

U.S. Premium Beef, LLC “NatureSource™” Natural Angus Grid

- **Cattle Type:** NatureSource™ Natural Angus Beef is limited to Black 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. 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® Program. Enrollment in this program 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:** NatureSource™ cattle may never be given any **antibiotics, ionophores or hormone implants**. They must be fed a **100% vegetarian diet** which means no animal byproducts from all species (including tallow) and they must be corn-fed for a minimum of the final 120 days in the feedlot. In addition, NatureSource™ cattle must be traceable to the ranch of origin and 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 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 \$10 per cwt will be added for groups that meet the requirements for NatureSource™ Natural Angus Beef. 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 70% Choice or higher for Choice premiums. The Choice premium/discount will be calculated using a four week rolling average of the USDA-reported Choice/Select cutout spread. **Prime** premium is calculated using Weekly USDA Prime (LM_XB456) beef cut prices minus 7.5 cents/lb. Weekly Prime cutout values are calculated as a premium over USDA Choice for that particular week using adjusted Prime beef cut prices, 2004 USDA primal/carcass standards and NBP average carcass weight. Prime premium will be determined by blending the four-week rolling average spread of USDA-reported boxed beef cutout values for Prime versus Choice together with a floor value of \$8/cwt. Prime premium will not drop below the floor value. **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 each 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®		No additional premium offered
Black Canyon® Prem. Reserve		No additional premium offered
Choice or higher	70% CH or better	USDA Cutout spread* × weight difference above 70% Choice (premium)
Select	70% CH or better	USDA Cutout spread* × weight difference below 70% 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 premium)
YG 1	4 week plant avg*	+ \$3/cwt (Premium only for greater than plant average*, no discount)
YG 2	4 week plant avg*	+ \$1.50/cwt (Premium only for greater than plant average*, no discount)
YG 3	4 week plant avg*	none
YG 4	4 week plant avg*	- \$10/cwt (Discount only for greater than plant average*, no premium)
YG 5	4 week plant avg*	- \$15/cwt (Discount only for greater than plant average*, no premium)
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

* 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:** All cattle will be issued a cash advance 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.