

International Conference Call
JBS S.A.
3rd Quarter 2011 Earnings Results
November 16, 2011

Operator: Good morning everyone and welcome to JBS S/A's Conference Call. During this call we will present and analyze the results for the 3rd Quarter of 2011. As requested by JBS this event is being recorded and the recording will be available to listeners this afternoon and can be accessed by following the instructions posted on the Company's website at www.jbs.com.br/ir.

Taking part in this call we have Mr. Wesley Batista, President and CEO of JBS S.A.; Mr. Jeremiah O'Callaghan, Director of Investor Relations; Mr. Eliseo Fernandez, Director of Administration of JBS S.A.; Mr. Don Jackson, CEO of JBS USA; Mr. André Nogueira, CFO of JBS USA.

Now I will turn the conference over to Mr. Jeremiah O'Callaghan. Please sir you may now begin.

Mr. Jeremiah O'Callaghan: Ok thank you, good morning everybody and thank you for being with us again today to review our performance during 3Q11 ended in September. On Monday night we filed with the Brazilian version of the Securities and Exchange Commission (the CVM) we filed a document which summarizes the highlights for the period. This document is available on our website where you will also find our presentation slides for this call today, which includes the results that are being presented.

Today we will not only analyze the results for the quarter but we will also analyze the main drivers for our business for 2012. After our presentation we will open the call for a Q&A session in which we will be happy to answer questions from all of you.

Before we begin I would like to remind you that during this call we will refer to expectations for future results, sales, costs, and we will analyze what we believe to be the future perspectives of our business. Timely read the disclaimer on our website which further explains the risk factors involved.

I would now like to pass on to Mr. Wesley Batista to proceed with the presentation. Wesley.

Mr. Wesley Batista: Thank you Jerry, good morning everyone. I would like to start the call saying thanks to our team for their dedication, commitment and patience for our company and for our commitment.

Talking about our results we have R\$ 15.5 billion on net sales in a consolidated basis in 3Q. This is 10% higher than the same period of last year. When we look our net sales on a consolidated basis for the first nine months in 2011 we did R\$ 44.9 billion. It is 11% over the same period of last year. Our Ebitda for the quarter was R\$ 786 million and this is 34% higher compared to 2Q11. Our

Ebitda margin was 5.1% this quarter and this is 1.1% higher compared to 2Q11. This quarter we generated R\$ 897 million in cash from our operating activities before investments, before Capex. After Capex we generated R\$ 500 million in this quarter.

Our net income in this quarter was R\$ 67 million negative primarily impacted by Pilgrim's Pride results - that you already saw Pilgrim's Pride results - and also infected a small portion of exchange rate currency impact in the quarter. So these two numbers together: Pilgrim's Pride and the exchange rate impact in our numbers represented approximately R\$ for 440 million and so when we look at our net income excluding these two impacts in our quarter our that come should go to the R\$ 370 without the impact of PPC and the real appreciation.

So we closed 3Q with R\$ 5.6 billion in cash and this is more than our short-term debt. Excluding the effect of exchange rates changes in our net debt denominated in dollars we reduced our net debt in R\$ 530 million – again, when we exclude the exchange rate in our debt.

So talking about... now I will talk a little bit about our views and what we are seeing in each business unit and what we are doing in each business unit starting talking about our US beef operation we had a good quarter. We closed 3Q with US\$ 180 million in Ebitda and when we look at our US beef results in the first three quarters this year we are 10% higher than the same three quarters last year and so we did that already R\$ 15 million in Ebitda this year comparing to US\$ 469 million last year.

So our beef operation is getting better every quarter. We strongly believe that we are doing the necessary to improve our business. We still have opportunities in front of us in our beef business. We are going to start 2012 with US\$ 150 million in opportunities that we believe we can capture. These US\$ 150 million opportunities come from sales improvement that is around US\$ 80 million and US\$ 17 million cost reduction in our beef business.

When we look our beef business we are going quite strong in exports and so the industry in the US is growing this year - in volume, not in dollars - more than 25% exports compared to last year. So the export market has been very strong for the US protein business and especially for the US business.

And also when we look the amount of products that the US (beef) that the US is important is declining substantially. So the US is importing 15% less meat this year compared to last year. So all of this together gives us a very strong confidence that we will have a strong 2012 and we will be able to deliver strong results in 2012.

I will give you some guidance: our fourth year in our beef business will be stronger than our 3Q; so we will deliver a better result in 4Q comparing to 3Q you. So again we are confident that the beef business in the US and our operation will keep doing well. In JBS we have a quite unique situation: the fact that we own five rivers; we are running over 2 million heads of cattle in the five

Rivers feedlots and this gives us a very good comfort in terms of cattle supply coming to 2012.

So move into our pork operation we have a very stable for business, very well ran for business, we did well also in 3Q. We are working to expand our value-added business in the pork segment doing more enhanced products and adding value in our products. So this is our main focus coming into 2012.

When we look our pork numbers in the first nine months this year we already did US\$ 260 million in Ebitda comparing two US\$ 174 million last year. So this is 50% higher this year compared to last year. We will also have a better 4Q in our pork business comparing to 3Q and we will close 2011 year in a double-digit margin in our pork segment.

As well like beef pork exports is growing quite substantially. The industry is growing over 20% and we are seeing more and more demand for exports. China started to buy pork from the US in 2Q and keep in mind more volume. So we strongly believe also that 2012 will be a strong year for our pork segment.

Moving to PPC you already saw the PPC numbers. This year has been a very, very challenging year for the chicken industry and also for PPC. We had a negative result in 1Q, in 2Q and in 3Q. We are more optimistic that our 4Q will be better than 3Q and we are working to deliver breakeven results in Ebitda level in 4Q and we believe we can achieve this goal.

When we look the industry dynamics we are seeing a quite... what we saw last year, in the end of last year and in the beginning of this year a very substantial growth in chicken production and now we are seeing the other way around - so we are seeing a quite sharp decline in chicken. We are starting to see this decline in chicken production.

And we look the numbers it is showing us a strong confidence that the market will be balanced in 1Q12. So supply and demand being balanced next year we believe we can have a normal year and deliver a normal level of margin and have a good year and the chicken business.

So talking about our Mercosul operation we are doing a lot of things to improve our Mercosul operation. In 2Q we announced some restructuring in our beef business in Brazil: we closed 4 processing beef plants and this change that we are doing in our beef operation in Brazil is giving us good results, we are running the same kind of volume and now with these last four plants at the closed. We are estimating savings in an annualized basis of R\$ 200 million with this change that we did in our beef business in Brazil.

We are very focused to improve our operation to cost reduction, to improve efficiency in our plants and we are getting every day better and I am very confident that today we have the best beef operation in Brazil and I am very confident that we can keep improving our results in our beef segment.

So moving to... we have a dairy business in Brazil by the name Vigor. This segment also is a segment that we are very optimistic. Brazil's demand is growing a lot of the domestic market and we are enjoying strong growth in this segment. Our target for next year is to grow 30% organic in the dairy segment and we are also reformulating some of our products and we will launch new items. Remember that in the dairy segment we only had value-added products in this segment and we do not have UHT milk in the dairy segment.

So about our leather business in Brazil we also did some things in the leather business. We also consolidated some operations, we closed and small plants and we transferred the production of these small plants primarily to four large plants that do finished leather in these four plants. Our focus in this business is to do 100% of finished leather instead to do wet blue and we are getting very close to achieve this objective. This restructuring that we did in our leather business will give us an annualized basis savings of R\$ 45 million with these changes that we did.

So overall our management and all of us in JBS we have been very focused this year and we will be very focused in 2012 looking internally in our business, looking where and how we can improve results and we are very focused to generate cash, to reduce debt. This is our primary focus coming into 2012. We did a lot of acquisitions in these last four years and now this year and 2012 we are 100% focused to finalize all the integration, to get all the synergy that still to be captured and we are very confident that we are on the right track to keep improving our business and to generate cash for and to reduce debt.

So now with that I will turn the call to Jerry who will go through each segment in more detail.

Mr. O'Callaghan: Ok Wesley thank you, thank you for that. Now to talk about each business unit we will refer to the slides we posted on our website which you can all do access and follow and I will start talking about our beef business in the US and that concludes our Australian business as well.

This accounts for 45% of JBS consolidated revenues. Net revenue for that unit during 3Q was US\$ 4.21 billion, 25% higher than during the same quarter of 2010 and over 6% higher when compared to the previous quarter. I refer to slide 11 where we can observe that this business unit's revenue has had constant growth from US\$ 3.4 billion in 3Q last year to US\$ 4.2 billion in base 3Q11.

Ebitda was US\$ 184.1 million within an Ebitda margin of 4.4%. This result represents 78% increase when compared to 3Q10 and reflects the stabilization of raw material costs during the quarter and the good performance of our export business due to the improvements in this business unit 3Q results we can observe that in the cumulative results for the nine months of 2011 Ebitda amounted to US\$ 515 million, an increase of 10% when come back to the US\$ 469 million during the first nine months of last year.

Now referring to our pork business in the US this business unit accounts for 9% of JBS consolidated net sales and continues to show an exceptional performance. Similar to beef pork also presents constant revenue growth as can be seen on the same side... sorry, on slide 14. That is revenue amounted to US\$ 867 million in the quarter, 12% higher than in the same period in 2010 with an increase both in domestic and export prices when compared to 3Q last year. Ebitda was US\$ 76 million, 9% lower than that of 2Q11 and Ebitda margin was close to 9%. This quarter's margin reflects the cost increase of 17.8% in hog prices when compared to 3Q10, which was partially compensated by reduction in operational and management expenses.

However, when analyzing the cumulative results for nine months for the port business the performance is exceptional: that is revenue in the nine months reach US\$ 2.6 billion, an 18% increase to the same period in 2010; Ebitda total US\$ 261.5 and that is a 50% increase over the same period of last year, which was US\$ 174.4 million.

Referring now to our chicken business in the US Pilgrim's Pride Corporation the result has already been disclosed by Pilgrim's a few weeks ago: that is revenues were US\$ 1.9 billion in the quarter, 10% higher than the same period last year primarily because of the increase in volumes. Pilgrim's Pride Ebitda continues to be negative as Wesley commented earlier, and adjusted in 3Q it was negative US\$ 31 million. The negative result reflects the increase in grain costs and the excess supply which hampered the transfer of costs to the sale prices.

Pilgrim's Pride initiated 2011 with the goal to substantially reduce its internal costs. So far the company has captured an estimated US\$ 295 million in operational improvements from a total of US\$ 400 million projected, which has helped minimize the impact of the increase in production costs.

In summary our US and Australian operations excluding Pilgrim's Pride registered a 3Q result of US\$ 260 million in Ebitda, 34% increase compared to the US\$ 194 million Ebitda in the same period in 2010.

Only now to South America, JBS Mercosul, which represents just over one quarter of JBS S.A.'s consolidated sales, this business unit posted a net revenue of R\$ 3.9 billion, 12% higher than 3Q10. Compared to 2Q11 revenues increased by 8.1%. Ebitda was R\$ 454 million, 21% higher than same quarter last year with an Ebitda margin close to 12%. This exceptional result reflects the significant reductions in production costs in Brazil are rising from synergy and scale as Wesley mentioned earlier.

In the US with the results of JBS Mercosul posted net revenues of R\$ 11.12 billion, which is 11.6% higher than the same period in 2010 while the Ebitda grew from R\$ 1.06 billion during the first nine months of 2010 to R\$ 1.1 9 billion during the same period in 2011.

A quick word about our organic growth making reference to slide 13 in our presentation. If we analyze each business unit without taking into account exchange variation we noticed that all these business units registered double-digit growth. The beef and pork business units in the US registered growth of approximately 57% and 65% respectively since 2009, while the chicken business in the US and JBS Mercosul registered sales growth of over 15% and 38% respectively since the beginning of last year.

On exports on page 14 we can see our consolidated exports for the quarter which were around US\$ 2.4 billion with US\$ 7.2 billion in accumulated exports during the first nine months of 2011. The main destinations were Mexico; Africa and the Middle East; Japan; Hong Kong; Russia and South Korea.

Moving on to our debt position the relationship between JBS net debt and Ebitda including Pilgrim's Pride reduced from 3.2x in 2Q11 to 3x in 3Q due to the increase in Ebitda in JBS beef unit in the US and the Mercosul operation. PPC (Pilgrim's Pride) maintained its gross debt payable and registered an increase of 7.6% in cash in dollars when compared to 2Q11 and therefore its net debt remained constant in US dollars. When excluding the exchange rate effect on JBS net debt in dollars the debt reduced by R\$ 530 million in relation to 2Q11.

Now on our financial performance. We ended the quarter with, as Wesley said, R\$ 5.6 billion in cash, which is greater than the totality of our short-term debt. It is also worth mentioning that we had net cash generation from operational activities of almost R\$ 900 million in the quarter prior to investments. After Capex we had R\$ 508 million cash generation in the quarter and our net cash variation was a positive R\$ 620 million. The net exchange variation in loans as well as provision to interest rates - but not paid over long-term debt - was R\$ 1.063 billion as can be seen in our.

Now I would like to turn the call back to Mr. Batista for his final considerations before our Q&A.

Mr. Batista: Thanks Jerry. So like I said before we remain very focused on our operation. This year and 2012 or years that we are 100% focused on extracting value from all the acquisitions that we made in the previous years and our focus is to generate cash and to reduce debt to improve results. We are confident that when we see our business overall – beef, pork in the US and even the chicken business - we are very confident that we will be able to deliver good results in this coming year.

And also our Mercosul operation is improving quite substantially and we are confident that we are on the right track to deliver what is our goals. So we had a good cash generation this quarter. Our result, again, was impacted by Pilgrim's Pride results and a small exchange rate impact in our quarter and so I would like now to open the call to Q&A. Thank you.

Q&A Session

Operator: Thank you. Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question please press the star (*) key followed by the one (1) key on your touch-tone phone. If at any time you would like to remove yourself from the questioning queue press star two (*2).

Our first question comes from Ms. Sarah Elsmann from Stephens Investments.

Ms. Sarah Elsmann: Hi good morning; do you hear me?

Mr. Batista: Hi Sarah good morning, we hear you.

Ms. Elsmann: Great. Your beef results in the US were very strong in this quarter and be with just like some color on how you think that business is going to perform as the US cattle supply gets tighter over the next six months.

Mr. Batista: Sarah this is Wesley. Like I mentioned before - and I am giving the market some guidance for 4Q - our 4Q will be even stronger than 3Q when our beef business, even with cattle price moving up. When you look at the amount of the debt the US is exporting and the amount of beef that the US is reducing in terms of imports this gives is enough confidence that the industry will be able to pass any price increase in cattle. So when we see the numbers we are confident that the industry will not have a problem to pass through the system this increase in cattle prices.

And remember Sarah that we have a quite good position in our beef business in the US. We are running five rivers, today we have 900,000 heads of cattle on feed and this five river will turn in 2012 2 million heads of cattle and so this gives us good comfort in terms of cattle supply.

Ms. Elsmann: And Wesley if I can ask one follow-up, because of your global operations you probably have a better read on global cattle supplies in the market. Could you just give us a read on what you look for in terms of cattle supply in Australia, Brazil as well as here in the US?

Mr. Batista: I think Australia will be stable, slightly higher next year but not material; Brazil also will be stable and maybe a little bit more cattle in 2012, bigger numbers in cattle supply in 2012; and in the US there will be less cattle. We will see less cattle in 2012.

But I think what we need to look, Sarah, is a supply and demand and so when you have... when you do not have oversupply do not have any reason to not pass any price increase. So it is a little bit different. When you look chicken the chicken business in the US this year why the industry was not able to increase chicken price? It was because of too much product in the market.

So in the beef business it is the other way around: this year the US imported 18% less beef compared to last year and we will import over 25% more beef US will export this year. So no reason to believe that the industry cannot pass any

price increase. So because of this I do not see any reason to believe that we cannot see the margins next year.

Ms. Elsmann: Great thank you for the additional color.

Mr. Batista: Thank you.

Operator: Excuse me. Our next question comes from Resa Vahabzadeh from Barclays Capital.

Mr. Resa Vahabzadeh: Good morning.

Mr. Batista: Good morning.

Mr. Vahabzadeh: As far as leverage is concerned for the consolidated entity - JBS S.A. as well as JBS USA - would you anticipate focusing on deleveraging in the coming year or two and if so is there a leverage target?

Mr. Batista: For sure we have a goal to generate cash and to deleverage our balance sheet and if you see our numbers excluding PPC we reduced our leverage this quarter from 3.2x to 3x leverage. So going into 2012 with a better chicken margin that we believe that this will be the case this will help us to deleverage our balance sheet and our target is to be low a few times leverage, so or close to 2x than to 3x. So we believe 2x is a good level and this is our target.

Mr. Vahabzadeh: And then as far as the chicken business is concerned to mention better supply/demand in 2012 and you indicate that you expect to get to normal margins in the chicken in 2012 and if so what is normal margins in your chicken business in general?

Mr. Batista: We expect to see normal margins in 2012 and the normal margin for us is 7%, in this range; let us say 6 to 8% this is a normal margin in our view.

Mr. Vahabzadeh: Got it, thank you.

Mr. Batista: Thank you.

Operator: Excuse me. Our next question comes from Mr. Wesley Brooks from Morgan Stanley.

Mr. Wesley Brooks: Good morning guys. A couple of questions... I am not sure if you might have explained this already; but just looking at PPC reporting an adjusted Ebitda of US\$ 72 million and the reported 34 million; can you just explain to us what the difference was there because in the past they have been pretty much the same.

And then on the pork side I think part of the story here is that there is not really any new capacity coming on line in the US; can you just give us your thoughts

on whether you see any new capacities for whether you feel that you can raise your production or capacity?

Mr. XXX: PPC reported 31.4 million negative Ebitda for the quarter (adjusted Ebitda) and that was PPC's report. Any difference in that is just the translation between US Gaap and International Gaap that JBS uses. But PPC posted 1.4 million negative Ebitda.

Mr. Batista: I think the 70 some million dollars that you are referring is not adjusted; it is Ebitda. The adjusted is this US\$ 30 some million. We have a lot of one-time impact in PPC on 3Q and so the adjusted Ebitda is US\$ 30 some million, it is not 70.

Mr. Brooks: Thank you I will have to have a look because I have it in front of me and it said Ebitda of 84 and adjusted of 72 but maybe we can talk about the off-line. Thank you.

Mr. Batista: Ok. So about your question in pork we do not see any new capacity coming to the market and remember that you see any new capacity this will take time and so if any expansion in capacity this takes more than a year or two or even more to start. So we do not see any new capacity coming to the market in 2012.

In our plants we are already running pretty full and we are not planning any increase in capacity in our pork business.

Mr. Brooks: Excellent thank you very much.

Mr. Batista: Ok welcome.

Operator: Excuse me. Ladies and gentlemen as a reminder to pose the question please press star one.

Our next question comes from Mr. Ken Zaslou from BMO Capital Market.

Mr. Ken Zaslou: Good morning everyone. The results in the outlook a lot stronger than we would expect, once I think is good; but I guess my question is is it just your access to cattle or do you think that the public markets that we see are not fully capturing the industry margins that you are capturing in the export market in other ways that you guys as an industry as well as JBS actually capture more margins on the beef side?

Mr. XXX: Yes... yes, you are correct. The margins that we capture are not those that you can recognize just when you look at the USDA quote in cattle price. So there is more margin to be had than what you see and published market.

Mr. Zaslou: ... where are you getting it from and what is the public market not capturing that you guys are capturing both on the industry level as well as on the company's level?

Mr. Batista: Ken sorry, this is Wesley. Remember that is the numbers that you see in the USDA report and the spread... that the cut out the cut out and the spread... we report our commodity sales to USDA, so no one in the US reports any exports and any premium program or value-added sales.

So answering your question we are capturing much better margin primarily in exports. So we are growing quite substantially in our exports and our mix is getting is this improvement in margin primarily coming from exports.

Mr. Zaslou: And Wesley... represents less than 30% of total sales. As you said it is just the commodities.

Mr. Batista: Look Ken, like I mentioned before the market is quite concerned about meat margin especially now; and I tell you want: we will have a better quarter - I already told this and I am giving this guidance to the market - we will have a better quarter in 4Q compared to 3Q so...

Mr. Zaslou: I agree. I think the market is just relying more and more on the USDA numbers and I am just trying to get more color on why that number maybe it is not the most accurate of all numbers, that is what I was trying to get at.

Mr. Batista: Going forward Ken and exporting from the US growing this number will not exactly represent the margin, the industry margin.

Mr. Zaslou: Great and what about on the pork side as well. I am assuming that margins sequentially improved to the quarter, I am assuming they are getting better; what are you guys doing on the pork side to enhance your margin structure as well?

Mr. XXX: Some of the same Ken. Exports contribute quite a bit... value on the pork side contributes a lot of margin and you are not going to see structurally one comparing hard price and USDA...

Mr. Zaslou: And do you think that your pork margins also will sequentially improve and if you are looking for a good year next year as well?

Mr. XXX: Ken, we believe that we can see a good 2012. We do not see any reason that we cannot deliver the same kind of... even better margin next year. So this year we will close the year in a double-digit margin and we do not see a reason that next year we cannot do the same or even slightly better.

So if we have some opportunities in our pork business even we consider that our pork business is in a very position and very well... but they still have some

opportunities to increase more margin to expand value-added sales and so we are confident that next year will be a good year also, again, for pork.

Mr. Zaslou: Great thank you very much.

Mr. XXX: Thank you Ken.

Operator: Excuse me. Our next question comes from Ms. Lúcia Kassai from Bloomberg.

Ms. Lúcia Kassai: Hi there. I would just like to get some clarification on the deleverage process you were talking earlier. Does it include asset sales since some of the plants have been shut down? That is it, thanks.

Mr. Batista: I am not really, Lúcia... we have some assets that we closed. Maybe we will sell some assets, but this is not material and so to sell business no; we are not looking to sell any business and the deleveraging will come from cash generation.

Ms. Kassai: Ok but so you may consider to sell some plants but not material...

Mr. Batista: No. We do not... please, do not... understand right this: we do not consider to sell any plants; I am saying that we have some assets that may be – may be - we will sell like we have some... old Pilgrim's Pride had offices that we are selling; we have a plan in Pennsylvania that Pilgrim's Pride closed this plant three years ago, so we are looking to sell; but not a plant that we are running today. We are not looking to sell any plans that we are running today.

Ms. Kassai: Ok so if you sell any assets it would be mainly in the US plants that are not currently running?

Mr. Batista: Yes that is right.

Ms. Kassai: Ok and just a question about Brasil Foods. So I would like to know if you have changed your views on Brasil Foods since the company has announced that it is interested in selling assets in Brazil or maybe exchanging, swapping assets...

Mr. Batista: We are not changing in our view, so we are not looking... to look for this opportunity we are not interested in any acquisition in this... any acquisition of these assets.

Ms. Kassai: Ok thanks.

Mr. Batista: You are welcome.

Operator: Excuse me. Our next question comes from Ms. Maria Fernanda Blaser from Debtwire.

Ms. Maria Fernanda Blaser: Hi good morning. I have two questions, first to mention in the Portuguese call that you already transferred by US\$ 1.6 billion to the Brazilian units to prepay some debt; I would like to know how much of that you have prepaid and what kind of debt you are prepaying? ATC loans, EPP facilities?

Mr. Batista: We already prepaid US\$ 1 billion at the transferred another... the other US\$ 600 million probably... some weeks ago and we are prepaying the debts that have short maturity and so this very, a lot of different kinds of debt; but we are paying first debt that is more in front of us.

Ms. Blaser: And are you guys considering to buy back some bonds to deleverage the Brazilian unit?

Mr. Batista: No, we are not looking to do this.

Ms. Blaser: Ok. One last question on PPC: I was wondering what is the liquidity of the company, if JBS will have to lend additional cash to PPC or if the company is maintaining stable liquidity.

Mr. Batista: André?

Mr. Blaser: Sorry; could you repeat the question please?

Ms. XXX: I was wondering how is PPC's liquidity. I remember that the last quarter you said that you could lend additional cash to the company if the liquidity was under US\$ 300 million...

Mr. XXX: Well, the company is a public company, we have published their debt liquidity over US\$ 400 million.

Ms. Blaser: Ok so you will not need to lend any additional cap to PPC?

Mr. XXX: The liquidity is over US\$ 400 million.

Ms. Blaser: Ok thank you.

Operator: Excuse me. Our next question comes from Mr. Wesley Brooks for Morgan Stanley.

Mr. Wesley Brooks: Hi thanks guys, a quick follow-up. I just wanted to ask you about these comes around dairy talking about some opportunities for M&A next year. Could you just give us some color about the potential size of any deal? Is it the kind of thing that would make this a big enough business to separate out the Mercosul operations? Just a bit more color on that please.

Mr. Batista: We are not active. We are not looking to do any acquisition in the dairy segment. We still have production capacity that we can grow over 30% next year organic and this is our target for next year: to grow organic and to use

the capacity that we already have in the company today. That is it, so we are not exploring any M&A now.

Mr. Brooks: Ok. There were some news articles suggesting otherwise; but excellent, thanks very much.

Mr. Batista: Ok thank you.

Operator: Excuse me. Our next question comes from Ms. Mara Kamara from Ashmore.

Ms. Mara Kamara: Hi guys. Just a couple of quick questions if you do not mind: on Brazil can you give us some clarification on the utilization rate you are currently? And maybe just a little bit elaboration on your capital strategy in Mercosul.

Mr. Batista: Can you ask again what is your question?

Ms. Kamara: Sure. The utilization rate of capacity.

Mr. Batista: We... actually we increased our capacity utilization last quarter and so we are at around 80% capacity utilization and capital strategy for next year in terms of cattle supply we are... like I mentioned for we closed four plants and the reason that we closed these four plants is to increase the capacity utilization in the remaining blacks. So to believe Brazil will have more cattle coming to the market next year and so we believe that we will be able to even increase more this capacity utilization. So we would like to see high 80s then low 80s that we are now in terms of capacity utilization.

Ms. Kamara: And on the strategy are you using hedging or doing outride or are you buying in the spot or are you doing 30-days payment?

Mr. Batista: We buy cattle in the spot market and we also buy cattle to forward deliver. So we are doing both.

Ms. Kamara: What is the breakdown?

Mr. Batista: Today spot is two thirds and one third for work purchase.

Ms. Kamara: And buying spot you are getting a discount to the forward of what; call it 3%?

Mr. Batista: No. Usually... this depends; depends in each case. But usually it is the same price. Usually it is the same price.

Ms. Kamara: And then just looking at Brazil again what is going on now in terms of the tax credits and the ability to use them within Brazil, within the different states? How is that going forward?

Mr. Batista: It is getting better. The biggest... the state that we accumulate more credit is São Paulo, São Paulo state and the government in São Paulo is making some changes to help us to use this tax credit - not to JBS but throughout the industry to be able to use more these credits. So we believe that in these coming quarters and in 2012 we will be able to reduce the amount of credits that we have in our balance sheet.

Ms. Kamara: So you are still creating credits as the last quarter and then it is not neutral yet.

Mr. Batista: Yes, it is not neutral yet, you are right; but much less. We are accumulating much less credit than we were before and we believe that in these coming quarters we will start to see... in the other way around reducing these credits and not merely more.

Ms. Kamara: Ok just regarding tax I think you talked about before parts of the reasons for raising the debt in the US was to kind of offset where you are generating taxes and where you can offset; what is going to be the savings going forward from this exercise happened in the last year?

Mr. Batista: Between... we already said this to the market: between tax credit and between interest rate our number is under US\$ 50 million in annualized basis.

Ms. Kamara: Ok and one last question: after all that what is the average cost of debt now as you pay down your debt in Brazil?

Mr. Batista: I do not have it on the top of my head; we can follow up this week you, after we pay this debt using this cash that we brought from the US. I need to follow up this with you.

Ms. Camara: Ok perfect, thank you guys so much.

Mr. Batista: Thank you.

Operator: Excuse me. This concludes today's question and answer session. I would like to invite Mr. Wesley Batista to proceed with his closing statements. Please sir go ahead.

Mr. Batista: I would like to thank you, to thank everybody to participate in our 3Q earnings call and again we are very focused on our business looking internally for any opportunity to improve our results and we are confident that next year we will generate the cash and reduce debt. This is our primary focus. So thank you everybody.

Operator: Thank you. That does conclude our JBS S.A.'s audio conference call for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.