

Recycling Of Dogs And Cats

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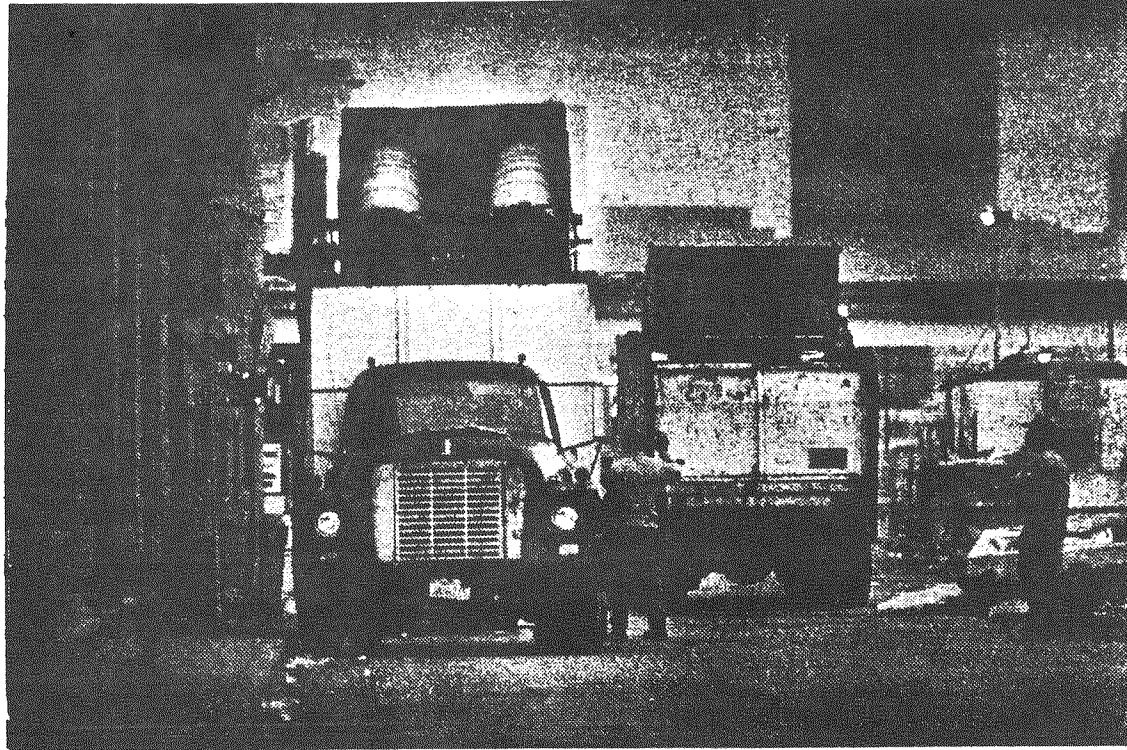
almost 40 years in the rendering business, said that it was common practice for his company to process dead pets into products sold to pet food manufacturers.

"For years we sold Ralston meat meal and they had dogs and cats in their product for years and didn't know it until somebody squawked," said the executive. But Ralston was the only company that stopped buying his product.

"I don't recall any other pet (food) manufacturer saying they wouldn't buy it," he said.

Most pet owners probably know as little as the feed companies about rendering of animals. When a pet dies, owners generally are told they can choose from a \$30 mass cremation, a \$70 individual cremation or a \$400 burial.

Or, for about \$15, they can have the county pick up the remains. That means rendering, though the word rarely is mentioned.



BY MICHAEL MALONEY/THE CHRONICLE

A rendering company truck picked up two barrels of dead dogs and cats at a Bay Area animal shelter

Even industry insiders are often unaware of where pets end up. A random survey of nine local pet hospitals disclosed that five tell clients that pets disposed of by the county are cremated, while a sixth

said the county buries the pets in mass graves.

"I've got to put my main focus and concern on saving lives," said Carl Friedman, director of San

Francisco County's animal shelter. "My knowledge pretty much stops after the animal is euthanized."

Tomorrow: The pet-food business.

How Junk Bonds Helped One Renderer

When animal scraps and junk bonds converged at a company named Darling-Delaware, the result became a bonanza for a group of well-known Texas financiers.

Less than three years after buying control of the largest rendering company in the United States for \$16.5 million, the investors group last year gave themselves a \$160 million cash dividend.

That's a tenfold — or 1,000 percent — return on their money.

The payment did not do much for the 108-year-old rendering company, of course, pushing Darling-Delaware from a profit machine to a net loser. To shore up its finances and repay private notes used to create the dividend, Darling-Delaware last spring sold \$175 million of high-yielding junk bonds through Drexel Burnham Lambert.

The prospectus issued in connection with the junk-bond sale offers a rare inside look at Darling-Delaware and the closed-mouthed rendering industry.

The document indicates that Richard Rainwater, who has close ties to Fort Worth's billionaire Bass family, and Edward W. (Rusty) Rose III, co-owner of the Texas Rangers baseball team with the eldest son of President Bush, headed the investor group that acquired control of Darling-Delaware in August 1986.

The company, which includes

A dividend payout changed the company from a money machine to a net loser

such affiliates as Fat People Transport Inc., is the oldest rendering company in the United States. It was founded by the Swift meat-packing company and the Darling family in 1882 and operated under continuous family ownership until its acquisition.

Backed by the issuance of private notes sold through junk-bond king Drexel Burnham Lambert, Darling went on an acquisition spree. It acquired 17 rendering plants between 1986 and 1989.

Sales zoomed to \$402.8 million in 1988 from \$217.3 million in 1985, while earnings from operations doubled to \$34.5 million. But the profit turned to a loss after the cash dividend payments.

Darling operates 41 rendering plants and three pet food manufacturers. Its California rendering companies include Royal Tallow in San Francisco and facilities in Turlock, Fresno and Los Angeles.

Darling processes an average of 97 million pounds a week of animal byproducts, about 15 percent of total U.S. rendering volume.

It operates a fleet of 1,000 trucks to collect raw material.

The prospectus indicates that 42 percent of the raw material comes from meat packers, 18 per-

cent from grocery stores and butcher shops, 14 percent from poultry processors, 10 percent from boning houses, 8 percent from restaurants and 8 percent from miscellaneous sources.

After processing, about 42 percent of its finished products are used as ingredients in livestock feed; 25 percent in consumer and industrial products such as cosmetics, paint and rubber; 15 percent in soap; 10 percent in pet food; and 8 percent in other unspecified products.

About 32 percent of its output is exported, principally to Europe, the Soviet Union, South Korea, Japan, the Republic of China on Taiwan, Mexico, Pakistan and South America.

Its future seems secure, since it claims "there is no legal or practical alternative for disposal of animal by-products or restaurant grease other than rendering services because of federal, state and local environmental regulations."

—John Eckhouse