

Feedyard: Example Feedlot
 NBP Lot #: 236 USPB Lot # 92877
 Method: **USPB Naturewell Grid**
 Harvest: 1/2/09 Plant: Dodge City
 FY Lot #: 161 Pen # 27

**Cattle Settlement
 Worksheet ¹**
 «Example»



Lot Statistics

Live Wt: 125,000 Hot Yield: 63.77% Avg Wt: 1,250 Net Live Price: \$97.32 Net Prem/Disc: \$61.89 /Hd
 Hot Wt: 79,713 Avg Wt: 797 Net Hot Price: \$152.61 Net Live Difference: \$4.95 /cwt
 Gross Prem/Disc: **\$66.86 /Hd**

Base Price	
USDA Kansas Weekly Average	92.37
Formula Allowance	0.25
Grid Allowance	2.75
Base Live Price	95.37
Hot Yield Threshold	63.44%
Base Hot Price	150.32

Prem Summary	
Choice	\$7.79
Prime	\$17.89
CAB	\$3.87
BCPR	\$2.37

Steers	Head	Live Wt	Hot Wt	Base Price	Amount	\$/cwt hot	\$/Hd
Base Lot Amount	100	125,000	79,713	150.32	119,823.83	150.32	1198.24
Quality Grade Adjustments					1,558.91	1.96	
Yield Grade Adjustments					-318.40	-0.40	
Weight Adjustments					-150.30	-0.19	
Other Adjustments					1,232.55	1.55	
Gross Cattle Proceeds	100	125,000	79,713		122,146.59	153.23	1221.47
Excess Freight					-497.26	-0.62	-4.97
Net Cattle Proceeds					121,649.33	152.61	1216.49

Quality Grade Adjustments	Head	Hot Wt	Actual	Threshold	Price	Wt Diff	Total \$	\$/Hd
Prime	3	2,391	3.00%		17.89	2,391	427.64	
Choice or Higher ²	70	55,400	69.50%	50.00%	7.79	15,544	1,210.97	
					0	39,856	0.00	
Select	29	23,515	29.50%		0	23,515	0.00	
Ungraded	1	797	1.00%		-10.00	797	-79.70	
Hard Bone	0	0	0.00%		-25.00	0	0.00	
Total Quality Grade Adjustments							1,558.91	15.59

Carcass Adjustments								
CAB	21	16,740	21.00%		3.87	16,740	648.61	
BCPR	15	11,957	15.00%		2.37	11,957	283.94	
Over 30 Months	0	0	0.00%		-10.00	0	0.00	
Total Carcass Adjustments							932.55	9.33

Yield Grade Adjustments								
YG1	3	2,391	3.00%	10.29%	3.00	-5,812	0.00	
YG2	23	18,334	23.00%	37.92%	1.50	-11,889	0.00	
YG3	59	47,030	59.00%	40.57%	0.00	14,688	0.00	
YG4	14	11,160	14.00%	10.01%	-10.00	3,184	-318.40	
YG5	1	797	1.00%	1.21%	-15.00	-170	0.00	
Total Yield Grade Adjustments							-318.40	-3.18

Weight Adjustments								
575 and down	0	0	0.00%		-15.00	0	0.00	
1000 and up	1	1,002	1.26%		-15.00	1,002	-150.30	
Total Weight Adjustments							-150.30	-1.50

Lot Adjustments								
Age & Source Verified, \$/head					35.00	0	0.00	
Steer Premium, \$/head					3.00	0	300.00	
Total Lot Adjustments							300.00	3.00

Total Adjustments to Net								
							2,322.76	23.23

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 40% and 50% "Choice or higher" receive no premium or discount. Above 50% will get a premium. Below 40% 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, individual animals must be 51% or more black hided. For Red Angus phenotype, each 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, ionophores or hormone implants during the last 120 days prior to harvest**. 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 humanely raised and handled as defined by U.S. Premium Beef, LLC. 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 \$2.75 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 National Beef Packing Company, LLC (NBP) or 63.75% 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 50% Choice or higher for Choice premiums and a base of 40% Choice or higher for Select discounts. Cattle grading between 40% and 50% 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 7.5 cents/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 will be \$1.50/cwt lower than the CAB premium. **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.

<u>Category</u>	<u>Threshold</u>	<u>Premium/Discount (+/-)</u>
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	+ CAB premium minus \$1.50/cwt
Choice or higher	50% CH or higher	USDA Cutout spread** × weight difference above 50% Choice (premium)
Select	40% CH or higher	USDA Cutout spread** × weight difference below 40% 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
1,000 lb carcass and over***	none	-\$15/cwt
Steer premium†	none	+ \$3/head for all cattle in the lot

* 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.

† To qualify for steer premium the lot must be 95% steers or greater.

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.