

# MEAT <sup>AND</sup> POULTRY

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## The President's Message



By John Calcagno  
Institute President

As you can see from our lead article, we have all suffered a great loss with the passing of my colleague and personal friend James Grygo. Jim and I go back many years to my days with the USDA, Food Safety Inspection Service.

Not only was Jim a consummate professional, but his personality was such that we grew to become great friends over the years. My wife and I enjoyed Jim and his wife's company many times over the years. We talked for hours about our experiences in the government and also about many current issues affecting the industry.

Jim was always there with useful insight and assistance when industry issues affected the membership of the Meat Trade Institute.

I would like to extend my personal condolences to his Wife Barbara and their children. Jim will be missed by all those that knew him.

There are some interesting articles in the issue concerning the rise of beef prices. The prices of beef are the highest they have been since November of 2003. On Page 2 there is an in depth article on how essential trade with Canada has become for the survival of meat companies worldwide.

Check Out the  
Meat Trade Institute Website:  
[spcnetwork.com/mti](http://spcnetwork.com/mti)

## Industry Mourns the Passing of James Grygo

The entire meat and poultry industry was saddened by the recent passing of Jim Grygo. Jim was an integral part of USDA's Food Safety and Inspection Service for more than three decades.

Meat Trade Institute President John Calcagno called Jim, "More than just a loyal and effective advocate for the industry. Jim was also a personal friend whose professionalism and personality were special."

Jim served as a Meat Inspector in Philadelphia from 1957-1966 and became an Officer-in Charge in New York in 1966. In 1968, Jim became a Staff Officer-in-Charge of Meat and Poultry Processing Training in Omaha, Nebraska from 1968-1974. Jim ended his USDA career after serving as a Food Inspector Supervisor in the San Francisco Bay Area from 1974-1989.

After his retirement from USDA, Jim became an industry consultant.



Over the last few years, Jim was a volunteer in Albania, Russia and Indonesia with VOCA - Volunteers in Overseas Cooperative Assistance, a government foreign aid program.

Jim is survived by Barbara, his wife of 47 year; children Diana and Jeff and their spouses; and grandchildren Marie, Jessica, Jacob and Alexandra.

## Demand, Thin Herds Beef Up Meat Prices

The average retail price for a pound of choice beef rose to \$4.25 in April, the Agriculture Department reports. That's up 5% from the same month last year and 17% from two years ago.

ConAgra Foods, whose brands range from Armour to Hebrew National, cited high prices Tuesday.

The main reasons for high beef prices: smaller herds, because poor rainfall in much of the West until this year reduced the food supply on grazing lands, and continued strong demand, says Gregg Doud, chief economist for the National Cattlemen's Beef Association. Ranchers are hesitant to build their herds until they see a few years of good rainfall. While Texas

and California had good winters, he says, much of Montana and Wyoming are still drier than usual.

High prices are starting to get customers' attention. "They are constantly saying, 'When are they coming down?'" says Lauri Stettler, owner of Holmen Meat Market, a small retailer in Holmen, Wis. More customers are buying beef day-by-day instead of a stocking up the freezer.

Unlike November 2003 - there's no food safety scare to blame. Since then, Canadian cattle have been banned from import to the USA.

Cattle supplies are expected to remain tight this year, the Agriculture Department says.

## *AMI Says Beef Trade Should Resume With Canada*

The American Meat Institute (AMI) told USDA's BSE Roundtable that full trade in cattle and beef with Canada is warranted by science and essential to the survival of beef companies nationwide.

According to AMI, both the U.S. and Canada were proactive in striving to prevent BSE and aggressive in responding to the one case detected in the U.S. and the three cases detected in Canada. Both nations also have taken extensive steps to protect both animal health and the public health, and those measures have been

successful.

According to AMI, the fact that over the last 12 months, the 380,000 cattle most likely to test positive for BSE all tested negative sends a resounding message that U.S. policies are working. And because Canada's BSE prevention strategies and regulations are virtually identical, AMI argued that Canada is a near mirror image of the U.S. and that full trade should be resumed.

"There are those here today who will attempt to advance many conspiracy theories... they'll try to alarm

the public with publicity stunts and false claims of imminent danger," said AMI Foundation President James H. Hodges. "But we cannot let this animal disease become an emotional disorder. We must allow science — not hysteria — to chart our course."

Hodges said that some American isolationists are distorting science in an effort to maintain a closed border and high cattle prices. But he noted that the North American beef industry is an integrated industry regulated by nearly identical sets of rules and

governed by the same scientific principles. "We cannot criticize Canada without criticizing ourselves," Hodges said. Hodges said that we are now importing record levels of Canadian beef from cattle under 30 months of age. "When our policies permit beef from Canada, but not the animals from which the beef is derived, our policy sends a message to the world that Canada does a better job of processing cattle than we would if we imported the cattle here and processed them ourselves. Is that the message we want to send?"

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## 2004 Summary: Prices Up For Cattle, Hogs & Sheep

The 2004 gross income from cattle and calves, hogs and pigs, and sheep and lambs for the U.S. totaled \$62.6 billion, up 11 percent from 2003. Gross income increased for cattle and calves, hogs and pigs, and sheep and lambs. Cattle and calves increased 5 percent, hogs and pigs increased 35 percent, and sheep and lambs increased 3 percent.

Total 2004 cash receipts from marketings of meat animals increased 11 percent to \$62.2 billion. Cattle and calves accounted for 76 percent of this total, hogs and pigs 23 percent, and sheep and lambs 1 percent. Production decreased for all cattle and calves and sheep and lambs but increased

hogs and pigs. Average prices were up for all three species.

**Cattle and Calves:** Cash receipts from marketings of cattle and calves increased from \$45.1 billion in 2003 to \$47.3 in 2004, a 5 percent increase. All cattle and calf marketings totaled 53.8 billion pounds in 2004, down 5 percent from 2003. The U.S. annual average price per 100 pounds live weight for cattle was \$85.90, an increase of \$6.20 from 2003. For calves, the annual average price increased \$17.00 to \$119.00.

**Hogs and Pigs:** Cash receipts from hogs and pigs totaled \$14.3 billion

during 2004, up 35 percent from 2003. Marketings totaled 27.8 billion pounds in 2004, up 2 percent from 2003. The U.S. annual average price per 100 pounds live weight increased from \$37.20 in 2003 to \$49.30 in 2004.

**Sheep and Lambs:** Cash receipts from marketings of sheep and lambs in 2004 were \$521 million, up 3 percent from 2003. Marketings decreased 6 percent to 572 million pounds. The U.S. annual average price per 100 pounds live weight for sheep increased from \$34.90 in 2003 to \$38.80 in 2004 while for lambs, the annual average price increased \$94.40 to \$101.00.

### ***U.S. Red Meat Output Should Increase***

Total U.S. meat production forecast for 2005 is increased slightly, helped by an estimated increase in beef output because of slightly higher slaughter in the second quarter, according to the USDA's World Agricultural Outlook Board latest report.

In making the comment, the USDA noted, "Due to uncertainties as to the length of the bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2005 and 2006 assume a continuation of policies currently in place among U.S. trading partners.

"It is assumed that the current delay in the implementation of the minimal-risk rule is temporary. Subsequent forecasts will reflect any announced changes."

The pork production forecast is raised slightly because slaughter weights are expected to be heavier than previously projected as weights have been running higher so far this year. The Quarterly Hogs and Pigs report, scheduled for release June 24, will provide an indication of producer farrowing intentions into 2006.



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## Credit Briefs

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### **BMW Meats LLC — Farmingdale, NY**

SEAFAX learned **BMW Meats LLC** has failed to make some or all of its required contributions to union health funds, pension funds and security funds since September, 2004.

Three labor arbitration awards totaling \$200,127 have been given to the unions and a petition to confirm the awards was entered in the U.S. District Court for the Southern District of New York on April 21.

**Brian Weiner**, the sole member/owner of the limited liability company, told SEAFAX **BMW Meats LLC** has been working with its suppliers to pay off past due balances and make good on checks that were returned for insufficient funds. Additionally, **Weiner** said the company is close to an investment from a private investor and has a commitment letter from a financial institution for financing. The amount of the new financing that **Weiner** said would take out the current lender was not disclosed.

**BMW Meats LLC** was established in March, 2004 to acquire certain assets and liabilities, along with all trade debt, of **St. James Gourmet Inc** for an undisclosed amount.

**Weiner** conveyed to SEAFAX last August that **BMW Meats LLC** financed the purchase with funding provided by Crusader

Capital and **Weiner's** personal investments. Crusader Capital, according to **Weiner**, is helping the company establish an appropriate bank relationship.

### **Premium Standard Farms, Inc. — Kansas City, MO**

Premium Standard Farms Inc's initial public offering, delayed last week, went off on Tuesday, June 14 priced at \$12.50 per share. The price was on the low end of the company's planned offering, but the roughly \$123 million in proceeds from the public offering of common stock went to the selling stockholders, not into the business. Shareholders had said they hoped to raise up to \$212.5 million through the offering.

Premium Standard Farms is one of the largest vertically integrated providers of pork products in the U.S. and sells to the retail, wholesale, foodservice and further processor channels and export markets. With processing facilities in Missouri and North Carolina, the company states it possesses the capacity to process approximately 4.6 million hogs per year. The vertically integrated operation generated sales of \$859.3 million and net income of \$40.8 million in the 12 months ended December 31, 2004.

*(Continued on Next Page)*

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## Credit Briefs

(Continued from Page 4)

However, Premium Standard Farms also warned in its registration statement that it anticipates sales and earnings in the current fiscal year will be below last year's levels.

### **AC Gourmet & Specialty Foods, Inc.** — Brooklyn, NY

A SEAFAX personal collection visit on Tuesday to the **Brooklyn, NY** premises of **AC Gourmet & Specialty Foods Inc** ended with company principal **Grigoriy Sankin** demanding that the SEAFAX agent leave the facility and suggesting the creditor who placed a \$5,519 claim against the business file a lawsuit to recover the funds. **CEI Enterprises Inc** and **CEI Wholesale Gourmet Food Inc** both had an extensive

history of collection and returned check activity under **Preisman's** control and both operated under the assumed named of **Crown Eagle**.

The \$5,519 collection claim represents several sales to **AC Gourmet & Specialty Foods Inc** made in late March and early April that were released after **Preisman** provided the creditor with wire transfer instructions on two occasions representing that pre-payment had been made to the creditor's bank. In one instance, **Preisman** presented wire instructions that were reportedly signed by the bank. Neither wire transfer was received by the creditor's bank.

Several collection claims placed against **CEI Enterprises Inc** included amounts due for returned checks drawn

on the account of the related entity, **CEI Wholesale Gourmet Food Inc**.

SEAFAX also confirmed **Preisman** as a principal of **AC Business Services & Marketing Inc**, which operates from the same **Cove Lane, Brooklyn, NY** address represented as his home address on the **AC Gourmet & Specialty Foods Inc** credit application.

Court records obtained by SEAFAX reveal that **CEI Enterprises Inc** has numerous tax liens and judgments entered against it. **CEI Wholesale Gourmet Food Inc** also has numerous tax liens and judgments against it, including a \$95,000 judgment entered by Banco Popular in March. Despite several personal collection visits in 2003 and 2004

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## Credit Briefs

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(Continued from Page 5)

to **CEI Enterprises Inc dba Crown Eagle**, SEAFAX agents were unable to approach **Preisman** about the numerous open collection matters placed against the entity. When SEAFAX contacted **Preisman** about the recent collection claim against **AC Gourmet & Specialty Foods Inc** on his mobile telephone number he abruptly ended the conversation when he determined the call involved debt collection. While **Preisman** denied being a principal of **CEI Enterprises Inc**, SEAFAX obtained a letter dated December, 2002 from **Preisman** on **CEI Enterprises Inc** letterhead with the title of chief executive officer. In the letter, **Preisman** introduced himself and wrote that he looked forward to starting a business relationship with the creditor.

SEAFAX has yet to determine if **AC Gourmet Food Corp** located in **Suffern, NY** is related to the subject company. Established in March, 2003, that company's principal address has been confirmed to be a personal residence.

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