



Overview of JBS Five Rivers and J&F Oklahoma

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 Authorized Capital Publicly Held Company

NOTICE TO THE MARKET

Overview of JBS Five Rivers and J&F Oklahoma

Acquisition of Five Rivers CattleFeeding

When JBS acquired Smithfield Beef Group in October 2008 the Company also acquired 100% of the ownership in Five Rivers CattleFeeding, an operator of 10 cattle feedlots in the mid-western United States. Prior to the acquisition, Five Rivers was an integrated business that operated both as owner of the livestock and as a hotel for the cattle that are fed in the feedlots. JBS evaluated the benefits and challenges of retaining this integrated business model under JBS USA ownership.

The key benefits identified included:

- 1) JBS controls a feedlot operation with a capacity of 1.5 million head of cattle per year.
- 2) JBS has a steady supply of fattened cattle for its beef processing plants at market prices.
- 3) The Company has the ability to develop customized cattle feeding programs for certain customers.

However, the potential challenges identified included:

- 1) Existing and future potential "Packer Ban" legislation at the state and federal level that place significant restrictions on packer ownership of livestock prior to slaughter. Iowa is the only state that enforces such "Packer Ban" legislation today. However, other states have enacted "Packer Bans" in the past and such a ban is usually proposed during drafting of the Federal Farm Bill each year.
- 2) Since cattle feed for an average of 3 to 5 months, there is a significant working capital burden involved in owning hundreds of thousands of cattle at a time.

Ownership Split

JBS decided to explore alternative ownership structures that would allow the Company to retain most of the benefits while avoiding the challenges noted above. Ultimately, JBS made a strategic decision with J&F Oklahoma ("J&F"), to split ownership of the JBS Five Rivers business with J&F owning the cattle and JBS USA owning the feedlot operation. Specifically, the ownership split has resulted in the following:

JBS Five Rivers, a subsidiary of JBS USA, now owns 10 feedlots and charges owners of livestock a daily per head fee to fatten their cattle and take care of the animals until they are ready for slaughter. This is a cost plus operation in accordance with standard market conditions.

J&F Oklahoma Holdings owns up to 800,000 head of cattle on feed. J&F Oklahoma pays JBS Five Rivers a market based daily cattle feeding "hotel fee" for the care and maintenance of its animals.

Key Agreements related to the Ownership Split

Since cattle feed for an average of 3 to 5 months, J&F Oklahoma bears a significant working capital burden that is financed as follows:

Bank Credit Facility - J&F Oklahoma entered into a 3-year \$600 million revolving credit facility to finance up to 800,000 head of cattle on feed. The cattle on feed serve as a guarantee for this facility.

Credit Facility - As an additional source of funding, J&F Oklahoma also entered into a 3-year \$200 million revolving credit agreement with JBS Five Rivers that mirrors the pricing terms under its bank revolver Credit Facility.

There are 2 key commercial agreements governing business relationships as a result of the ownership split:

Cattle Supply and Feeding Agreement – Pursuant to this agreement, JBS Five Rivers feeds and takes care of cattle owned by J&F Oklahoma. J&F Oklahoma pays JBS Five Rivers for the cost of feed and medicine at cost, plus a yardage fee under usual market terms on a per head per day basis. Furthermore, J&F Oklahoma has agreed to maintain sufficient cattle on JBS Five Rivers' feed yards so that they are at least 85% full of cattle at all times.

Cattle Purchase and Sale Agreement – Pursuant to this agreement, J&F Oklahoma agrees to sell to JBS USA at least 500,000 cattle during each year from 2009 through 2011. The price JBS USA pays is based on USDA pricing and a grading grid which is identical to the grid used for third parties.

Additional Benefits of Ownership Split

In addition to the benefits of the JBS Five Rivers acquisition noted above, JBS USA is realizing the following benefits from the ownership split and relationship with J&F Oklahoma in the following ways:

- 1) JBS USA maintains a business model as a pure-play beef processor or "spread" operator, avoiding risk of cattle ownership.
- 2) JBS Five Rivers enjoys a relationship with a captive cattle supplier who is able to deliver a majority of animals to its feedlots thereby minimizing the complexity of locating multiple smaller cattle suppliers.
- 3) JBS USA further avoids issues related to potential "Packer Ban" restrictions.
- 4) The Company avoids a significant working capital burden related to owning cattle on feed.

In addition, the Company includes in its quarterly disclosure footnotes information on JBS Five Rivers and J&F Oklahoma financials.

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