

SUSTAINABILITY REPORT – ENVIRONMENTAL PERFORMANCE

RESOLVED: Shareholders request the Board to issue a sustainability report by August 2005, at reasonable cost and omitting proprietary information, examining the environmental impacts of both company-owned and contract livestock operations.

SUPPORTING STATEMENT

XXX's Environmental Policy Statement indicates (company website) that the company will:

strive to prevent the release of substances that cause environmental harm to the air, water or land.

minimize waste through source reduction and recycling.

handle and dispose of wastes through safe, environmentally responsible methods.

conduct regular environmental assessments at our facilities and make recommendations for improvements.

encourage our business partners to strive for the same high levels of environmental performance.

review the impact on the environment during corporate planning and decision making.

However, our company does not issue a public environmental report. We observe that environmental performance is of increasing interest to investors. The environmental impacts of concentrated animal feeding operations (CAFOs) on air and water are of particular concern.

Leakage from CAFO waste lagoons and runoff have contaminated surface water and drinking water, impaired aquatic ecosystems, and reduced fish and shellfish harvests. U.S. EPA has adopted regulations to reduce runoff of animal wastes from CAFOs into waterways and several states have either restricted or banned new CAFOs. A study by Iowa State University concluded that "CAFO air emissions may constitute a public health hazard and that precautions should be taken to minimize" chemical and odor exposures from CAFOs. Numerous lawsuits have been filed by regulatory agencies and private plaintiffs, including class action claims, against odors, emissions and wastewater discharges from CAFOs in several states.

XXX relies on contract suppliers for its beef poultry and, especially, pork because the "hog production industry has been rapidly moving to very large, vertically integrated, year-round confinement operations operating under long-term supply agreements." The company reported in January 2004 10-K that it purchased 79% of its pork under long-term supply contracts. It is not clear how XXX ensures that its contract growers meet the EPA's standards for CAFOs, or what effect violations by contract suppliers or litigation against them would have on the company.

In a recent ruling that may have national implications, a U.S. District Court ruled that Tyson Foods shared responsibility for pollution stemming from farms owned by contract farmers in Kentucky. This ruling could potentially subject other CAFOs – such as those for pigs – to similar lawsuits.

We believe that reporting on the environmental impacts of animal production operations carried out on contract farms will provide investors with a better understanding of XXX's possible environmental liabilities and allow them to better assess XXX's business model.

We request that the report include information relating to water usage, significant air emissions, water sources and other ecosystems affected by runoff and discharges, indices of fines for non-compliance associated with environmental issues and the performance of suppliers relative to environmental guidelines and programs currently used by the company.