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

A dynamic and profitable industry which concentrates resources around a unified plan, consistently meets consumer needs and increases demand.
Who is making the money?

**Live Cattle Price**

- 1980: 60
- 1982: 75
- 1984: 65
- 1986: 70
- 1988: 80
- 1990: 90
- 1992: 85
- 1994: 75
- 1996: 70
- 1998: 65

**Cutout Price**

- 1980: 2.2
- 1982: 2.4
- 1984: 2.6
- 1986: 2.8
- 1988: 3.0
- 1990: 2.6
- 1992: 2.4
- 1994: 2.2
- 1996: 2.0
- 1998: 1.8

**Retail Price**

- 1980: 2.2
- 1982: 2.4
- 1984: 2.6
- 1986: 2.8
- 1988: 3.0
- 1990: 2.6
- 1992: 2.4
- 1994: 2.2
- 1996: 2.0
- 1998: 1.8

Source: USDA
Cutout + Drop Vs. Cattle Price

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Source: USDA
USDA Gross Packer Margins

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Source: USDA
USDA Weekly Packer Margin Index

Source: USDA
Exhibit E

Industry Concentration

Concentration: Less Players

- beef farms
- Feedlots, 13 states
- plants > 50,000

Sources: USDA & Census of Ag
Exhibit F

**Beef Production**

*Projected 1998*

Source: USDA
Consumption

Beef, Pork and Poultry Per Capita Consumption*

Source: USDA
*1998-1999 projected
Exhibit H

Production vs. Price

Beef Production vs. Average Fed Steer Price*

Source: USDA & Cattle-Fax
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
“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

PREMIUM/DISCOUNT
# USDA Agricultural Outlook Forum 1999

## USPB Single Week Performance

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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**