Feedyard:	Example Feedlot		
NBP Lot #:	202	USPB Lot # 126543	
Method:	**USPB Naturewell Grid**		
Harvest:	5/27/13	Plant:	Liberal
FY Lot #:	100	Pen #	2

Cattle Settlement
Example Worksheet

U.S. PREMIUM BEEF

Lot Statistics

Live Wt:	132,000	Hot Yield:	63.98%	Avg Wt:	1,320	Net Live Price:	$123.68	Net Prem/Disc:	$98.17 /Hd
Hot Wt:	84,454			Avg Wt:	845	Net Hot Price:	$193.31	Net Live Difference:	$7.44 /cwt
								Gross Prem/Disc:	**$99.61** /Hd

Base Price	
USDA Kansas Weekly Average	116.24
Formula Allowance	0.25
Grid Allowance	3.50
Base Live Price	119.99
Hot Yield Threshold	63.86%
Base Hot Price	187.90

Premium Summary	
Choice	$10.14
Prime	$24.96
CAB	$5.04
BCPR	$2.00

Steers	**Head**	**Live Wt**	**Hot Wt**	**Base Price**	**Amount**	**$/cwt hot**	**$/Hd**
Base Lot Amount	100	132,000	84,454	187.90	158,688.31	187.90	1586.88
Quality Grade Adjustments					3,615.19	4.28	
Yield Grade Adjustments					-637.75	-0.76	
Weight Adjustments					-243.75	-0.29	
Other Adjustments					1,975.49	2.34	
Gross Cattle Proceeds	100	132,000	84,454		163,397.49	193.48	1633.97
Excess Freight					-144.00	-0.17	-1.44
Net Cattle Proceeds					163,253.49	193.31	1632.53

Quality Grade Adjustments		Head	Hot Wt	Actual	Threshold	Price	Weight Diff	Extension	$/Hd
	Prime	6	5,321	6.30%		24.96	5,321	1,328.12	
	Choice or Higher[1,2]	85	71,786	85.00%	55.00%	10.14	25,336	2,569.07	
						0	46,450	0.00	
	Select	13	11,060	13.10%		0	11,060	0.00	
	Ungraded	1	800	0.95%		-10.00	800	-80.00	
	Hard Bone	1	808	0.96%		-25.00	808	-202.00	
Total Quality Grade Adjustments								3,615.19	36.15
Carcass Adjustments									
	CAB	40	33,781	40.00%		5.04	33,781	1,702.58	
	BCPR	21	17,735	21.00%		2.00	17,735	354.71	
	Over 30 Months	1	818	0.97%		-10.00	818	-81.80	
Total Carcass Adjustments								1,975.49	19.75
Yield Grade Adjustments									
	YG1	5	4,476	5.30%	19.30%	3.00	-11,824	0.00	
	YG2	31	26,181	31.00%	42.71%	1.50	-9,890	0.00	
	YG3	51	42,854	50.74%	32.28%	0.00	15,592	0.00	
	YG4	12	10,134	12.00%	5.36%	-10.00	5,608	-560.80	
	YG5	1	809	0.96%	0.35%	-15.00	513	-76.95	
Total Yield Grade Adjustments								-637.75	-6.38
Weight Adjustments									
	575 and down	1	575	0.68%		-15.00	575	-86.25	
	1050 and up	1	1,050	1.24%		-15.00	1,050	-157.50	
Total Weight Adjustments								-243.75	-2.44
Total Adjustments to Net								4,709.18	47.09

[1] USDA Grading Service applies USDA Prime, Choice, and Select Grades and USDA certified programs. All other grades are determined in-house. National Beef Packing Co. LLC maintains detailed descriptions and procedures for all Quality and Yield Grade calculations at each processing facility that are available to producers marketing cattle to NBP via Grid, Formula or Grade & Yield. This hypothetical example is for promotional and educational purposes and may differ slightly from actual worksheets used for payment. Actual grid inputs change weekly. Please call **866-877-2525** for current information.

[2] Cattle grading between 45% and 55% "Choice or higher" receive no premium or discount. Above 55% will get a premium. Below 45% will get a discount.

U.S. Premium Beef, LLC "*Naturewell*®" Natural Base Grid

- **Cattle Type:** Naturewell® Natural Beef is limited to Black or Red Angus and Angus cross steers and heifers. Angus qualification can be based on either phenotype (visual appearance) or genotype (proof of genetics). For Black Angus phenotype, an individual animal must be 51% or more black hided. For Red Angus phenotype, an animal must be polled and either 100% solid red or solid red with a white face (not Hereford). No Brahman or dairy breed influence is allowed. Phenotype approval will be conducted by National Beef employees during receiving at the plant. For optional genotype confirmation, cattle can be enrolled in the Angus Source® or Red Angus Feeder Calf Certification Program. Enrollment in these programs is not mandatory if using the phenotype option. USPB reserves the right to refuse delivery of individual cattle or entire pens based on visual appraisal.
- **Natural:** Naturewell® cattle may ***not*** be given (administered) any **antibiotics or hormone implants during the last 120 days prior to harvest**. Ionophores, such as Rumensin are allowed. They must be fed a **100% vegetarian diet** which means no animal byproducts from all species (including tallow) and they are required to be corn-fed for a minimum of the final 120 days in the feedlot. In addition, Naturewell™ cattle must be raised and handled under animal welfare guidelines as defined by National Beef Packing Company, LLC (NBP). Feedlots must become an approved supplier before they participate.
- **Base Price:** The base live price for the grid will be the Kansas weighted average price from USDA Price Reporting data for the week prior to delivery plus $0.25 per cwt. An additional allowance of $3.50 per cwt. of live weight will be added for groups that meet the requirements for Naturewell®. The base carcass price is determined by dividing the base live price by the hot yield threshold. The hot yield threshold will be the weekly plant average hot carcass yield for non-formula cattle purchased in Kansas by NBP or 64% whichever is lower. No USPB cattle are included in the hot yield threshold.
- **Premiums & Discounts:** Actual performance of cattle will be compared to a base of 55% Choice or higher for Choice premiums and a base of 45% **Choice or higher** for Select discounts. Cattle grading between 45% and 55% Choice will not receive premiums or discounts. The Choice premium/discount will be calculated using a four week rolling average of the USDA-reported Choice/Select cutout spread. **Prime and Certified Angus Beef®** (CAB) premiums are calculated using Weekly USDA Prime (LM_XB456) and CAB (LM_XB452) beef cut prices minus $0.0075/lb. Respective weekly Prime and CAB cutout values are calculated as a premium over USDA Choice for that particular week using adjusted Prime and CAB beef cut prices, 2004 USDA primal/carcass standards and NBP average carcass weight. Prime and CAB premiums will be determined by blending the four-week rolling average spread of USDA-reported boxed beef cutout values for Prime and CAB versus Choice together with a floor value of $8/cwt. for Prime or $3/cwt. for CAB. Prime and CAB premiums will not drop below the floor values. **Black Canyon® Premium Reserve** (BCPR) premium is fixed at $2.00/cwt. **Yield Grade** premium/discount calculations will be based on the four-week rolling plant average performance of non-formula cattle purchased within Kansas by NBP during the preceding four weeks. Yield Grade 1 and 2 will receive a premium for the total carcass weight above plant average, but will not be discounted if below plant average. Yield Grade 4 and 5 will be discounted for the total carcass weight above plant average, but will receive no premium for being below plant average.

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Category	Threshold	Premium/Discount (+/-)
Prime	none	+ Blend of Prime/Choice spread** and $8/cwt. floor
Certified Angus Beef®	none	+ Blend of CAB/Choice spread** and $3/cwt. floor
Black Canyon® Prem. Reserve*	none	+ Fixed at $2.00/cwt.
Choice or higher	55% CH or higher	USDA Cutout spread** × weight difference above 55% Choice (premium)
Select	45% CH or higher	USDA Cutout spread** × weight difference below 45% Choice (discount)
Ungraded	none	- $10/cwt. (includes all grades below Select, but not Hardbone)
Hardbone	none	- $25/cwt.
Over 30 months	none	-$10/cwt. (determined by dentition; do not get Prime or CAB premiums)
YG 1	4 week plant avg**	+ $3/cwt. (Premium only for greater than plant average**, no discounts)
YG 2	4 week plant avg**	+ $1.50/cwt. (Premium only for greater than plant average**, no discounts)
YG 3	4 week plant avg**	none
YG 4	4 week plant avg**	- $10/cwt. (Discount only for greater than plant average**, no premiums)
YG 5	4 week plant avg**	- $15/cwt. (Discount only for greater than plant average**, no premiums)
575 lb. carcass and under***	none	- $15/cwt.
1,050 lb. carcass and over***	none	- $15/cwt.

* Black Canyon® Premium Reserve requires the animal be at least 51% solid black hair coat, Small 50 marbling or higher, and "A" maturity.
** Four-week rolling average
*** Out weight carcasses are included in determining the averages for Quality and Yield grades.
It is understood that the premium/discount structure will be modified as warranted.

- **Settlement:** A cash advance will be issued on the day of delivery equal to 85% of the USDA weighted average live price for the week prior to delivery. A final check will be issued when the final grade, plant averages and settlement grid values are determined, typically Monday, Tuesday or Wednesday of the week after delivery.
- **Freight:** USPB offers a transportation credit of up to $0.60 per cwt. of live weight.
- **Carcass Data:** Individual carcass data will be provided at **no charge** but must be requested when scheduling cattle with USPB.
- **Forward Contracting:** USPB offers an option to forward contract grid cattle with a basis bid contract. Call USPB at 866-877-2525 for current bids.