MEAT AND POULTRY

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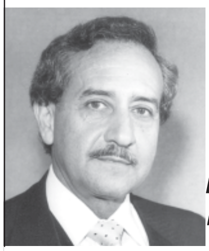
The President's Message



By John Calcagno
Institute President

As you can see from this issue of Meat & Poultry Newsletter, the Board of Trustees for the Local 174 Pension Plan has been working tirelessly to minimize the impact of the mass withdrawal for Employers involved with the Fund.

The details of the "discounted" plan are on this page. Please take the time to read this carefully before making any decision on how to proceed if you are part of this Plan.

It is important to note, however, that the discount can be substantial. Though the withdrawal liability percentages range between 6.5% and 7.5%, the long term financial impact of opting for the Lump Sum Settlement Option could be substantial in total dollars.

An example of savings this lump sum offers at 7.5% would be as follows:

The average employer in the Fund has a withdrawal liability of $1,750,000. The annual payment on this amount is $70,000 in *perpetuity*. The Lump Sum Settlement for this employer would be approximately $1,003,333 million.

In other words for little over $1 million, the average employer can eliminate a $1.75 million debt. This represents a savings of 43%.

Of course, this is a simple example for an *average* employer. Each employer will have different withdrawal liabilities and settlement amounts.

You can calculate your company's lump sum present value amount by taking your company's annual payment and dividing it by .075 and multiplying the result by 1.075. Using the example above, $70,000 divided by .075 and then

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Discounted Lump Sum Option Negotiated for Mass Withdrawal Termination of the UFCW Local 174 Pension

This article was written in consultation with Neal S. Schelberg, Esq., special counsel to the Local 174 pensions funds, and the Board of Trustees for the Fund.

As you know, the UFCW Local 174 Pension Plan (the "Fund") terminated on June 30, 2007, after employers withdrew in a mass withdrawal. As a result of this withdrawal, the Trustees of the Fund have assessed standard withdrawal liability and redetermination liability for fund members.

Fund members have received a statement from the Fund setting forth required annual withdrawal liability payment amounts members will soon be receiving an assessment of reallocation liability (mass withdrawal liability).

In view of the fact that almost all Employers are required to make their annual withdrawal liability payments over an infinite period of time, many Employers have requested that the Trustees consider accepting a lump sum settlement of their withdrawal liability obligations to the Fund that is less than the present value of the Employer's required annual withdrawal liability payments.

Ordinarily, if an employer wished to pay its liability in a lump sum, it would be required to pay the present value of the annual installments, discounted at the PBGC interest rate. However, after careful consideration, the Trustees have determined that, in order to encourage employers to pay their liability promptly, subject to certain guidelines set forth below (the "Guidelines"), they would be prepared to accept a discounted lump sum settlement of an Employer's annual withdrawal liability payment obligation. Accordingly, as described below, Employers who meet the criteria specified in the Guidelines will be eligible to have their lump sum calculated based on a higher interest rate (resulting in a smaller lump sum).

Please note that Employers are not obligated to pay their withdrawal liability in a lump sum payment. It is an option available to only if the Employers wish to utilize it and they meet the Guidelines. Employers can also continue to satisfy their withdrawal liability obligation to the Fund by making annual payments (payable in quarterly installments). Therefore, Employers

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GUIDELINES FOR LUMP SUM SETTLEMENTS:

Circumstances of Payment	Available Settlement
If Employer pays a lump sum of required annual withdrawal liability payments by May, 1, 2008	The lump sum will be calculated based on a 7.5% interest rate.
If Employer pays a lump sum of required annual withdrawal liability payments after 5/1/08, but before 6/1/08	The lump sum will be calculated based on a 6.5% interest rate
If Employer demonstrates "financial hardship" (as defined in above article)	The lump sum may be calculated based on an interest rate of up to 8%, depending on the extent of financial hardship.

Discounted Lump Sum Option...

(Continued from Page 1)

can reject the lump sum option and continue paying withdrawal liability to the Fund in annual installment payments.

For Employers that do elect to make a lump sum settlement of their annual withdrawal liability payments, the Guidelines for the discount are listed on the previous page.

If an Employer does not pay the lump sum prior to June 1, 2008, the lump sum will be calculated based on the applicable PBGC interest rate.

For purposes of these Guidelines, to demonstrate "financial hardship," the Employer must establish to the satisfaction of the Trustees (as determined by the Trustees in their sole and absolute discretion) that:

(i) the payment of the annual withdrawal liability payment amounts would constitute a severe financial burden on the Employer that will likely result in the Employer's default on its payment obligation; and

(ii) the settlement of the annual withdrawal liability payments in a lump sum amount would be in the best interest of the Fund's participants and beneficiaries.

To assist the Trustees in assessing whether an Employer satisfies the above described financial hardship test, the Fund has retained an independent business valuation firm. To be eligible for a discount based on financial hardship, an Employer must cooperate with the valuation firm and provide it with such business records, documents and information as the valuation firm requires to provide to the Trustees its independent valuation report on the Employer's business. By law, all trades and businesses under common control with the Employer are deemed to be the Employer for purposes of satisfying its withdrawal liability obligations. Further, all controlled group members are jointly and severally liable for withdrawal liability. Thus, the Employer and all controlled group members must satisfy the financial hardship test described above.

As a condition for the Fund's acceptance of any discounted lump sum settlement, an Employer must agree irrevocably to waive its right to challenge in an arbitration or in a court proceeding any matter relating to or connected in any way with the Fund's imposition of withdrawal liability on the Employer, including, but not limited to, the determination and calculation of the Employer's withdrawal liability amount, the determination and calculation of the annual payment amount or the actuarial assumptions, methodologies, data, records or computations used by the Fund for withdrawal liability purposes.

The Fund will provide an Employer who settles under the Guidelines with a release relating to the Fund's withdrawal liability assessment on the Employer.

In the event that you have any questions concerning this letter, please contact Meat Trade Institute President John Calcagno at 908-276-5111 (office) or 917-991-8467 (cell).

Please read the President's Message in this newsletter for further information.

U.S. Meat Output Rising

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

Beef production is raised in 2008 as higher cattle on feed inventories on December 1 are expected to result in stronger marketings during the first part of 2008. However, higher feed costs could limit weight gains through much of 2008. The Cattle report, to be released February 1, will provide an indication of the availability of cattle outside feedlots and of producer intentions for herd expansion this year.

The Quarterly Hogs and Pigs report, released December 27, resulted in an expanded forecast of 2008 pork production. Increased sows farrowing in late 2007 and stronger growth in pigs per litter resulted in higher pig crops. These large pig crops in second-half 2007 are expected to result in higher slaughter in the first half of 2008. Second-half production in 2008 is also increased based upon expected gains in pigs per litter and producer farrowing intentions. However, increased feed prices are expected to limit weight gains. Meat production forecasts for 2007 are increased slightly to reflect estimated December meat production.

Meat export forecasts for 2007 are raised reflecting strong October trade data and expectations of continued strength in a number of export markets. Pork and broiler export forecasts for 2008 are raised, but beef and turkey exports are unchanged.

Forecasts for 2008 cattle prices are raised because fed cattle supplies are expected to remain tight during the year. Hog price forecasts for 2008 are reduced on expanded supplies of hogs. The broiler price forecast for 2008 is fractionally higher as recent price strength carries into first quarter 2008. Forecast egg prices are increased through the first half of the year on strong demand and slow production response to record high prices.

A Meat Pitch By Nolan Ryan

Suffering from at least $50 million a week in lost beef exports, the U.S. cattle industry is fighting back with an assist from Baseball Hall of Fame pitcher Nolan Ryan.

Now a Texas cattle rancher, Ryan is part of a campaign by the Denver-based U.S. Meat Export Federation to help rebuild the markets lost in 2003 from concerns over mad cow disease.

Beef-industry officials also are hoping to capitalize on the growing middle class in developing countries, where consumers are expected to eat more beef in the coming decade.

The 60-year-old former hurler

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Indiana Probes Illness of Two Meat Plant Workers

Two employees of an unidentified pig slaughterhouse in Indiana are being treated medically for symptoms similar to a suspected neurological illness that sickened 12 workers at a Minnesota pork plant.

The federal Centers for Disease Control and Prevention notified the Indiana Department of Health in mid-December of a potential link, and state officials said today they are still trying to determine if there are any other workers at the plant who used a specific processing technique and might have exposed.

There are 30 hog plants in Indiana, and citing privacy concerns, the state won't reveal the name or location of the Indiana plant.

The illnesses here are not life-threatening, said Elizabeth Hart, a spokeswoman for the Indiana State Department of Health. The employees are seeking medical attention with their personal physicians.

She said it was unclear when those employees got sick, and that health officials in Indianapolis only became aware of the two illnesses during the first week in January. The Indiana workers' symptoms included changes in sensation and weakness in their limbs.

"This is very, very new to us," Hart said.

After the Minnesota slaughterhouse illness was reported in December, the CDC looked into slaughtering practices in 25 large pork processing plants in 13 states, and found only two other plants — one in Indiana, the other in Nebraska — that used compressed air to remove pigs' brains. Minnesota health officials said the pork plants in all three states, including Indiana, have voluntarily stopped the practice.

A Meat Pitch By Nolan Ryan

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discussed his tour of Japan last July that was a high-profile event in the beef-promotion effort.

"We got really good acceptance over there in Japan," Ryan said while attending a global beef conference presented by the International Livestock Congress.

"It's a slow process because of the political issues involved," he said, "but I think their people want more U.S. beef."

Japan was the top American beef export market until December 2003, when the first case of bovine spongiform encephalopathy, also known as BSE or mad cow disease, was discovered in the U.S.

Japan and several other countries have banned U.S. beef. While some exports have resumed in Japan and elsewhere, they are far lower than pre-2004 levels.

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Credit Briefs

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Topps Meat Company LLC
— Elizabeth, NJ —

Topps Meat Company's assets sold. Bankrupt Topps Meat Company LLC sold its assets January 8 for about $1.25 million.

However, the court-appointed bankruptcy trustee for Topps Meat told the Associated Press that all but $107,500 of the proceeds will go toward the reduction of the defunct entity's $14.26 million debt with RBS Citizens Bank.

The Topps name and some of the company's equipment were sold for $800,000 to TMC Acquisition Co. That entity names its principal as William Morris.

William "Billy" Morris is chief executive officer and majority member/ owner of Waycross, GA-based Flanders Provision Company LLC, a business that acquired the assets and certain liabilities, including trade debts, of Flanders Provision Co in May, 2007. Morris is also the 80% stockholder and chief executive officer of Bubba Foods LLC and chief executive officer and sole shareholder of Hickory Foods Inc, both based in Jacksonville, FL.

MSDT Acquisition Corp, an affiliate of Rochelle Park, NJ-based Premio Foods Inc, purchased Topps' lease and its flash-freezing equipment for $250,000.

The trustee entered into an agreement with MSDT last month under which the company agreed to purchase Topps Meat Company's machinery and equipment and the lease for the entity's manufacturing facility for $635,000. MSDT also said it would buy all the remaining packaged inventory for a separate payment of 10 cents per pound and raw material for five cents per pound. The cost of storage for the inventory was to be deducted from the sale proceeds and paid to the storage facilities to obtain the release of the product. That deal though was subject to higher and better offers and contingent upon bankruptcy court approval.

The court on January 8 approved the two sales. Topps Meat Company's summary statement filed with the bankruptcy court stated it held assets with an estimated value of just under $5.8 million, but that its liabilities totaled $15.2 million, $925,663 of which is unsecured debt, including consumer claims for refunds. Assets included an estimated $2.4 million for machinery and equipment and accounts receivable were estimated to be worth about $3 million. However, J & B Meats owes $1.7 million of that latter sum.

Deli Stars, LLC
— Paterson, NJ —

The U.S. Bankruptcy Court for the District of New Jersey verbally approved continued use of cash collateral for bankrupt Deli Stars LLC, but an order has yet to be entered on the court docket with full details.

The court last month granted Deli Stars interim use of cash collateral through January 10, but the official unsecured creditors' committee presented a motion for reconsideration of the interim cash collateral order dated December 19.

Greater Community Bank, Deli Stars' secured pre-petition lender, supports the company's continued use of cash collateral.

Deli Stars, which filed a petition for Chapter 11 bankruptcy relief on December 13, proposes to pay the $900,000 or so it owes to Greater Community Bank by January 11 out of the proceeds of ongoing sales of inventory and collection of receivables. The bank debt is secured by the debtor's accounts receivable and inventory, as well as other assets.

Deli Stars said last month that as of December 13 its accounts receivables totaled around $3 million, including some $2.6 million in trade receivables and $367,000 in loan receivables due from associated entities, and its inventory was worth $2.8 million. The company argues that paying down the bank quickly is advantageous to its estate and quickly doing so will enable it to avoid paying additional interest and attorneys' fees to the bank and will allow it to concentrate on the rest of the creditor body.

The debtor pleads that the use of cash collateral is necessary to maintain and continue operations if it is to succeed in its reorganization efforts.

Deli Stars' balance sheet filed with the court shows that as of December 13 its assets were worth $6.1 million, but it owed just under $11.3 million in total liabilities.

However, the general unsecured debt total includes debts owed to the limited liability company's members. In fact, the debt owed to the debtor's members comprises the greater portion of that sum. Andre Jaeckle, who holds a 50% interest in Deli Stars, lists an unsecured debt owed to him by the bankrupt entity of $5.2 million. James Burns, with a 25% interest in the debtor, claims an unsecured debt of $368,330. Gary Ricker, the managing member of Deli Stars and a 25% stakeholder, claims an unsecured debt of $628,926 is owed to him.

Greater Community Bank's $900,000 appears to be the only secured debt Deli Stars owes.

Deli Stars explained that its liquidity crisis resulted from several events that combined in the past year. First, the company said that the cost of dairy products, which constitutes about 40% of its raw materials costs, climbed in 2007 to an all-time high. Deli Stars also said that higher oil prices contributed to its financial difficulties, due not only to higher fuel surcharges on shipments, but because the ready-made platters utilize trays that are made from petroleum-based products.

The debtor said labor shortages at its Sioux, City, IA-based co-packer led to it being able to fulfill only between 60% to 70% of its orders,leading to additional waste and an increase in tray costs. Inadequate monitoring of the co-packers led to inferior quantity and quality too,impacting business relationships.

Deli Stars says its orders typically increase in the fall and winter months, meaning it must purchase more raw material. The events that led to the liquidity crisis meant it was difficult for Deli Stars to purchase sufficient product on terms from suppliers.

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Credit Briefs

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Gourmet Boutique, L.L.C.
— Jamaica, NY —

Home meal replacement manufacturer gets cash infusion.

Key Principal Partners, a private equity and mezzanine investor, revealed it invested $8 million to facilitate the growth of Gourmet Boutique LLC.

Jan Sussman, founder, president and shareholder of Gourmet Boutique, said the capital provided by Key Principal Partners "supports Gourmet Boutique's planned expansion and customer service enhancement goals."

Sussman explained the manufacturer of ready-to-eat prepared foods, which are made preservative-free but never frozen, expanded its Jamaica, NY production facility significantly over the past year and opened another state-of-the-art production plant in Arizona within the past two years. The expansion of Gourmet Boutique's production capabilities facilitates the company's distribution of its products to national supermarket chains, regional grocery stores and specialty retailers across the country.

Gourmet Boutique did not disclose sales figures, but Key Principal Partners invests in manufacturing, distribution and service-oriented companies with sales of between $30 million and $50 million and minimum earnings before interest, taxes, depreciation and amortization (EBITDA) of $5 million.

Companies in which Key Principal Partners invests must also have a history of growth and profitable operations.

Empire Beef Co., Inc.
— Rochester, NY —

Court enters dismissal order in Empire Beef case. The U.S. Bankruptcy Court for the Western District of New York officially entered an order January 10 for the dismissal of Empire Beef Co., Inc's Chapter 11 bankruptcy case.

The court on December 19 verbally gave the go ahead for the dismissal of the company's Chapter 11 proceedings.

Pursuant to prior court orders, post-petition vendors and service providers, including duly retained professionals, will be paid, or have been paid already, prior to the effective date of the dismissal order from cash preserved by the debtor for such purposes and/or as authorized by Bank of America and the committees that participated in the Chapter 11 proceeding.

The court agreed that the debtor's bankruptcy estate is administratively insolvent and that Empire Beef was highly unlikely to be able to get a plan of reorganization confirmed.

The court decreed that Empire's bankruptcy case shall be in all respects dismissed on the 11th calendar day following the entry of the order for dismissal. Furthermore, the court decreed the order for dismissal shall not be deemed to limit the right of any party to pursue non-bankruptcy remedies or claims against the debtor or its principals after dismissal.

Empire Beef sought Chapter 11 bankruptcy protection September 6 and filed notice the same day of an asset sale agreement.

The entity's intent was to sell substantially all of the assets associated with its commodity distribution and re-distribution businesses and a part of the portion control business. However, a little less than a month after the petition date, the proposed buyer terminated its contract to purchase those assets, citing that it was not able to obtain bankruptcy court approval in accordance with the parameters it believed necessary for a successful acquisition.

A major creditor filed a motion for dismissal when it received word that the pending sale of certain of Empire Beef's assets fell apart. Empire Beef fought dismissal of its Chapter 11 case for nearly two months.

Empire Beef submitted documentation to the court last month stating its petition should reflect assets of about $58.9 million and liabilities totaling $64.9 million. Of those liabilities, a total of $38.96 million was comprised of secured debt and a total of $25.3 million was comprised of unsecured debt. Empire Beef estimated around $22 million in 503(b)(9) claims.

It appears highly unlikely Empire Beef's secured debt will be paid in full, therefore making it highly unlikely that the entity's millions of dollars in unsecured debt will ever receive any distribution at all.

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The President's Message

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multiplied by 1.075 = $1,003,333.

Use this formula to calculate your company's Lump Sum Payment and then compare it to your current withdrawal liability to see the savings you would enjoy.

Even if your company cannot afford to make the lump sum payout, it may be advantageous to seek a loan or other financing in order to make the lump sum payment. This is something you will need to examine further with your accountant and other financial experts, but the costs associated with repaying such a loan may be tax-deducible and therefore would save your company additional money in the long run.

In either case, please consider all the possibilities involved with the Discounted Lump Sum Settlement arrangement.

Though termination of the 174 Pension Plan has been complicated, I am happy to report that the entire Board of Trustees has worked tirelessly to offer the industry some attractive options.

Special thanks are in order for my fellow Fund Trustees Boyd Adelman of Martahon Enterprises, Bob Burke of Thumann's, Willie Margolis of Boar's Head and Richard Abondolo of Local 174.

We also need to thank Fund counsel Neal S. Schelberg for his efforts on behalf of the Fund's members and beneficiaries.

Please feel free to call me at any time if you require further information on the Termination plan.

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