Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to JBS, 1Q08 earnings conference call. Today with us we have Mr. Joesley Mendonça Batista, CEO, and Mr. Sérgio Longo, CFO and IR Officer.

We would like to inform you that this call and the slides are being broadcast in the Internet at the Company's website www.jbs.com.br/ir, and that the presentation is available to download at the investor relations section.

Also, this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After JBS's presentation, we will initiate the questions and answers session for analyst and investors only. Right after this session, we will open the Q&A session for journalists, when new instructions will be given.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of JBS management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of JBS and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Batista, the CEO. Mr. Batista, you may begin your conference.

Joesley Mendonça Batista:

Good morning, this is Joesley, I am the CEO of JBS Company. Let us start the second round of this conference call, we have done a conference in Portuguese. And now my biggest challenge, because I am not so fluent in English. I will try my best. Thanks everybody for joining us in this conference. We are now starting the presentation of 1Q08.

The main highlights of this quarter I think is that we grew from R$1 billion on sales to R$5.8 billion of sales, from 1Q07 compared to the 1Q08. The first time we consolidated the numbers of Inalca and Montana, the Italian Company that we acquired 50% of its shares. The very important highlight is about the United States beef business that improved in a huge pace, we improved 85% compared to the last quarter.

The JBS USA gross margin increased by 3% to 5% reflecting the better results that we had there in the beef business. On a consolidated basis, when we consolidate the numbers of JBS USA plus the Australian business, JBS Australia, we came from a negative margin of 1.4% to a positive margin of 0.6% that is, in our perception, a really good result, because we are being able to improve the margins faster than we primarily expected.

We have always heard and many people used to say to us that the United States and Australian business were businesses that did not grow, that they were old markets and what we are seeing here is that we increased our sales on those markets, United States and Australia, by 20% comparing the 1Q07 to 1Q08. So to increase 20% in a so huge business, I think, it is really something that is important to highlight here.

JBS Mercosul result was negatively impacted by the new Europe restrictions and was negatively impacted by our operation in Argentina, mainly because following the needs of… That country has the need to control the inflation. They are restricting the export sales and as 50% of our revenues come from the external market, we operated three months producing, operating in a regular basis but we could not sell the goods, we could not sell our products. We increased our inventories too much.

In the case of the fresh beef, we can redirect to the local markets, but unfortunately not with the industrialized products. We really need a solution on this, if not, we will be forced to stop producing because that country does not have the consumption of that product, so then we need to stop producing industrialized products to the external sales.

With operations in four important production and distribution platforms – USA, Mercosul, Australia and Europe - JBS shall capture strong advantage in comparison to its regional competitors, taking into consideration the current momentum of increase in demand and low and shortage on the supply side, in addition to the scenario of convergence of the margins, due to the higher globalization of the industry. We will talk about this further through the presentation.

I think that the main different scenario that we are seeing is that we are seeing all the cattle prices converging and we are seeing in the same direction, the margins converging too.

Page four shows us our sales. The 4Q07 was R$6.6 billion, now R$5.8 billion. We need to consider that on these numbers, we have roughly more than R$200 million, that was impacted about the currency as the Real became stronger against the USD. We have here the regular seasonality of the business in the United States and, even with this numbers, we are 20% higher comparing to the same period of 2007. The margins, as I said, came from 1.4% to 3% in a consolidated basis.

In page number five, we make some comments about the guidance that we gave to the market at the beginning of this year. We feel comfortable on the achievement of this guidance. Even with Mercosul margins going down, I think that it will be by far compensated by the margins in United States and in Australia. This guidance does not consider the new acquisition and does not consider Inalca numbers. We reduced our net debt finance position, our leverage from 3.7x to 2.9x mainly because of EBITDA margins that increased on this quarter. And we started receiving the money, the US$1.5 billion about the increase in capital.

Page number seven, shows us our sales in the Beef USA, 44%; Beef Brazil, 21%; Pork USA, 15%; Beef Australia, 12%; Beef Italy, 5%; Beef Argentina, 2%. On the sales side, we keep being a strong export Company, 34% of our sales is in the global market, it is the external sales.

Page number eight shows us the destination of our sales of the 1Q08. As you see here, even with the restriction of the sales from Brazil to Europe, Europe keeps being the main destination, 18%; Japan, 14%; Mexico, 12%; Russia, 7% – that is really increasing in a very, very fast pace – and China, 6%. China this quarter is buying 3x more if compared to the 1Q07.

Just as a curiosity, our external sales, JBS external sales in beef will be higher than all Brazil external sales export. Brazil is expected to export US$4.5 billion, JBS will be higher than US$5 billion on sales.

Page number nine is a summary of the performance of each platform: Beef USA, Pork USA, Australia, Inalca and Mercosul. I would like to comment each one.

On the Beef USA, we came from -5% to -1% on the 1Q. And the 2Q is already in the positive side, much better than our first expectations, mainly driven by the good prices on the sales side and driven by our volumes that increased, as I said, 20%, so we became much more competitive.

And these results are before the new acquisitions, the integration with National, Smithfield, and Five Rivers that we expect to have a very good profit coming from the scale and the synergies. We are really doing well in the beef business in the United States.

The pork business lowered its margin mainly because of the hedge of the pork, that has already reverted in April and we are having a good 2Q, better 2Q, compared to the 1Q. The pork is doing well, nothing too much new.

Australia is doing very well too, in the same direction of the convergence of the margins. Australia again shows us this trend of converging margins in a global basis, where we see margins in Australia and margins in United States going up, and margins in Mercosul going down.

Inalca is doing very well, it had 5%, 5.6% on EBITDA margin, following our previous budget, doing as expected. What is really new is the Mercosul performance mainly because of Argentina restrictions, we operated on 30% less in average of our volume compared to the budget. We spent last March almost only producing and not selling and not delivering the goods because of the restrictions.

We expect to have good solutions from today to tomorrow. If not, unfortunately we will be forced to stop producing the industrialized products, because that country does not have consumption of industrialized products, corned beef, and beef.

But we will be shifting the production to the external sales of fresh beef to the local market, so we will keep running at 70%. I really do not know what will happen, we will need to wait until Monday. But in the end of the day, I am confident that we will be able to reorganize our size, reorganize our operation, to operate as the government of Argentina needs us to do.

In Brazil, we had a bad performance and we decreased our margins on 3%, which is why we made the pro forma EBITDA margin to show that we come from 14% to 11% if we do not consider the Argentina effect. So we decreased roughly 3% on our EBITDA margin in Brazil. And we think that if you keep going on this direction, as the United States and Australia keep on the other direction, converging all the margins.

We can see the next page, page number ten. The global cattle price has already converged all around US$45 to US$50 per arroba. Arroba means 15 kilograms, kilograms is our metric here in Brazil.

You can see on the same page the Argentina cattle price, which is much lower compared to the global price. This is the problem. This is a challenge of that government as they cannot accept inflation; they are trying to control the inflation. But unfortunately there is a huge gap from the cattle price of Argentina and the global price. Converging prices, converging margins, this is what we think that we will see in the next months.

We have already seen Australia working on 6% and it is being sustainable. As we can see on page 11, United States is around doing from US$50 to US$60 per head on profit. It means that it is much higher than our first expectations of 3%. It is operating higher than 3%. But unfortunately on the other hand we are seeing Mercosul going down.

Summarizing the results of 1Q08, and what we are seeing through the full year, is that we will be able to achieve our target, to achieve our numbers, to achieve our guidance, our budget with a little bit difference from where the money is coming, with good news in the United States and Australia and not so good from Mercosul.

But we need to remember and to consider, we need to consider that, historically, Brazil, Argentina, Mercosul, the cattle price of this region used to be US$20 per arroba. If you are talking about US$50 now, it means that, to make the same profit per head, you can operate with less. For example, if the margin was 15%, in a price of US$20, it can be maybe 6% on a price of US$50. That means the same dollar per head.

These are the main highlights of the 1Q. And we would like to open here to questions and answers that we can start now. Please start the questions and answers.

Scott Briggs, Polo Capital:

Good morning, I have a quick question about the price of cattle in the United States. When you look at the margin improvement that we have seen in the United States in your 1Q, it was very strong, but we saw the prices for live cattle fall from US$94 to US$88. And when you see now the price is back at US$88 and the prices for the future is over US$100 and US$105. What impact do you expect this to have in your margins for the rest of the year? Thank you.

Joesley Mendonça Batista:

What we are seeing is a global shortage on the protein side. All of the future markets of protein are much higher than the prices of today if you look in the beef, in the pork. Our margins are driven mainly from the consumption side. Thus there is a big shortage on the protein and the market about the live cattle anticipates this. We cannot say, we cannot give opinion if the prices there will be on that level.

But what we really see, why we really see the margin going to a better position, for example: South Korea, is open, Russia is buying beef from the United States. All the

United States sales, the external sales are increasing. So we are confident that we will be able to keep increasing margins, even if the prices go up. Observe that in the first time of the whole history, United States has the same price of Brazil. So I do not know if the United Sates beef is cheap or the Brazilian beef is expensive. I think all the prices are OK, maybe they are converging to a same place.

Scott Briggs:

OK. Thank you very much.

Pedro Herrera, HSBC:

Good morning, a quick question. Can you give me a guidance on how do you expect the opening of the Korean market to play into your plan for the rest of 2008? One, and two is: what exactly do you have in mind for Argentina if the processed products, if you continue to see this situation how it is developing now?

Joesley Mendonça Batista:

First, about Argentina, we have no choice; if the government really blocks our sales on the industrialized side, we have no choice. If not, we will stop producing, we will reduce 1,500 employees in the industrialized side. But we can easily compensate this and keep supplying our consumers from Brazil. We have factories in Brazil that produces the same products and beef. The Company has no problem with this.

In the fresh beef, there is no problem because we can shift from not selling beef to the external sales, to sell beef in the local markets, that is OK. And we will be doing this decision until Monday, because we cannot keep producing a product that has no clients. But I am confident that the government in Argentina will do the best to everybody. What was the other question please?

Pedro Herrera:

Regarding if you can give us some guidance on how do you see the opening of the Korean beef market, how is it going to affect you, if you have you quantified between …

Joesley Mendonça Batista:

Back to the first question, answering about the margins, the margins that we are seeing of beef from US$50 to US$60 per head is not considering, so it is not impacted yet by South Korea and is not impacted yet by the integration of the new acquisitions. And we need to consider that the impact of South Korea is not only about the volume that we sell to South Korea, because as we decrease the volume, on the local market, in the United States market, for example, 1%, 2%, 3%, 4%, that we decrease the volume that we are offering in the United States market to sell to South Korea.

It means that, most probably, all the beef prices will go up. So the advantage of selling to South Korea is not only because of the beef that we sell to South Korea. All the market goes up, the prices. We are expecting to see converging margins from 5% to 7%. We are already seeing this in Australia; we are already seeing the margins in the United States much higher than 3%, it is closer to 5% than to 3%. After South Korea, after the integration, if the DOJ allows us to acquire National Beef, Smithfield Beef and Five Rivers, I will not be surprised to see US Beef working on this range.

Pedro Herrera:

Thank you.

Alessandro Arlant, Merrill Lynch:

Good morning, Joesley. My question pertains to the JBS Mercosul EBITDA margin. The margin fell significantly from 15%, on 4Q07, to 10%, on the 1Q08. I understand, from page four of the press release, that Argentina contributed to approximately 1% of the reduction and I would like to know if you could detail to us how much in the 4% reduction was the European Union, the embargo; how much was the increase of cattle costs and then finally to talk about pass through of beef prices and how that can enhance, if any, the margins in JBS Mercosul going forward. Thank you.

Joesley Mendonça Batista:

You are right, that is why we made the pro forma calculation without Argentina exactly to show that the margins in Brazil came down, roughly 3% because, in average, we had a 14% EBITDA margin in 2007. So let us consider 14%. It came from 14% to 11%.

I think that it is difficult to answer what is the percentage that comes from where, but what we see is that, in terms of heads, how many heads we slaughtered in the 1Q07; we slaughtered 750,000 heads in the 1Q. We decreased 20%, we and our competitors decreased 20%. So we had less volume, this was the first reason. We had the cattle price increasing in the opposite direction, where Europe stopped buying the prime beef, the filet, strip loin, so it walked in an opposite direction.

Again, I think that as the prices of the cattle have already converged, I see no reasons to not see margins not converging. Mainly, again, because, if you have, for example, 10% of a cattle that is US$20 per arroba, maybe you do not need 10% in a cattle that is US$50, maybe you need 4%. So I will not be surprised to see all of this margins converging to something from 5% to 7%, on this range

Alessandro Arlant:

Thank you.

Alex Robarts, Santander:

Hi, thanks for taking the question, good morning. I wanted to just to go back to one clarification in the Mercosul. Can you give us a sense of how much Argentina was roughly as a percentage of Mercosul sales in the quarter? That is kind of first item. The second is really my question. Thinking about your margin improvement trend in the United States and, obviously, it is clearly happening. And one of the things that I like to understand is that you have spoken to us before about reaching a 3% margin level.

And I am wondering now that you told us that you are a little bit, you have a little bit lower expectations from Mercosul, you have a little higher expectation in the United

States that is keep your guidance steady. I mean, what makes you a little bit more confident in the United States, and does it relate to hitting that 3% EBITDA margin sooner rather than later?

Joesley Mendonça Batista:

I will try to answer, it is a long question. In Argentina, we operated 30% below our budget. I do not know if this was the question. About the United States, it is not provisioned that we will operate higher than 3%. We are already doing this, as shown in the Bloomberg data, the prices of the cattle and the prices of the beef.

And when I look to the cattle price around the world, when I see the cattle price in Brazil, the same price as in the United States, the same price as in Australia. When I see Australia, we are operating with the 6%, for example. When I see the United States going to this direction, the margin is much higher than 3%, before integrating the new acquisitions, before South Korea.

Actually, I think that all of this is related. I think that the margin in Mercosul is decreasing, because, for example, the United States are competing with Mercosul in Russia. We are selling beef from the United States to Russia, and we are selling beef from Australia to Russia. And why are we selling beef to Russia?

Only because we – JBS USA – became competitive, we – JBS in Australia – became competitive to compete with Brazil that has the cattle price higher than United States now. So, all the margins, in the end of the day, are roughly correlated, one to the other. As we are increasing there, we are decreasing here, because we are competing with each other, for example.

As JBS have a global operation now, I think that we will get advantage of this movement and it is good to remember that now, 80% of our slaughtering is overseas, considering National Beef and Smithfield Beef, if the government allows us to acquire.

So, for each 1% on margins that we improve overseas – in the United States, in Australia for example – for each 1% that we increase the margins there, it represents 5% here in Brazil. So I think it is very good news to JBS, if the margins go to this direction and we are seeing that the margin is going. I do not know if I answered your question.

Alex Robarts:

Well, I mean, just going back to the Argentina thing. Sorry, it was specifically, Joesley, the understanding in Mercosul in the 1Q. Roughly how much of your sales, as a percentage, were in Argentina? Roughly; it was not whether the fact you were 30% below budget. Is that strategic?

Joesley Mendonça Batista:

In Argentina, it is difficult to say what our sales are. In Pesos - let us talk about Pesos - we are there prepared to have more than Ps.100 million per month. And we operated there with roughly Ps.65 million per month, in Pesos terms. Is this what you asked?

Alex Robarts:

Yes.

Joesley Mendonça Batista:

It represented 1%, we made the calculation normalizing Argentina, for example; if we do normalize Argentina, what would be the impact? About 4% that we decreased the margin, 1% came from Argentina, and 3% came from Brazil. I do not know if the questions is answered…

Alex Robarts:

OK. That is fine and then just to clarify the second, I mean, the question that I was asking, really. So then you think that you can reach, you believe – excluding National and Smithfield, with JBS USA Swift – you think you can reach still 3% EBITDA margin target in the 2H08? Is that a safe assumption for us to have, you think?

Joesley Mendonça Batista:

We are already working better than this, this quarter.

Alex Robarts:

OK, on a consolidated basis, I mean, in terms of –

Joesley Mendonça Batista:

In the beef business in the United States.

Alex Robarts:

In the beef business in the United States.

Joesley Mendonça Batista:

In the beef business in the United States we are working better than 3% this quarter.

Alex Robarts:

EBITDA margin? OK.

Joesley Mendonça Batista:

EBITDA margin, yes.

Alex Robarts:

OK, and a final, little…

Joesley Mendonça Batista:

We have already worked one month and a half, I do not know the next month.

Alex Robarts:

OK. Fair enough. I guess the Korean government yesterday has spoken about this protocol of opening up the market to United States Beef and they are talking about a delay, I guess, of a few weeks. And obviously the United Sates government is not happy about this.

But when do you think JBS can start selling actually in the South Korea? And in my calculations – when I think about, let us say, your first 12 months – I have got something like US$70 million worth of sales that perhaps you can achieve in the first 12 months' sales to South Korea. I mean, does that number sound reasonable and then, you know, when do you think you might be able to start in South Korea?

Joesley Mendonça Batista:

We expect on the next two weeks to start producing, and one week more to start delivering. The numbers on sales to South Korea, as I said before, it is completely reasonable, the numbers that you said, it may be higher than this. But I think that more important than this is that; as some companies will be redirecting beef from the United States market to South Korea, we have a shortage on the beef to the United States. So most probably we will see better prices in the local market too. Do you understand this?

Alex Robarts:

Yes. OK. Thank you.

Jose Bernal, Standard NY Securities:

Hello, good morning everybody, and congratulations on your results. I have a quick question regarding your cash level and your total debt. And I understand that, you know, the capital increase was in April, and I noticed, for example, cash increased almost R$1.3 billion and they have increased almost just above R$1 billion. Can you please give me some more details on the reason of those increases?

Joesley Mendonça Batista:

We are increasing capital, we are raising US$1.5 billion. As we have 30 days to subscribe the new equity, part of the money was already in cash. That is this increase, R$1 billion, R$1.3 billion, it is on the papers. Mainly because of the new equity. Is this your question?

Jose Bernal:

Well, yes, I mean, I have read that the increase took place in April so I am thinking that probably was one of the reasons?

Joesley Mendonça Batista:

I did not understand the question.

Jose Bernal:

What I say was, you know, the capital increase, according to your press release, was in April.

Joesley Mendonça Batista:

OK. As we signed the commitment papers on March, as the money was already in cash until the finalization of the auditors, they have already considered the money.

Jose Bernal:

OK. Thank you.

Joesley Mendonça Batista:

This is the same we did, the same happened when we acquired Swift. Based on CVM laws, we account, we already considered, it happened the same in the Swift acquisition.

Jose Bernal:

OK. And just to make sure, the increase in debt was because your working capital needs increased, right?

Joesley Mendonça Batista:

Please, again, what is your question?

Jose Bernal:

The increase in total debt was because your capital, your working capital increased.

Joesley Mendonça Batista:

Yes, working capital and CAPEX. We invested in CAPEX this 1Q, we had capital increase.

Jose Bernal:

OK. Thank you.

Ruth Mazzoni, Standard NY Securities:

Hi. I am going to violate the one-question rule, but I hope that is OK. I just wanted to confirm something that you said, and I just wanted to make sure that I understand it right. It is your view that, globally – for the large beef producing markets – eventually, there will be a convergence of EBITDA margins to the 5% to 7% range. That is my first question. My second question is...

Joesley Mendonça Batista:

The answer is yes.

Ruth Mazzoni:

The answer is yes?

Joesley Mendonça Batista:

Yes.

Ruth Mazzoni:

Everywhere?

Joesley Mendonça Batista:

I think so. As the cattle price converged, what we are looking is that all the margins are going to the same direction. We have the same price in the cattle price and as we are selling to the same place. We are all selling to Russia, we are all buying beef for roughly from US$45 to US$50. So there is no reason not to have the same margins.

Ruth Mazzoni:

I guess the one advantage would be the size of herd, right? That would be the big distinguishing...

Joesley Mendonça Batista:

Excuse me. What?

Ruth Mazzoni:

The big distinguishing feature, then, for any particular market, would be the size of the herd, rather than the cost production.

Joesley Mendonça Batista:

We have something to consider. The herd for sure, the capacity of the industry – if you have over capacity or not – and the labor cost, the energy cost, for example; in the United States it is higher, much higher than in Brazil. But the technology and the scale is much higher too.

Just to exemplify: in the United States, we have one employee for each two cattle that we slaughter per day. In Brazil, we have one employee for each one cattle. So we have the double of the number of employees here in Brazil compared to the United

States. So the costs are higher but the efficiency is much higher too. It does compensate.

If we have the same cattle price, if we are selling to the same place, competing in the same market, what will make a difference, actually, will be the efficiency, the herd, the capacity. But I think that it will not take the margins, for example, 5%, 6% difference from one place to the other place, it will make 1% to 2%, this effect.

Ruth Mazzoni:

OK. Very interesting. Thank you for that explanation. The delay in Korea: you said that it was because of protest letters sent within Korea. I just wonder what is the reason, why the Koreans do not want American beef to come in? I do not really understand that.

Joesley Mendonça Batista:

I cannot answer this because I do not understand either. I hope the real reason is what we all are listening, as told in newspapers.

Ruth Mazzoni:

OK. And then, how National Beef and Smithfield Beef, how the acquisitions are progressing and what is your view on timing?

Joesley Mendonça Batista:

It is progressing well. The timing did not change. Our expectation is that will be from July to September, most probably August. It is running well, no surprises. I think that everything will be OK.

Ruth Mazzoni:

OK. And then you have spoken about closures in Argentina. And I know that, and I understand the reasons for that. But what about in São Paulo? Do you foresee any closures due to sort of excess capacity relative to the size of the herd in São Paulo?

Joesley Mendonça Batista:

Good question. This is a special situation in Brazil – not only in São Paulo; in Brazil – that we decreased the herd, we have over capacity, and it will help to squeeze the margins faster than we expected. But, actually, again, I would say the same thing but again; to have 5% on EBITDA margin of a cattle that costs 3x or 2.5x higher then… I think in USD, it is almost the same. Considering in USD terms, I do not think that the margins will squeeze so much. You are right that we, JBS, will need to play much harder to keep our position. So maybe we will be tightening the margins a little bit.

Steve Kay, Cattle Buyers Weekly:

Good morning gentlemen. Joesley, I have to say that I think as your beef margins in the United States improves, so does your English, so congratulations. I just want to, firstly just a clarification, when you spoke at the beginning about the Australian and United States Beef businesses not growing, old markets, but you increased sales by 20%, and then you spoke a little later on the United States Beef about good prices on the sales side, increased volumes in 20%. Was that 20% in each case referring to Australia and the United States or just the United States?

Joesley Mendonça Batista:

Mainly United States.

Steve Kay:

Just the United States?

Joesley Mendonça Batista:

Mainly United States.

Steve Kay:

Mainly, OK. So my question is, I am attempting to work out how many cattle you slaughtered in the 1Q and what your EBITDA margin on a per-head basis was; I wonder if you could give me guidance on that. And obviously, as you know, capacity has increased and what capacity you are currently running at in relation to your 20,500?

Joesley Mendonça Batista:

You were talking about United States, is it?

Steve Kay:

Yes.

Joesley Mendonça Batista:

OK. We increased our volumes mainly through the second shift of the factory of Greeley. When we started in Swift, when we bought, roughly all the factories were working on 80%; now it is running on 100%. So, all the factories had a little increase on the volumes.

Steve Kay:

Joesley, is that on a five-day basis, is that how you work there?

Joesley Mendonça Batista:

Yes, five days. I am saying, for example: when you consider the Cactus plant, the Cactus plant can work with 6,000 per day. It was working with 5,000. And all of the factories were a little bit less utilized. The margins are improving because the United States is improving its external sales. So when you see year-by-year we, United States

Companies, are selling more beef overseas. It makes less pressure in the local market, so we can have better prices in average.

Steve Kay:

So, Joesley, can you tell me, you talked about margins currently for your JBS Swift being at US$50 to US$60 per head. What were they on average in the 1Q? And I take that is on a EBITDA basis.

Joesley Mendonça Batista:

Zero. Negative. 1% negative.

Steve Kay:

OK, you lost money slightly, did you not? Because of that?

Joesley Mendonça Batista:

We had roughly 5% negative in the 4Q07 and 1% negative in the 1Q08. We are expecting to have good results in the 2Q.

Steve Kay:

I am sorry, just to clarify: how much did you lose on a per head basis in the 1Q?

Joesley Mendonça Batista:

1%. It is roughly US$10 to US$15 per head.

Steve Kay:

OK. And the US$50 to US$60, that is a current figure?

Joesley Mendonça Batista:

Yes.

Steve Kay:

And final question, once South Korean shipments are on the way, I know it will take some time to get volumes up, but how much going forward past through the rest of the year, do you think that trade might mean, in terms of adding on a per head basis to your margins?

Joesley Mendonça Batista:

Good question. When you increase your external sales, you decrease the volume in the local market. So, actually your profit comes not only from the beef that you sell to South Korea, the profits come from the average price of the market. I do not know, I think it is reasonable to see 1% on these margins because of South Korea.

Steve Kay:

Another 1%?

Joesley Mendonça Batista:

Yes.

Steve Kay:

Joesley, thank you very much.

Joesley Mendonça Batista:

Ok. Thank you. Improving margins, and improving my English.

Steve Kay:

I seem to be the only media person. When you look at the macroeconomy in the United States, you feel that in relation to expectations of higher beef prices later in the year, that will be a ceiling by which, and again somebody earlier had talked about the live cattle prices, and I am not sure what the market is doing literally as we speak. But if you look at yesterday's closes of October over US$106, December US$106, February US$108. It seems like packers would have to sell beef at extremely high prices to cover those. So what are your thoughts going forward on those kinds of pressures?

Joesley Mendonça Batista:

I did not get exactly your question.

Steve Kay:

I will simplify it. If you look at the live cattle future's prices, as they closed yesterday, October, December, and February contracts are all over a US$106 per hundred weight. My calculation is that if packers were to maintain your operating margin, you need to sell, say, choice beef, US$170, for example. How is that going to be possible in light of the macroeconomy?

Joesley Mendonça Batista:

Actually there is a global shortage on protein. This is the main driver of the future prices and all the players are considering this on their investments. So this is the truth, there is a shortage, a global shortage on protein. What happened in the first moment in the Crude oil and then on the iron for example, then on the soybeans and corn, now we are seeing in the protein.

After saying this, it is very difficult. In our Company, I will tell you what we are doing in our Company. Everybody here is forbidden to make provisions, because I had never seen Crude oil for US$126, I had never seen cattle price in Brazil the same as in

United States. So after saying this, my instructions here, in our Company, is not to try to preview one price to next week. Just work on this week, because everything can happen.

For example, 4Q to Russia: eight months ago, it was US$2.000 per ton, now it is US$4.000 per ton, it doubled the price. With everybody that we talked, everybody was saying that it is impossible to increase so much, from US$2.000 to US$3.000; it came to US$4.000.And everybody was saying that the consumption would go down and it did not go down.

Actually, what we are seeing is that there are roughly 6 billion persons, new consumers, walking to the direction of that 1 billion, that are the Americans, Europeans, the most developed countries. But these 6 billion are walking in the direction to become Investment Grade Country with free economy. So we are seeing all the commodity prices going up, and up and up. This is my view.

Operator:

Thank you there appears to be no further questions. I will now turn the conference over to Joesley Mendonça Batista, CEO, for his final considerations.

Joesley Mendonça Batista:

Thanks everybody. It is an honor for me to be here making this conference. I hope with my poor English, I could clarify some questions. And our investor relations department keeps here, available to any further discussions. Thanks everybody and have a good day. Bye-bye.

Operator:

Thank you, this thus concludes today's presentation. You may disconnect your lines at this time and have a nice day.