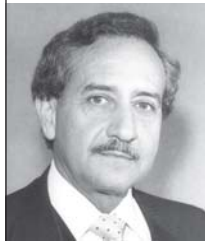


MEAT ^{AND} POULTRY

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The President's Message



By John Calcagno
Institute President

Labor Negotiations

Contract negotiations with Local 342 regarding the General Industry Contract and Wholesale Contract are just beginning. There is not much to report at press time. Things should start to progress swiftly by mid-September. I will keep you informed as talks progress. In the meantime, please contact the Institute office with any comments or concerns regarding negotiations.

Meat Output Rising

The total U.S. meat production forecast for 2008 is raised as beef and pork production are forecast higher, according to the latest forecasts from the USDA's World Agricultural Outlook Board.

A slower-than-expected pace of feedlot marketings earlier in the year is expected to result in more fed beef production in the second half. In addition, higher cow slaughter will support higher beef production. Pork production forecasts are raised from last month. Continued strong demand for pork is boosting hog prices and supporting increased slaughter at slightly heavier weights than expected last month. Broiler and turkey production forecasts are adjusted to reflect second-quarter slaughter data.

Red meat and broiler production forecasts for 2009 are raised from last month. The beef forecast is raised

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Study Shows Consumers Find Grass-fed Beef Acceptable

High feed-grain prices and the growing interest in "natural" foods have spurred both consumers and farmers to consider grass-fed beef, and a recent study done by Penn State College of Agricultural Sciences researchers may reinforce this trend.

According to John Comerford, associate professor of dairy and animal science, the study showed that most consumers find the taste and tenderness of grass-fed beef acceptable in blind taste tests. He recommends that producers look for ways to interest more potential customers in grass-fed beef.

"There are also some important human health benefits related to components of grass-finished beef," said Comerford, who oversees the University's beef research and extension programs. "While there is no difference in the cholesterol content of grass-and grain-finished beef, and the

limited amount of conjugated linoleic acid in cooked steaks is too small to do much for human health, there is still an advantage in the increased omega-3 fat content in grass-fed beef."

Emily Steinberg, who recently completed her master's degree in the Department of Dairy and Animal Science, conducted consumer evaluations of cooked grass-fed beef steaks and analyzed production issues for farmers. Her work suggests that some of the preconceived notions held by farmers about the physical type of the cattle and the length of the grazing season needed for high-quality grass-fed beef may not be true.

"The results of the study showed that most consumer evaluations of the cooked meat were not influenced by frame sizes of the cattle, weight at harvest, range of grazing period from

(Continued on Page 2)

Shares of Meat Producers Rally

Shares of meat producers soared last week after a JPMorgan analyst predicted that an expected curtailed supply of pigs will lift pork prices.

JPMorgan's Ken Goldman said pork producers, such as Smithfield Foods Inc., are cutting back on how many pigs they produce, causing a reduced supply that will lift pork prices in stores.

Goldman also said it's unlikely that consumers, who are feeling the pinch from a softening U.S. economy, will push back on higher prices. However, Goldman warned that the industry isn't out of the woods yet.

Meat producers have faced higher costs for grain, especially corn, that is needed to make animal feed and the

alternative fuel ethanol, which is in strong demand. These higher costs may cut into earnings for producers, if they have to pay more for corn to feed their animals.

"The industry still needs to work through the headwind of feed costs," Goldman wrote in a client note. "Though corn and soy have come well off their peaks, both remain high year-on-year."

Still, in afternoon trading, shares of Smithfield Foods Inc. rose \$1.07, or 10.3 percent, to \$24.57.

Goldman started coverage of Smithfield at "Neutral," and said the company is poised for an "operational turnaround," as the industry works its way through the higher feed costs.

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Tyson May Find Pork Harder to Make

Robust exports and favorable live hog prices have equaled record profits for the Tyson Foods Inc. pork segment in recent quarters.

The meat giant's pork operating income for the past three quarters totaled \$193 million, up 7.5 percent from the year-ago period. After three quarters of business in fiscal 2008, pork has been Tyson Foods' most lucrative business segment, replenishing losses of \$70 million in chicken and \$73 million in beef.

Pork comprised 19.6 percent of Tyson Foods' total sales revenue and 100 percent of the company's operating income through the past three quarters.

But experts say the longer prognosis reveals Tyson Foods' cash window on pork may be closing as hog farmers ramp up sow liquidations amid escalating losses resulting from higher feed costs.

Average pork margins for processors like Tyson Foods were \$13 per head in

July, compared to \$3.85 per head a year ago, according to Farha Aslam, analyst with Stephens Inc.

At the same time, consumers have seen average pork prices stabilize between \$2.85 and \$2.90 per pound, a bargain when compared to choice beef retailing for \$4.30 per pound, according to Aslam's report.

But not everyone is making money on pork.

According to the National Pork Producers Council, swine farmers have lost an average of \$30 per hog this year because of higher grain prices, which comprise about 70 percent of the total cost of raising a pig.

Prices for corn and soybean meal, key components in hog feed, have risen roughly 75 percent in the past 12- to 18 months, squeezing the profit margins for hog feeder operations and independent hog farmers.

Dakota Pork Fined \$50,000

U.S. District Judge Lawrence Piersol ordered Dakota Pork to pay a \$50,000 fine after it was found that company employees tampered with wastewater monitoring equipment at the Mitchell plant in November 2004.

Company president Carl Kuehne, who also is a lawyer, read a statement to the court at the federal courthouse in Sioux Falls apologizing for the actions of his employees.

"What happened here is very embarrassing to me and disgraceful," he said.

Dakota Pork was supposed to monitor the pH levels in wastewater before it was released to the Mitchell water treatment center. But when employees would hear an alarm that indicated pH levels were outside permissible ranges, they would tamper with a calibration screw on the monitoring device or remove a probe from the water and place it in a beaker of clean water.

Those actions generated false readings indicating the water was relatively clean in reports to city officials. Dakota Pork settled with the city of Mitchell in November 2005, agreeing to pay \$175,000.

Consumers Find Grass-fed Beef Acceptable

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120-180 days, and final fat composition of the carcass," Comerford explained. "However, all of the cattle must have plenty of high-quality forage to consume daily plus be harvested at 18 months of age or less. None of the production practices or consumer values studied were related to the final fatty acid profiles or cholesterol content of the steaks."

Comerford notes that these results give grass-fed beef producers tremendous flexibility in the kind of cattle they feed and the way they market their cattle. "Not surprisingly, we found finishing productive, healthy cattle on good

pastures and stored forages for at least 120 days is far more important to consumer acceptance of the product than cattle's frame size or how fat the animals are.

"In fact, we found cattle that had the fattest final carcasses actually had lower scores from the consumer panels because of the influence of fat on beef flavor," Comerford said. "Further research will attempt to reduce the inconsistency of consumer scores for many traits of the meat by post-harvest interventions such as marinades and carcass aging."

Source: Penn State tests

The President's Message

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primarily due to expectations of continued strong cow slaughter. The pork production forecast is raised as pork demand is expected to be strong in 2009, supporting increased slaughter. In addition, relatively weaker grain prices are likely to moderate previously expected hog production declines in 2009. Hog carcass weights are forecast higher than last month. Broiler production is raised slightly from last month as lower feed prices are partly offset by weaker broiler prices.

Nebraska Beef Recalls Beef

Just as we went to press, USDA said Omaha meat packing company Nebraska Beef Ltd has recalled 1.2 million pounds of beef because it may be

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Shares of Meat Producers Rally

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"We believe that longer-term investors, particularly those who would rather be early than late, may want to look at Smithfield with a more constructive view," Goldman wrote.

Elsewhere in the sector, Pilgrim's

Pride Corp.'s stock jumped \$2.19, or 17.7 percent, to \$14.55, and shares of Sanderson Farms Inc. rose \$2.09, or 5.3 percent, to \$41.55.

Shares of Tyson Foods Inc. rose \$1.08, or 7.2 percent, to \$16.07.

New Beef Cuts Created For Japan Boost U.S. Exports

When the United States lost Japan, its No. 1 export market for beef, following its first discovery of bovine spongiform encephalopathy back in December 2003, it was devastating. Although the Japanese market reopened for beef from cattle 20 months old and younger two years later, the limited number of age-verified cattle reduced U.S. beef exports to Japan in 2007 to less than 9% of the peak volume and roughly 13% of the peak value reached earlier in the decade.

Facing the U.S. Meat Export Federation at that time was how to rebuild as much of the Japan export volume as possible and maximize the value of beef exports while utilizing a much smaller fraction of the cattle herd. Considering that most U.S. beef exports to Japan before December 2003 consisted of 12 cuts of meat, U.S.M.E.F. created an innovative strategy and research program to develop 17 unique new beef cuts that

would appeal to Japanese consumers and help increase volume sales.

Including top-blade muscle for steak and yakiniku (grilled meat); rib cap plate for thin-sliced beef gyudon (beef bowl); and brisket for thin-sliced beef alternative cuts of short plate, all 17 of the new cuts have been warmly received by national and regional supermarket chains as well as one of largest "bento" chains and frozen food companies, U.S.M.E.F. said.

With the new beef cuts program in full operation in 2008, U.S. beef export volumes of U.S. beef to Japan in April 2008 increased 93% over totals from the prior year while volumes in May 2008 were 72% higher than 2007 totals. May's volume of 7,683 metric tons (16.9 million pounds) was the highest since December 2003. For the first five months of 2008, beef exports to Japan were up 58% to 24,193 metric tons (53.3 million pounds) and 53% in value to \$125.2 million.

Bush Avoided S. Korea During US Beef Protests

President Bush held off on visiting Seoul earlier this year when protesters held nightly candlelight vigils and clashed with riot police in anger over government plans to resume imports of American beef. The protests faded and meat shipments began. But Bush's arrival on August 5th became a new flashpoint as anti-government demonstrators raised their cries again, facing off against pro-U.S. groups planning a show of support for the country's longtime ally.

In public opinion surveys, S. Koreans remain generally positive about the United States, which helped repel N.Korea in the 1950-1953 Korean war and still deploys some 28,500 troops on the Korean peninsula.

Voters elected a pro-American president, Lee Myung Bak, with promises to patch up relations with Washington that became strained under Seoul's previous decade of liberal governments.



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Good News Causes Meat and Poultry Stocks to Jump

Shares for meat producers vastly increased last week following a JPMorgan analyst's prediction that an expected curtailed supply of pigs will lift pork prices, according to The Associated Press.

Pork producers, such as Smithfield Foods Inc., are cutting back on how many pigs they produce, causing a reduced supply that will lift pork prices in

stores, said JPMorgan's Ken Goldman. He also said it's unlikely that consumers, who are feeling the pinch from a softening economy, will push back on higher prices.

Mr. Goldman did warn that the industry shouldn't be too euphoric just yet. Meat producers have faced higher costs for grain, especially corn, that is needed to make animal feed as well as

ethanol, which remains in strong demand. These higher costs could erode earnings for producers, if they have to pay more for corn to feed their animals, AP said.

"The industry still needs to work through the headwind of feed costs," Mr. Goldman wrote in a client note. "Though corn and soy have come well off their peaks, both remain high year-on-year."

Credit Briefs

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LMJ Deli Inc. Ridgewood, NY

LMJ Deli Inc filed a Chapter 7 bankruptcy petition July 29 in the U.S. Bankruptcy Court for the Eastern District of New York under Case #08-44827.

The entity's bankruptcy schedules list assets of \$12,500, all personal property, including \$6,000 in a checking account, \$2,500 in utility deposits and \$4,000 in grocery store equipment.

The schedules shows unsecured non-priority liabilities totaling \$60,000, all to one creditor, Myrtle Avenue Shop Inc. That creditor has filed eviction proceeding in Queens County Civil Court against *LMJ Deli Inc.*

Mutea Sharhan is listed on the petition as *LMJ Deli Inc's* sole shareholder and president.

The bankruptcy court scheduled the first meeting of creditors for August 27.

Deli Stars, LLC Paterson, NJ

Deli Stars LLC, operating under Chapter 11 bankruptcy protection since last December, posted a net loss for the month of June, according to its monthly operating report.

The report, filed July 28, shows that the debtor entity incurred a net loss of \$120,288 in June on net revenues of \$333,799. Since seeking Chapter 11, Deli Stars has incurred a net loss of \$1.6 million against net revenues of \$2.23 million.

Deli Stars on July 9 filed an application seeking an extension of time within which it may assume or reject its non-residential lease by 90 days, to October 8. According to the application, although the debtor is continuing its business operations, it is also engaged in discussions with a potential purchaser for the sale of certain of its assets, which if consummated, will provide the basis for the debtor's Chapter 11 reorganization. Therefore, Deli Stars conveyed that before it commits to a long term lease, it must be permitted an additional 90 days to allow it time to consummate the sale of its assets, formulate its Chapter 11 plan and reassess whether the lease is necessary for ongoing and future business operations.

The Standard Beef Company New Haven, CT

Mediation sought in bankruptcy case. Counsel for The Standard Beef Company filed a motion July 24 in the U.S. Bankruptcy Court for the District of Connecticut seeking an order to refer certain matters to mediation.

The motion states the company, Bronx, NY-based West -Conn Meat Co., Inc and that entity's president and 50% stockholder, Richard Greenfield, have had numerous disagreements about their business dealings and other matters before and after Standard Beef's Chapter 11 bankruptcy petition was filed February 6. Standard Beef contends all parties have agreed to mediate their

disputes moving forward. Furthermore, the bankrupt entity claims the unsecured creditors' committee wishes to participate in the proposed mediation.

Earlier in July, the bankruptcy court extended the exclusive period of time for Standard Beef to file a plan of reorganization, giving the company until the end of July to present a proposal.

The court stipulated that if the aggregate of Standard Beef's cash collateral falls below \$1.05 million, Bronx, NY-based West -Conn Meat Co., Inc may file an affidavit asserting such fact and the exclusive period will terminate within three days of such a notice. Standard Beef can also file a counter-affidavit within three days asserting the cash collateral has not fallen below the prescribed amount.

Any plan filed by the debtor must pay all allowed claims in full, plus interest, within 45 days of the effective date of the plan, be feasible and provide payment of all legal counsel fees and costs of the unsecured creditors' committee.

Standard Beef filed its Chapter 11 bankruptcy petition on an emergency basis February 6 to stay an ex parte application of West-Conn Meat seeking an order of the state court attaching its cash, receivables and inventory.

The bankrupt company previously entered into a trade credit agreement and promissory note with West-Conn Meat under which Standard Beef promised to pay up to \$800,000 for advances

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Credit Briefs

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of trade credit. Advances made under the deal are secured by a security and pledge agreement whereby Standard Beef granted West-Conn Meat a security interest in its inventory, equipment, accounts, general intangibles and certain shares of stock.

West-Conn Meat alleges the debt owed to it by Standard Beef at the time of the Chapter 11 bankruptcy filing totals nearly \$1.4 million.

Standard Beef filed a motion June 25 to employ special counsel to assist it in the investigation of its finances as it believes it has discovered certain irregularities in its bank accounts at the Bank of Southern Connecticut. The company said the law firm may later prosecute potential claims against third parties arising out of the alleged irregularities, but declined to provide further information about the subject.

Standard Beef then began installing a replacement computerized bookkeeping system. The debtor had been using proprietary software on the computer server of West-Conn Meat and Standard Beef believes it is necessary and prudent to replace the bookkeeping system for a number of unspecified reasons.

Standard Beef contends that in early August, 2007 Philip Friend, a consultant, and Greenfield entered into consulting agreements that included options to purchase the common stock of Standard Beef in favor of Friend and Greenfield

and subsequently others. The common stock acquisition never occurred and David Bawarsky, the son of Standard Beef's sole stockholder, Henry Bawarsky, gained control of Standard Beef on February 1 and advised Friend not to return to the business.

West-Conn Meat said Standard Beef entered into consulting agreements with Greenfield and Friend, effective August 3. From that date through February 1, West-Conn Meat contends Friend assumed the day-to-day operations of Standard Beef, cutting its expenses and turning the company from incurring losses to posting profits.

West-Conn Meat said that Greenfield and Friend had been trying to purchase the company since the summer of 2007. The purchase price was originally just under \$2.7 million, but had been later reduced to \$2.3 million by the prospective buyers. The transaction was scheduled to close 1/10.

Early bankruptcy court documents filed by Standard Beef claimed that West-Conn Meat and Friend controlled all of the books and records of the company and that that all of the debt incurred by the business to West-Conn Meat was incurred at a time when Greenfield and Friend had usurped unauthorized operational control over Standard Beef, spending

money without authority and without proper purpose.

Standard Beef had said that based upon information and belief, Friend and/or Greenfield used their illegitimate control over the company to purchase about \$30,000 worth of boxes never previously used by Standard Beef in the ordinary course of its business, to purchase a computer system for the future expansion and/or operations of Standard Beef presumably for operations after the acquisition of the business had taken place, to execute new truck leases without authorization and to incur an alleged debt to West-Conn Meat of more than 150% of that allowed under the alleged credit agreement and security agreement.

***For More
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The President's Message

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contaminated with a particularly dangerous strain of E. coli. The recall is of beef prepared for shipment to retailers but not yet cut up in supermarket sized portions.

The recall is "Class 1," meaning there is a "reasonable probability" that eating the beef "will cause serious, adverse health consequences or death," the USDA said. It is the most dangerous level of the three classes of recall.

USDA's Food Safety and Inspection Service said the beef was sent to processing establishments and retail stores across the United States and had been produced June 17-24 and July 8.

The recall is of primal and subprimal cuts that are larger sections of cows, such as chuck and rib, that can be cut down for individual or family-sized packaging. It also is of "boxed beef" or carcasses that have been partially disassembled for shipping.

Shipping containers and some product labels will bear Nebraska Beef's identifying the establishment number, "EST. 19336, but that number will likely not show up on meat consumers buy.

The problem was discovered through a joint investigation with state health departments, Centers for Disease Control and USDA. 31 cases of the contamination in 12 states and Canada have been identified in the investigation.



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