a slaughtering capacity of 3,500 head of cattle/day and processing 260,000 t. of meat/year (of which 50,000 t. of hamburger), the company operates through a production structure made of 6 plants in Italy, specialized by production line, and through 9 foreign facilities in Europe, Russia and Africa.

The 50% share capital entry of JBS in Cremonini resulted in a binding preliminary contract for the formation of a strategic alliance between JBS and Cremonini ("Alliance"). The Alliance encompasses the whole beef production and beef byproducts division of Cremonini (Inalca and Montana) and in which JBS will own a 50% stake. This production sector with 2,140 employees achieved total consolidated revenues of € 1,044.5 million, of which 33% abroad.

As a result, Cremonini will first transfer 100% of Montana to Inalca before JBS will acquire 50% of Inalca. As an end result, JBS and Cremonini will each own 50% of Inalca and Montana.

COMPANY PROFILE: Montana Alimentari S.p.A. ("Montana") is one of the main Italian operators on the production, marketing and distribution of cured meats, snack and ready-to-eat products with over 230 products. Owner of the historical brands "Montana" and "IBIS", the company features an industrial structure of 4 plants, specialized by type of production and located in the area distinguished by the Protected Denomination of Origin (P.D.O.) and Protected Geographic Indication (P.G.I.) brands. The company is also one of the main operators in the Italian canned meat market, with a market share of 22%, and in pre-sliced products.

The signing of the definitive agreements took place on 21st December 2007. On 26th February 2008, the European Commission cleared the proposed acquisition. The transaction was reviewed under the EU's simplified merger review procedure, for cases the Commission believes do not pose competition concerns.

The capital increase from Brazil is aimed at providing the company with financial resources necessary to accelerate the growth of the production sector, in the domestic and international markets, also through a focused policy of acquisitions.

In terms of corporate governance, the agreement provides for the appointment of an equal number of directors by each party to the Board of Directors of Inalca. Cremonini will appoint the Chief Executive Officer, and will maintain the operational management of the company. JBS will appoint the Chairman and the CFO.

Outlook for JBS in 2008

Concerning the future outlook for operations in the EU, JBS and Cremonini expect to have € 650 million in revenues by the end of 2008 with a 25 to 30 percent increase in revenues expectation and a 15 to 20 percent increase in export volume. It is expected that within the next decade Cremonini will sell its 50% stake in Inalca to JBS, allowing the Brazilian company to own the entire company.

Concerning the plants in Australia, the company announced that JWS Swift will invest 70 million A$ in 2008 to increase in greater beef processing and refrigeration capacity as well as at its four Queensland processing plants that have served to bolster overall throughput capability and increase added value. The greatest investment will take place in their plant in Dinmore (€ 17.6 million). Mr. Mars, President of the Swift Australia explains: "*Our international clients ask for manufactured products, presented and packaged in a different way. We place our new focus on value added products whilst extending our refrigeration capacities and processing plants of JBS in Russia, Algeria and Central Europe*".

With the acquisition of Swift in the USA, JBS acquired a known global brand name with sales operations in markets that are relatively new to the company, including Hong Kong, Japan, Mexico, South Korea, mainland China and Taiwan. Brazil does not export meat to these markets because of animal health concerns. JBS estimates, for 2008, a pro forma total revenue of € 9 billion, earnings before interest, taxes depreciation and amortization, or Ebitda, of € 500 million and a net debt of € 1.58 billion.

For South America, while JBS's operations in Brazil have been centered on grass fed cattle for slaughter, it has now purchased a feedlot that will have a 100,000 head capacity by 2008.

The feedlot business is expanding in Brazil and the company is expected to make money in that area. It can be 1, 2, maybe 3 years before JBS can get the results from that business to be able to decide on a strategy. Feedlots in Brazil will use the by-products of soybean and sugar cane production as part of the feed ration in its feedlot. The feedlot business will supply cattle where there is now a gap in getting grass-fed cattle to slaughter, noting that feedlot cattle are now available about ten months out of the year in Brazil where it used to be four to five months just ten years ago.

The overall global geographic diversification strategy of JBS appears to be successful as the graph[32] below shows. Even in the case of unfavorable legislation in one continent, JBS still manages to obtain a positive net result:

Possible impacts of the new tracking system rules imposed by the Europe Union to Brazil:

Business Division	Event	Sales (USD thousand)(1)	Additional Impacts in the Margins(2)	Additional Impacts in the Results (USD thousand)
JBS Brazil Fresh Beef	Exports for Europe Union	72,000.00	+15%	10,800.00
	Exports for other countries	108,000.00	-10%	(10,800.00)
	Domestic market	108,000.00	-15%	(16,200.00)
	Total	**288,000.00**		**(16,200.00)**
JBS Argentina	Exports for Europe Union	200,000.00	+20%	40,000.00
JBS Australia	Margins improvements			20,000.00
JBS Brazil Industrialized	Exports	300,000.00	+15%	45,000.00
	Domestic market	100,000.00	+10%	10,000.00
	Total	**400,000.00**		55,000.00
JBS Total	**Total US$**			**98,800.00**
	Exchange R$/US$			1.80
	Total R$			**+177,840.00**

Resulting in a possible increase of **0.7%** in the company EBITDA margin.

(1) sales relocation, facilitated by JBS's global geographic distribution.
(2) additional reflection in the margins mentioned above (Guidance).

Obs: We are not considering Inalca's figures in our analysis because the transaction has not been concluded yet.

[32] http://www.mzweb.com.br/jbs/web/arquivos/JBS_ComunicadoUniaoEuropeia_20070124_eng.pdf

CONCLUSION

In 2007-8, Brazilian meat companies took significant step forward in the globalization of their businesses through major international activity whilst drastically attempting to augment local meat production.

Drastic Local production expansion

As such, the Marfrig Company, the quality beef specialist, now owns plants all around South America. It is not surprising that its slaughter growth has been impressive, supported by expansion of existing units and acquisitions.

Global modernisation

Whilst deciding on the best strategy to ripe the fruits of globalisation for them, Brazilian meat companies have taken different routes: Minerva still continues with “traditional” business but has undergone a strategic “global modernisation” by concluding a joint venture with Dawn Farmers to make use of their technological advances.

JBS – heralding a new breed of Brazilian multinationals

However, it is the vast expansion of JBS through acquisitions in the USA, Australia and Europe which clearly signals that a new breed of Brazilian multinationals is emerging which brings about a fundamental shift in the global meat markets of the future: In a more open world, emerging economies such as Brazil are creating their own agri-business giants. JBS is such a giant: Through its acquisitions in Argentina and investments in existing plants in Brazil, production capacity increased drastically. Internationally, its mergers, takeovers, agreements and purchases of shares in the USA, Australia and the European Union further augmented these already impressive figures: With Inalca´s daily slaughter of 3,500 head of cattle per day, the addition of the Tasman Group and National Beef in the USA, JBS' daily slaughter can reach up to 80,000 cattle and 47,900 hogs across the United States, Brazil, Australia, Argentina and Italy. Taking all global operations together, JBS not only produces more than half (around 17 million heads) of the amount of the entire annual beef production of the European Union (around 29 million heads) it is without a doubt now the largest beef processor in terms of slaughter capacity and actual slaughter in the world[33].

A shift south in the global meat industry

What is so fascinating is that this new shape of business means that investment now flows increasingly from south to north and south to south, as emerging economies invest both in the rich world and the less developed world. Moreover, through well-timed acquisitions in target markets to get closer to the customer, by combining low-cost manufacturing with advanced R&D (as in the case of Minerva), by taking advantage of the natural resources at home and boosting them with first-class marketing and distribution, the global meat industry that used to be in the hands of American or European companies has now moved to Brazil and South America.

[33] http://www.greeleytrib.com/article/20070817/BUSINESS/108160131