

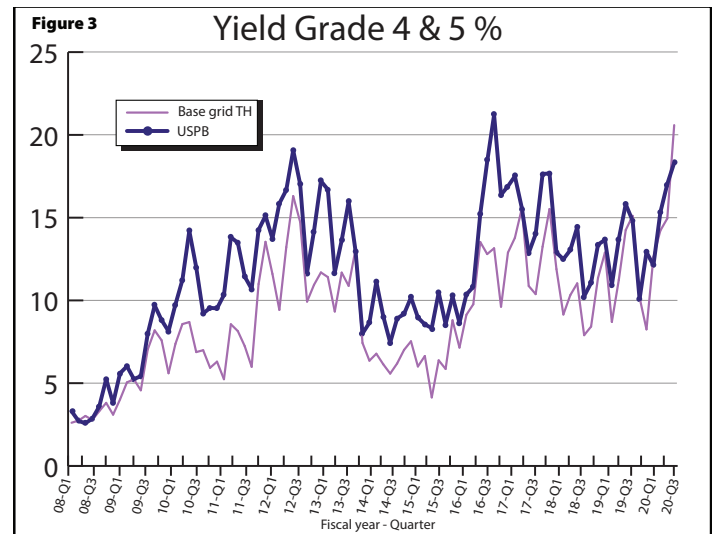
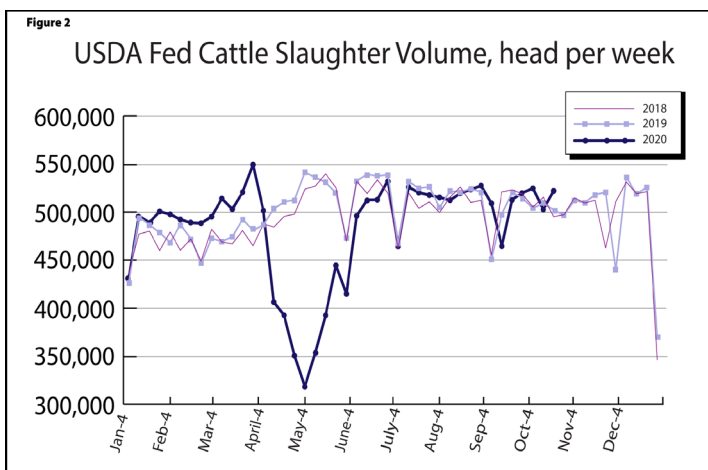
THIRD QUARTER PERFORMANCE REPORTS

GRID PERFORMANCE

Grid performance during the third quarter of fiscal year 2020 is summarized in **Figure 1** (page 2). The table's first six rows are a few of the Base grid inputs. The remaining rows summarize the performance of cattle delivered to Kansas plants during this quarter, the previous quarter and a year ago. Please note that "100% steer lots" pertains only to lots that are 100% steers. Not all remaining lots would be all heifers since some are reported as "mixed sex."

The third quarter consists of July, August and September. Since early July, industry slaughter volume has recovered from the packing plant "slow-downs" caused by the coronavirus (COVID-19) pandemic. The second quarter saw a significant decrease in total slaughter numbers across the industry. As a result, USPB implemented an allocation system for delivery rights usage on USPB grid cattle during that time. However, USPB delivery rights helped producers maintain market access and get cattle harvested. Carcass and grid results continue to show signs of the backlog, especially within the plant averages of cattle purchased on the spot, cash market. **Figure 2** shows the USDA weekly total fed cattle slaughter volume.

Plant average yield grade 4&5 percentage from cattle



purchased on the cash market was record high. USPB cattle also increased in yield grade 4&5's, but remained below the plant average. **Figure 3** shows yield grade 4&5 percentage within USPB cattle and the threshold (TH), or plant average, on the Base grid. Notice that in nearly every other quarter, the USPB average has been greater than the plant average.

During the third quarter, however, cash cattle were higher. This was USPB cattle's largest advantage, being 1.16 percentage points lower, or leaner, than the grid threshold. Yet, USPB yield grade 4&5 percentage was still the fourth highest in company history. Fat thickness was record high. Fortunately, ribeye area was the fourth best. In total, this related to a record-high yield grade premium of \$8.56 per head more than a year ago.

USPB average hot carcass weight, shown in **Figure 4** (page 3), was record high, and live weight was the third highest on record. Days on feed in relation to in weight was also record high. This fueled a record high apparent total feedyard gain of more than 600 pounds for the second consecutive quarter. Apparent average daily gain

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GRID PERFORMANCE

USPB Grid Performance for Cattle Harvested in Kansas

* = record high/large

Figure 1	FY20,Q3 (this Qtr)	FY20,Q2 (last Qtr)	FY19,Q3 (year ago)	FY20,Q4 -to-date
USDA-KS cash \$/cwt.	\$99.69	\$109.75	\$106.72	\$106.87
Yield threshold, %	63.50	63.50	63.50	63.50
CH/SE spread, \$/cwt.	\$12.37	\$15.14	\$22.89	\$11.90
Prime/CH spread, \$/cwt	\$11.50	\$8.62	\$27.31	\$17.64
CAB spread, \$/cwt.	\$3.93	\$4.06	\$3.44	\$5.07
Plant Average YG 4&5, %	20.59*	14.95	8.25	17.55
100% steer lots	41.59	42.22	39.71	37.47
% black hided	74.62	74.39	76.80	74.85
Apparent Avg Daily Gain	3.54	3.50	3.45	3.72
In weight	752	736	772	782
Days fed	173	173	161	162
Live weight	1,365	1,344	1,326	1,386
Carcass weight	879*	861	854	891
Yield, %	64.41	64.08	64.38	64.27
Prime, %	8.30	9.30*	6.34	6.48
Choice & Prime, %	88.20	89.09	85.76	85.27
CAB, %	26.42	28.51	27.26	23.28
CHBP, %	0.50	0.73*	0.53	0.57
BCPR, %	20.65*	18.63	18.57	21.61
Over 30 months, %	1.98	2.63*	1.50	2.28
Yield Grade 1&2, %	40.46	41.49	48.42	43.83
Yield Grade 3, %	41.23	41.47	38.66	40.15
Yield Grade 4&5, %	18.32	17.03	12.92	16.02
Average backfat, inches	0.64*	0.59	0.60	0.63
Actual-Required REA, sq.in.	0.62	0.51	0.91	0.76
Total Heavyweight, %	5.03	4.23	2.76	6.69
Total Condemned liver, %	22.53*	19.76	17.09	19.74
Open Abscessed liver, %	2.72	2.88	2.48	3.03
QG premium/head	\$26.30	\$27.67	\$57.00*	\$29.29
Yield benefit/head	\$22.93	\$16.84	\$23.01	\$21.60
YG premium/head	+\$5.91*	+\$0.47	-\$2.65	+\$5.42
Outweight discount/head	-\$6.10	-\$4.06	-\$3.16	-\$7.81
Steer premium/head	\$6.20	\$6.26*	\$5.65	\$5.70
Subtotal premium/head	\$55.24	\$47.18	\$79.85*	\$54.20
Natural premium/head	\$0.43	\$0.41	\$3.29	\$0.30
Total premium/head	\$55.67	\$47.59	\$83.14*	\$54.50
Top 25% premium/head	\$93.98	\$90.81	\$138.69*	\$95.42

GRID PERFORMANCE

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was still higher than a year ago. The USBP total heavyweight percentage was the third highest in company history. As a result, overweight discount was the fourth largest.

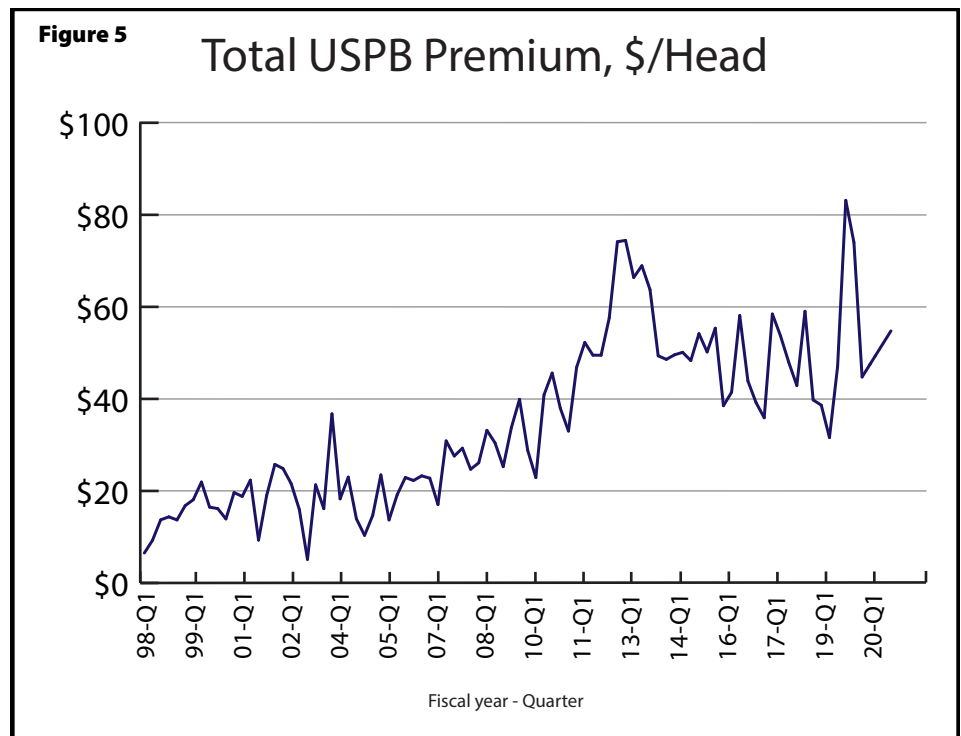
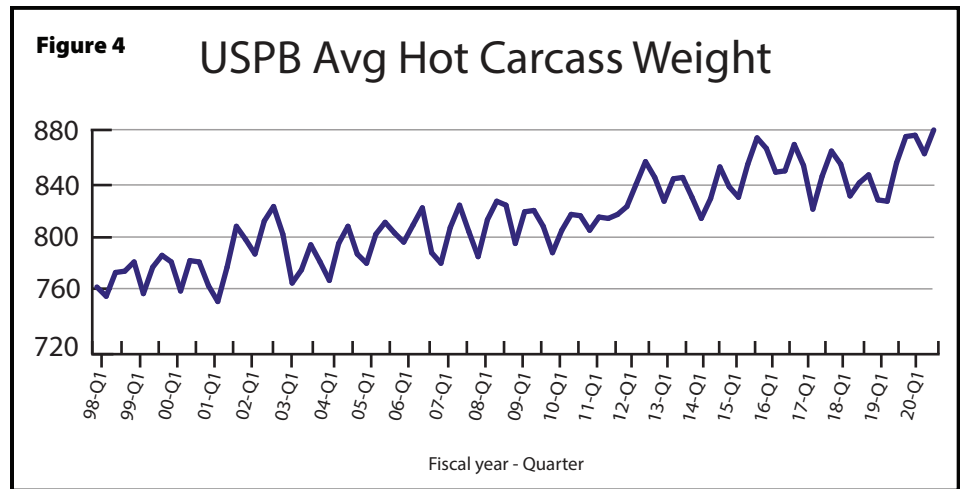
Quality grading was outstanding. The average marbling score and Prime percentage of USBP cattle were both down only slightly from record levels during the previous quarter. Choice & Prime percentage was the sixth highest on record, and the percentage of carcasses qualifying for the Black Canyon Premium Reserve branded beef program was record high.

For all fed cattle harvested in the country, USDA industry reports show Prime & Choice or better percentages were near the record high levels set during the previous two quarters.

Quality grade rewards in the marketplace were significantly lower than a year ago. However, during the second half of last year, the Choice/Select spread and Prime premium were at, or near, record levels. As a result, USBP quality grade premiums on the grid were significantly lower than a year ago, but similar to the previous quarter.

Overall liver condemnation rates for abscessed livers were record high during the third quarter for USBP carcasses. This is likely due to the extended days on feed. There are no premiums or discounts applied for condemned livers; however, high levels are generally associated with lower yield, or dressing percentage, and poorer feedlot performance. Fortunately, the average yield, or dressing percentage, of USBP cattle, during the third quarter was still in the top 12% historically.

Total per-head premiums for all USBP cattle harvested in Kansas is shown in **Figure 5**. During the third quarter, USBP's average premium was



\$55.67 per head more than if sold on the cash, live market. This was up from the previous quarter and significantly lower than a year ago when quality grade premiums were record high.

Currently, live and carcass weights are still high. Yield grades have gotten a little leaner. Quality grading has decreased slightly, but quality rewards are on the rise. Choice/Select spread, Prime premium and CAB premium have all strengthened lately.

The beef industry is still feeling the effects of the COVID-19 pandemic,

which significantly decreased slaughter capacity during the previous quarter. Market access, through USBP delivery rights, is even more beneficial than ever. Increased plant averages for yield grade 4&5's gives USBP producers the option of either a greater yield grade premium or adding carcass weight, and additional quality grade reward with added days on feed. USBP appreciates all the producers and feedlots who deliver high-quality cattle that generate added value for meat products sold by National Beef. ♦