Subject: Temporary Beef Situation

To: All State Distributing Agencies

As many of you may know, the Agricultural Marketing Service (AMS) has been unable to purchase all delivery units for further processing beef (i.e., A594 Coarse Ground Beef and A704 Boneless Beef) in recent weeks. This situation has resulted in temporary shortages at some of the further processors through no fault of their own. AMS and FNS are working together with the further processors during the temporary shortfall to ensure that immediate needs for processing beef are met to the extent possible with the available production. A number of actions including diverting deliveries; expediting invitations, awards and delivery dates; and, bringing new suppliers on board are being taken. We will continue to use all available resources to address the temporary shortages.

It is important to note that the shortage of processing beef is temporary and the result of unforeseen factors converging at once. Due to nationwide market and economic conditions, several contractors and subcontractors recently made business decisions to end or alter their longstanding supplier relationships with AMS. Obviously, these decisions will disrupt the supply chain. Furthermore as you are aware Fiscal Year 2008 fourth quarter funds for deliveries from July 1- November 15 were limited and prices were higher thus reducing the volume purchased.

In the short term, AMS officials are coordinating with the current suppliers to ramp up production to offset any shortages as soon as possible. At the same time, AMS is actively working with a several new suppliers to establish a solid production capability for future demand. We believe these strategies will be effective in meeting both the immediate and long-term needs of the recipient agencies for processing beef.

 Sincerely,

/s/   /s/

Cathie McCullough   William Sessions
Director   Associate Deputy Administrator
Food Distribution Division   Livestock and Seed Program
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