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***Presentation to  
1999 USDA Agricultural Outlook Forum  
Washington, DC***

***U. S. Premium Beef  
A Beef Marketing Strategy for the Next Millenium  
By: Steve Hunt  
CEO***



# **Beef Industry Vision Statement**

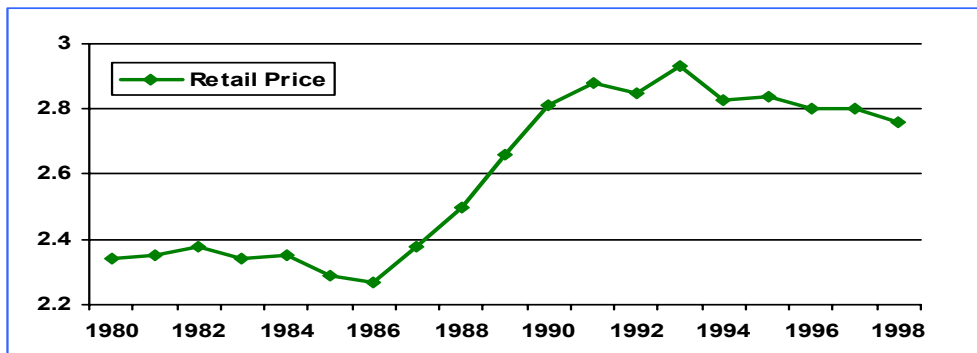
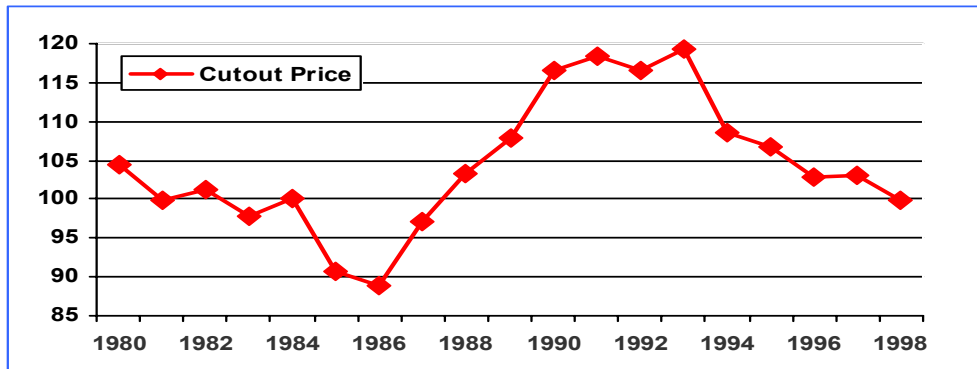
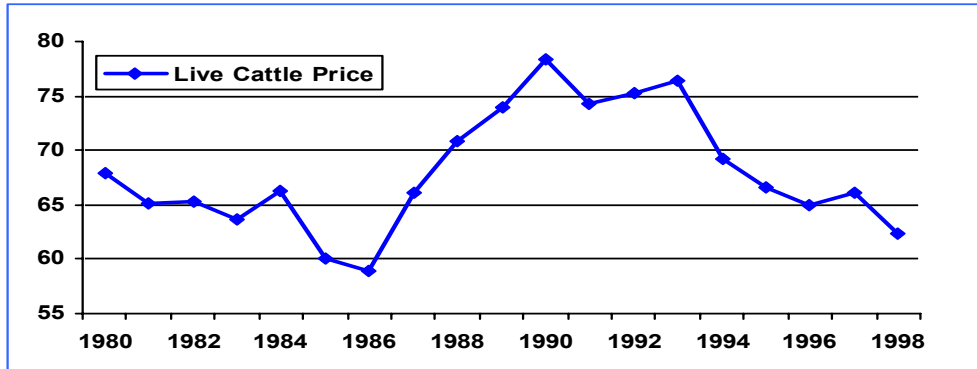
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**A dynamic and profitable industry  
which concentrates resources around a  
unified plan, consistently meets  
consumer needs and increases demand.**

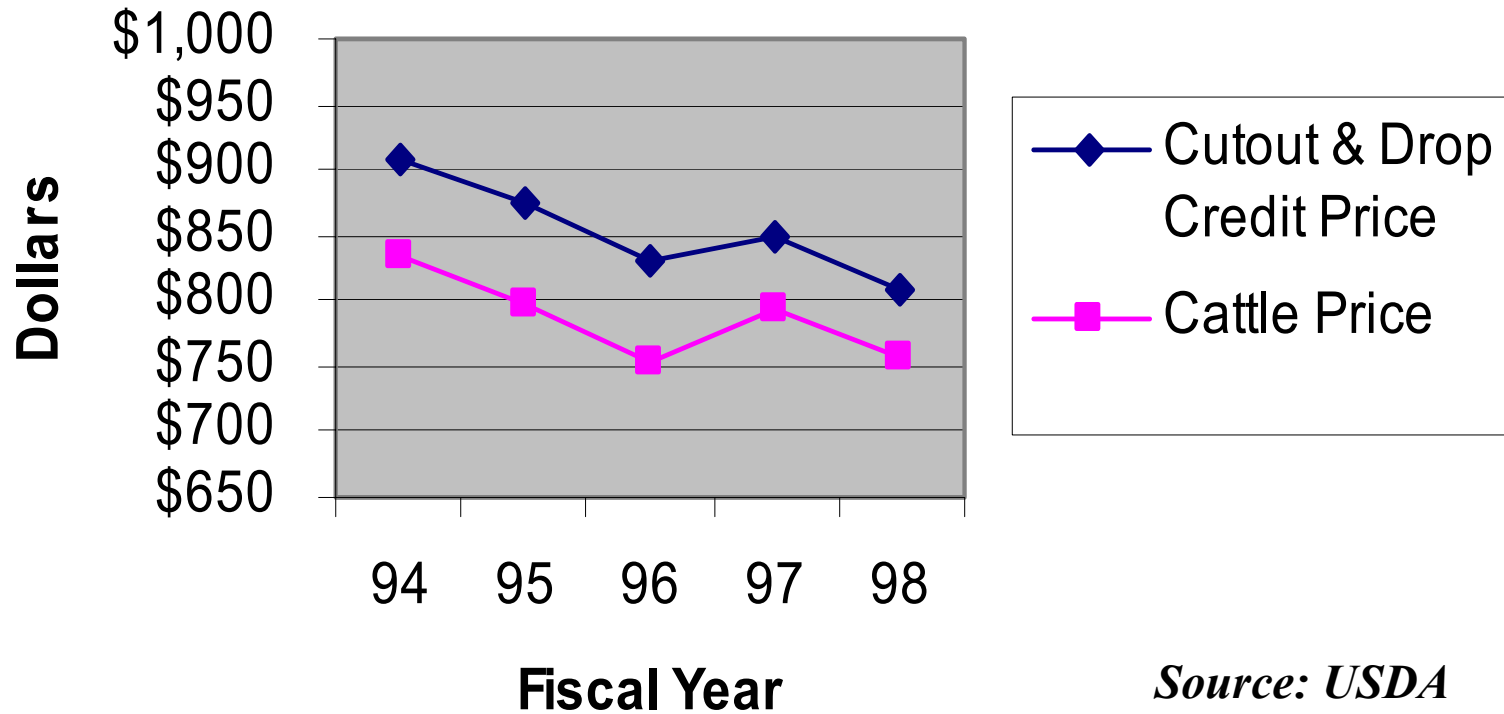


# Who is making the money?

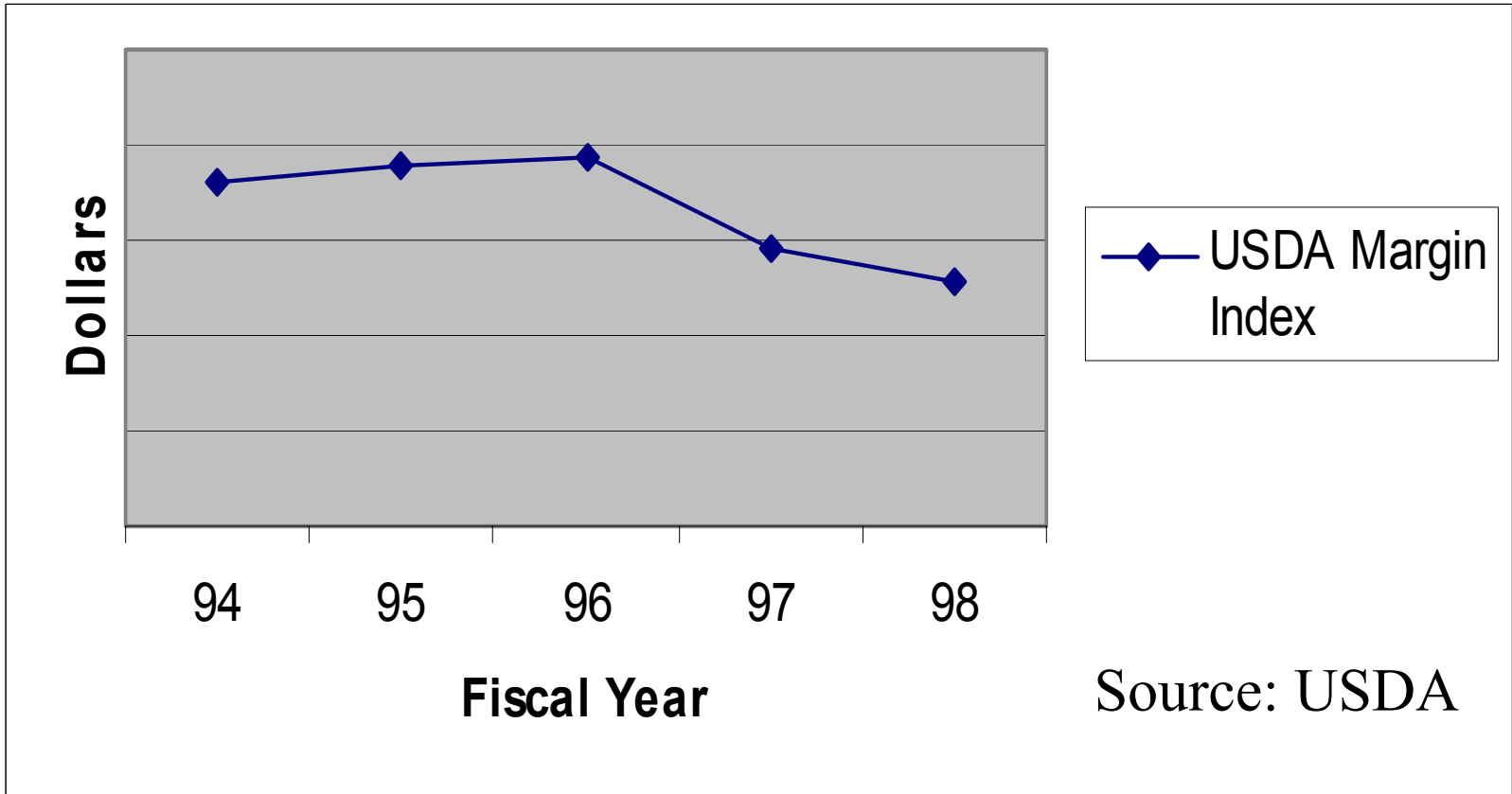


Source: USDA

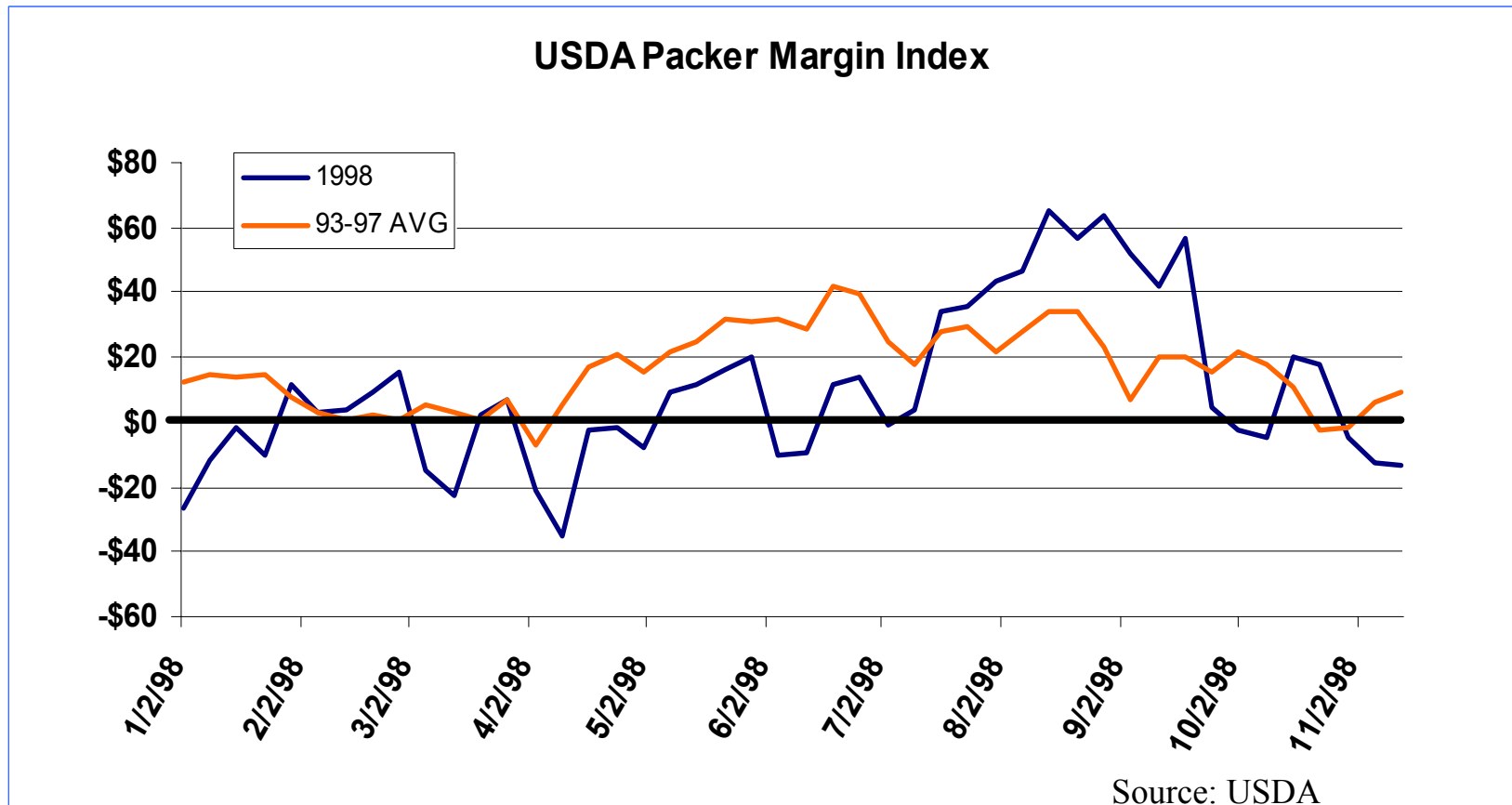
# Cutout + Drop Vs. Cattle Price



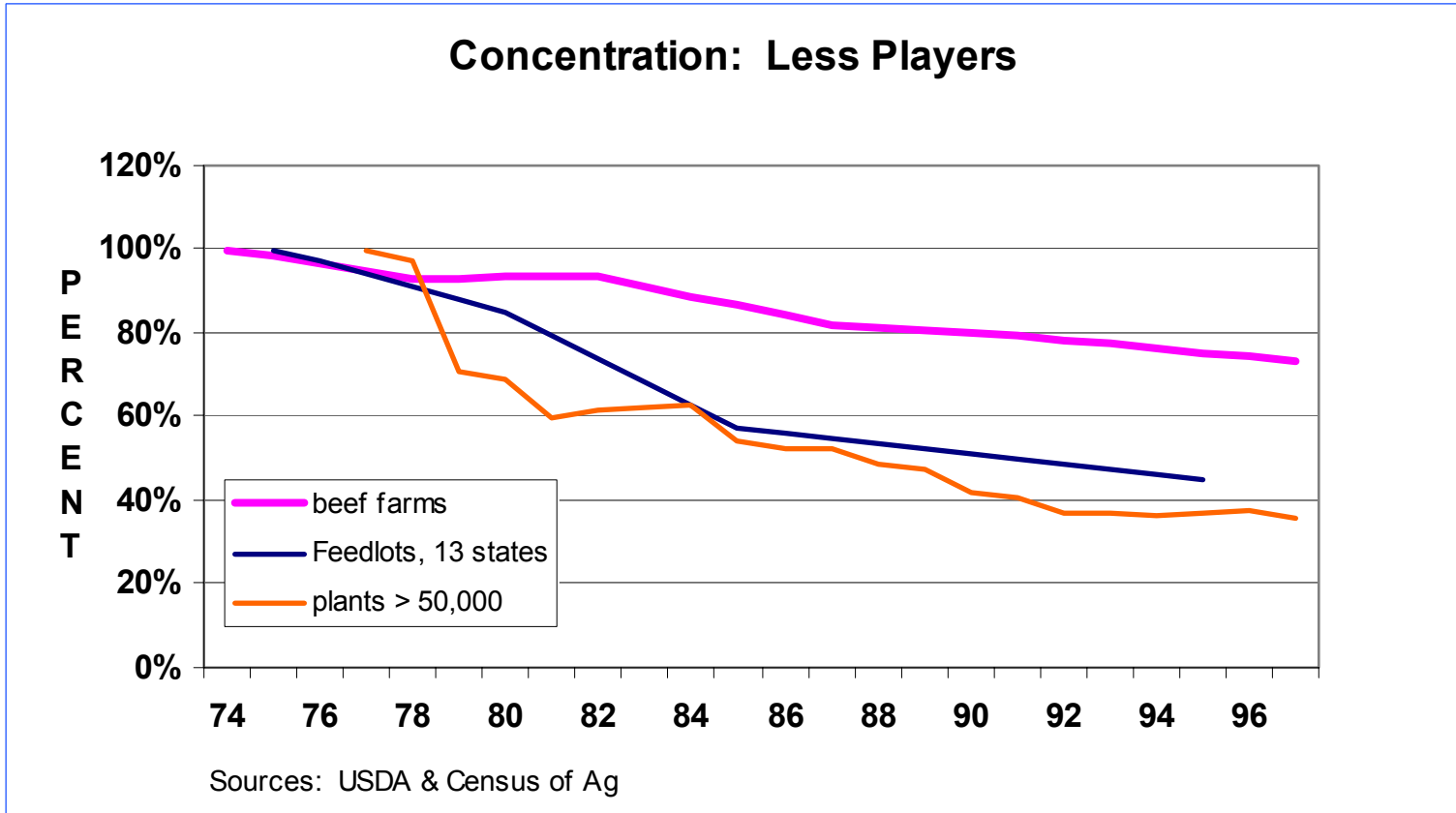
# USDA Gross Packer Margins



# USDA Weekly Packer Margin Index

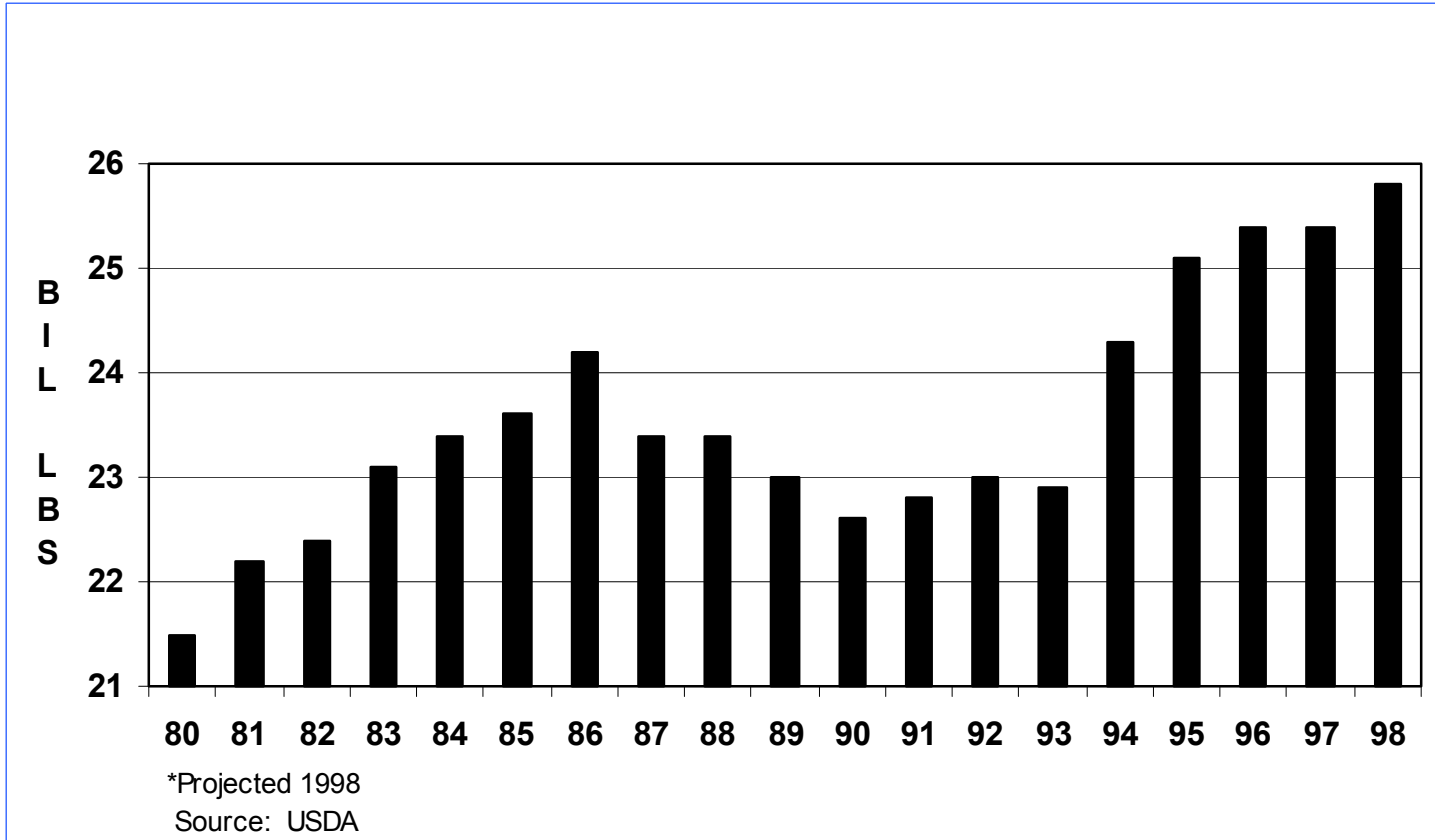


# Industry Concentration

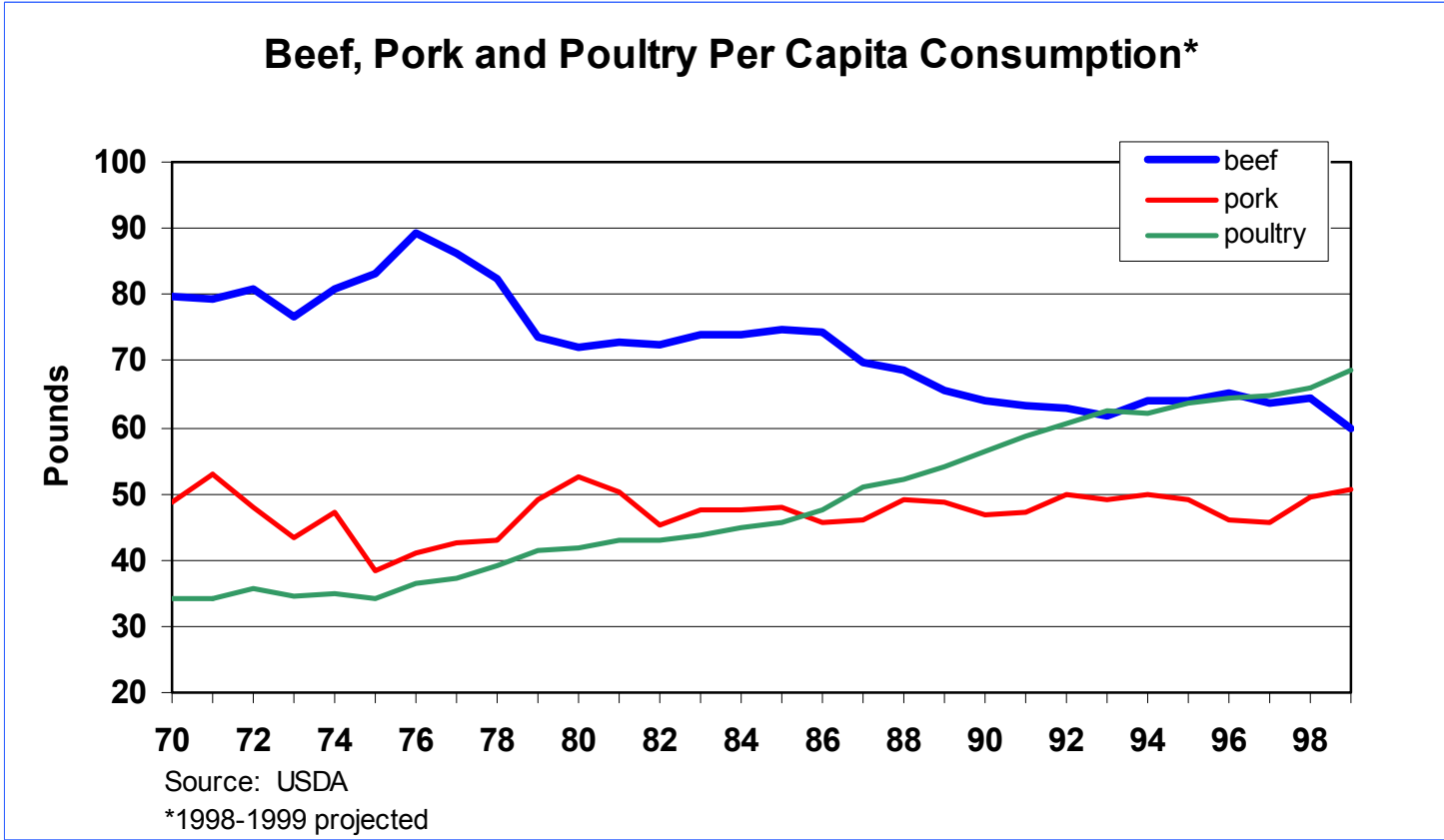




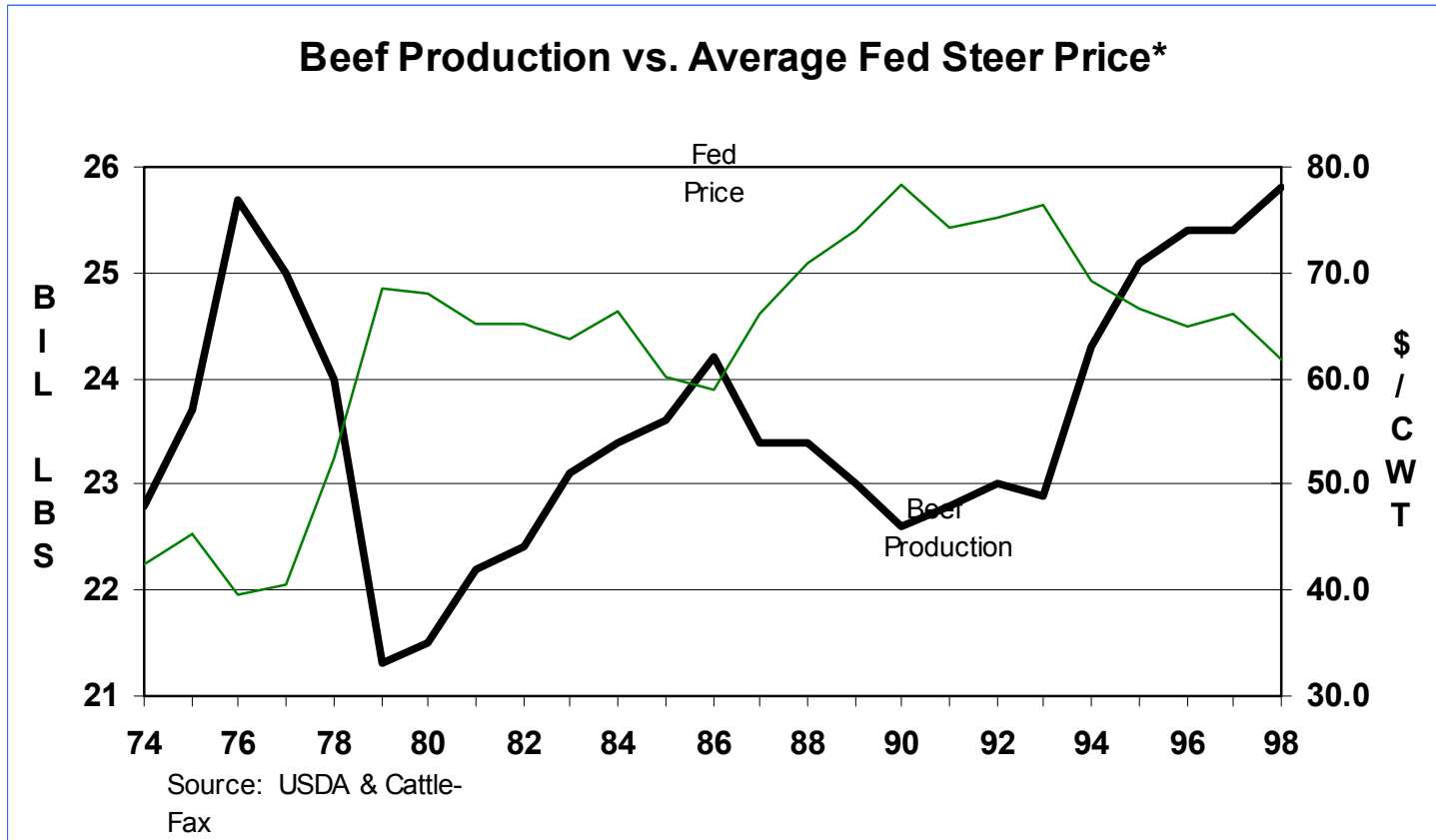
# Beef Production



# Consumption



# Production vs. Price



## **Summary of Facts**

- ◆ **Captive Supply**
- ◆ **Abundant Supplies**
- ◆ **Flat Demand**
- ◆ **Increased Competition**
  - **Efficiency**
  - **Effectiveness**

## **Keys to Achieve Mission**

- ◆ **Value Based Pricing**
- ◆ **Carcass Information**
- ◆ **Ownership**
  - **Full value**
  - **Value-added products**

# **USPB**

## **Mission Statement**

- ◆ **“To increase the quality of beef and long-term profitability of cattle producers by creating a fully integrated producer-owned beef processing system that is a global supplier of high quality value-added beef products responsive to consumer desires.”**



## **USPB Program**

- ◆ **Own Farmland National Beef Packing Co.**
- ◆ **Equal Governance**
- ◆ **One time cost of \$55 per head (\$7/yr.)**
- ◆ **Deliver/Processing Commitment**
- ◆ **Industry Leading Grid**
- ◆ **Carcass Data**



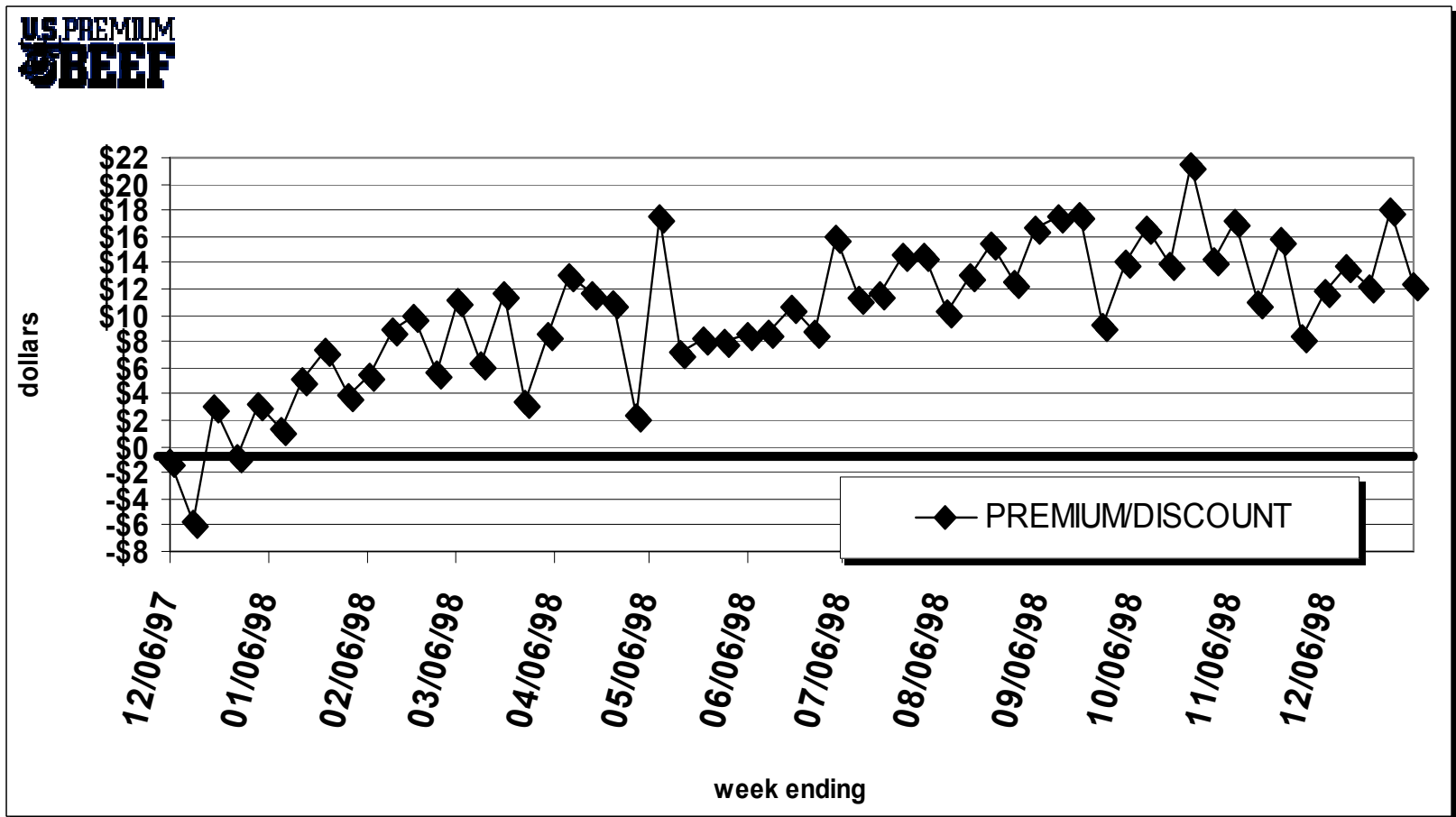
## **USPB Results**

- ◆ **Began Operations on December 1, 1997**
- ◆ **Delivered 500,000 cattle**
- ◆ **Averaged 8,500 cattle / week**
- ◆ **\$4.5 million in premiums over cash YTD**
- ◆ **\$9.00 average premium over cash**
- ◆ **\$29 top 25% ave. premium**
- ◆ **USPB Year-end earnings of \$3.9 million**
- ◆ **USPB earnings of \$12 per head**
- ◆ **Ave. ROI of 37.5%**





# USPB Average Weekly Premiums



# USPB Single Week Performance

lot#	Head	Sex	Yield	Prime	Choice +	USPB SORTED BY PREMIUM										PREMIUM
						CAB	10/27/98 Ungraded	yg1	yg2	yg3	yg4	yg5	light	heavy		
360	116	S	63.85	20.59	88.98	33.6	0.79	4.95	35.28	59.77	0	0	0.00	3.20	\$ 61.36	
403	52	H	65.59	2.13	79.09	23.38	0	3.71	76.36	18.2	1.73	0	0.00	0.00	\$ 59.30	
404	52	H	65.38	4.4	77.03	22.74	1.9	0	76.61	23.39	0	0	0.00	0.00	\$ 57.53	
262	211	H	65.85	2.9	62.43	8.64	4.17	11.48	47.32	38.35	2.85	0	0.00	0.00	\$ 48.19	
102	51	S	65.02	0	74.8	6.15	1.91	1.91	64.67	31.2	2.22	0	0.00	0.00	\$ 46.84	
562	132	H	65.11	8.63	82.11	16.19	1.37	2.18	32.24	51.52	14.06	0	0.00	5.24	\$ 46.28	
165	127	H	64.16	7.1	80.56	11.32	0.75	1.45	41.82	51.88	4.85	0	0.00	0.00	\$ 45.79	
164	254	H	65.21	3.63	75.01	7.13	1.16	3.79	37.26	53.23	5.72	0	0.00	4.08	\$ 45.53	
468	133	H	64.73	6.04	75.86	19.14	1.52	1.5	33.22	58.12	7.16	0	0.00	5.26	\$ 42.24	
307	43	Mixed	63.08	11.83	90.62	0	0	18.01	70.26	11.73	0	0	0.00	2.98	\$ 37.77	
664	60	H	64.9	1.63	72.14	9.45	3	7.51	25.16	62.61	4.72	0	0.00	0.00	\$ 36.00	
668	30	Mixed	64.92	0	56.83	7.08	3.05	16.81	69.87	13.32	0	0	0.00	0.00	\$ 35.59	
501	65	S	64.14	1.73	80.67	3.06	1.59	0	52.27	44.37	3.36	0	0.00	1.88	\$ 34.94	
660	248	H	63.69	4.65	81.09	6.68	3.14	1.56	26.23	65.71	6.5	0	0.00	0.00	\$ 33.04	
304	83	S	64.51	4.84	61.44	16.91	0	0	35.62	60.49	3.89	0	0.00	0.00	\$ 33.03	
263	45	S	64.69	0	60.76	9.16	6.47	10.39	55.09	34.52	0	0	0.00	2.55	\$ 32.62	
320	75	S	63.92	8.56	70.77	27.2	7.96	7.94	59.94	29.47	2.65	0	0.00	0.00	\$ 32.57	
401	138	H	66	0	44.39	6.75	8.56	3.58	72.76	22	1.66	0	0.52	0.91	\$ 31.58	
201	88	H	65.04	5.1	67.35	3.45	3.73	6.49	56.06	27.93	9.52	0	0.75	0.00	\$ 31.05	
202	84	H	62.7	4.6	81.28	41.49	0.81	1.23	62.04	36.73	0	0	0.81	0.00	\$ 30.03	
161	128	H	64.12	1.48	68.79	5.24	0	14.89	53.01	28.78	3.32	0	0.00	0.00	\$ 29.96	
469	129	H	64.39	4.12	64.6	9.81	2.1	4.18	39.5	49.36	6.96	0	0.00	0.00	\$ 29.57	
163	60	H	65.83	0	42.7	5.08	7.94	11.36	50.4	38.24	0	0	0.00	0.00	\$ 28.62	
503	25	S	63.05	3.58	88.94	13.2	0	0	43.04	56.96	0	0	0.00	10.56	\$ 28.25	
563	115	H	65.35	1.75	53.92	1.81	7.19	7.95	41.13	44.72	6.2	0	0.00	0.00	\$ 27.46	
204	62	S	62.77	0	77.33	37	0	0	23.99	76.01	0	0	0.00	0.00	\$ 27.25	
464	150	S	64.8	3.95	68.47	6.46	1.62	9.64	39.54	41.15	9.67	0	0.00	4.32	\$ 27.12	



## **USPB Results (Cont.)**

- ◆ **Marketing Opportunities**
- ◆ **New Product Development**
- ◆ **Acquired KC Steaks**



## In Conclusion

- ◆ Move toward Coordination vs. Isolation
- ◆ Selling Meals vs. Cattle
- ◆ Explore Alternative Marketing
- ◆ Must Support Efforts to Develop Creative Solutions to the Problems

