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January 19, 1999

**JIM RUEDE
NATIONAL STEAK & POULTRY**

USDA announced Friday, January 15, 1999, a dramatic expansion of its policy on E. Coli 0157:H7 in raw ground beef products. The agency says its interpretation of E. Coli 0157:H7 as an adulterant in ground beef, has been broadened to another large segment of the beef supply. Trimmings from larger beef cuts, as well as products that are tenderized and cubed are now included.

The magnitude of this new interpretation has far-reaching and unprecedented potential consequences for all segments of the meat industry. The USDA, in its briefing last week to industry officials, was unable to answer many questions regarding why or how this decision was reached, but made it clear the new policy takes effect immediately.

Food safety and product quality are essential cornerstones of IBP. We have long realized we cannot be successful without excellence in these areas. In fact, IBP has spent more than \$80 million in capital investments and increased operating expenses over the past three years to ensure food safety -- and we continue to invest more. However, eliminating the threat of foodborne illness requires more than additional government regulation of the nation's meatpacking industry. It requires a cooperative approach extending from farm to table, involving livestock producers, industry, government and the consumer.

While testing for E. Coli 0157:H7 has never been an effective tool to reduce or eliminate this pathogen, we have sampled beef trimmings for you when requested and understand that you, or companies to whom you supply product, may conduct similar product testing for E. Coli 0157:H7. As a service to our customers, we will continue to perform such sampling in the future, and certainly do not seek to prohibit you, or your customers, from independently conducting such testing. However, given the breadth of USDA's new "interpretation" regarding E. Coli 0157:H7, and the exposure to broad ranging recalls which necessarily results from the application of this interpretation, IBP is no longer able to bear the entire burden of these recalls itself. IBP does not introduce E. Coli 0157:H7 into the products it produces, and is not able to guarantee its elimination under current technology.

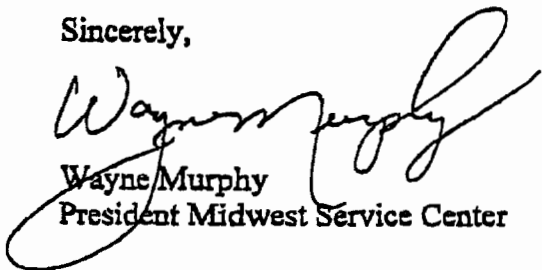


IBP has no choice but to offer, in consideration of IBP's agreement to continue shipments to you, two alternatives. Either first, you advise IBP that neither you, nor the companies to whom you supply this product, intend to conduct E.Coli 0157:H7 testing on the products supplied to you by IBP, or alternatively that you (or the companies to whom you supply this product) will continue such testing, but will accept responsibility for the costs and expenses associated with the recalls which occur as a result of positive results on such testing. Realize, if you chose the former, damages to IBP associated with your breach of your commitment to IBP will be the same as those for which indemnification is sought in the latter. By signing either commitment, your responsibility will include these same damages.

If you agree in writing as a term and condition of sale not to test the products for E. Coli 0157:H7, or to accept the responsibility associated with recalls if you do, we will continue to deliver product on a going forward basis.

For shipments from our facilities beginning January 20, 1999, we will need an acknowledgment in writing as to your intentions regarding testing for E Coli 0157:H7. Please execute the appropriate form since it will be required prior to shipments as of Wednesday, January 20, 1999.

Sincerely,


Wayne Murphy
President Midwest Service Center