

SECOND QUARTER GRID PERFORMANCE REPORT

Kansas Grid

Grid performance for USPB cattle delivered to Kansas plants during the second quarter of fiscal year 2021 is summarized in **Table I** (page 2).

Carcass composition was generally leaner during the second quarter. USPB cattle and the plant average Yield Grade 4 & 5 percentages were both lower, or leaner, than the previous quarter. However, USPB carcasses decreased more. As a result, Yield Grade premium on the USPB Base grid was record high.

Prior to the same time last year, USPB cattle had consistently more Yield Grade 4 & 5's than plant average. For the last three quarters, USPB has consistently had less compared to a year ago; USPB Yield Grade 4 & 5 percentage decreased and the plant average increased.

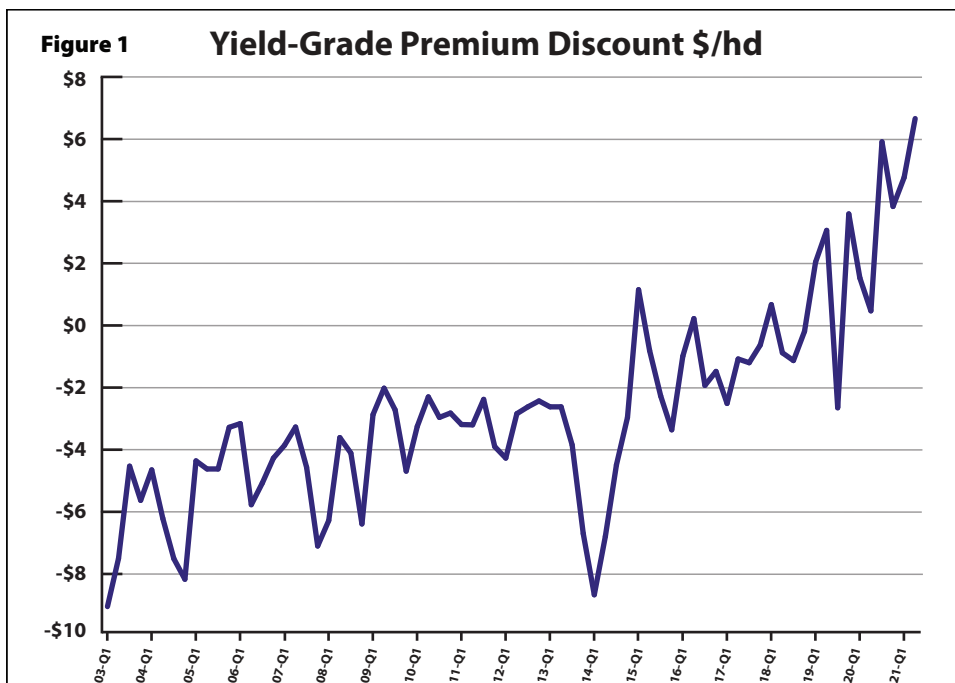
Figure 1 (page 1) shows the improvement in Yield Grade premium in recent years.

The industry's slaughter capacity has been limited due to the shortage of labor. Once again, USPB delivery rights allowed feeders to market cattle in a more timely fashion. USPB cattle still had a record high number of days on feed. The second quarter is known for lighter in-weights and more days on feed, due to a higher concentration of calf-feds. In-weight of USPB cattle during the second quarter was 26 pounds higher than the season's historical average.

Figure 2 (page 3) shows the index of "In-Weight * Days Fed / 100." When the index increases, cattle are being fed more days in relation to their in-weight. This index was record high during the second quarter.

Even with the added days on feed, carcass weights decreased slightly from a year ago. Again, the second quarter of the year is known for lighter harvest weights due to calf-feds. The same holds true for apparent average daily gain. As a result, heavyweight percentage was lower, resulting in the lowest overweight discount in the past two years. The steer premium was also record high during the second quarter.

Quality grades were slightly lower. However, the percentage of Choice and Prime has now been greater than 85% for more than three years. USPB Prime percentage was the fourth highest in company history. The record high was set a year ago. Prime premium in the marketplace was also stronger than a year ago.



USPB Grid Performance for Cattle Harvested in Kansas

Table I	FY21, Q2 (this Qtr)	FY21, Q1 (last Qtr)	FY20, Q2 (year ago)	FY21, Q3 to-date
USDA-KS cash \$/cwt.	\$119.19	\$112.67	\$109.75	\$120.94
Choice/Pr.Threshold, %	77.41	77.12	78.58*	76.18
CH/SE spread, \$/cwt.	\$15.12	\$11.86	\$15.14	\$27.16
Prime/CH spread, \$/cwt.	\$12.77	\$19.50	\$8.62	\$25.15
CAB spread, \$/cwt.	\$4.45	\$4.50	\$4.06	\$6.52
Plant Average YG 4&5, %	17.04	18.98	14.95	19.53
% steers	48.30	45.38	47.51	49.58
% black-hided	73.34	74.75	74.39	74.94
Apparent Avg Daily Gain	3.38	3.60	3.50	3.49
In-weight	736	769	736	745
Days fed	179*	171	173	174
Live weight	1,342	1,384	1,344	1,353
Carcass weight	857	884	861	866
Yield, %	63.84	63.87	64.08	64.02
Prime, %	7.38	6.48	9.30*	6.59
Choice & Prime, %	86.84	88.53	89.09	86.84
CAB, %	27.32	27.53	28.51	28.35
CHBP, %	0.64	0.71	0.73*	0.48
BCPR, %	17.86	21.40	18.63	18.25
Yield Grade 1&2, %	44.93	39.78	41.49	41.89
Yield Grade 3, %	40.45	42.42	41.47	42.09
Yield Grade 4&5, %	14.61	17.80	17.03	16.02
Average backfat, inches	0.59	0.61	0.59	0.62
Actual-Required REA, sq.in.	0.57	0.49	0.51	0.54
Total Heavyweight, %	3.17	5.31	4.23	3.16
Total Condemned liver, %	23.04*	20.33	19.76	22.56
Open Abscessed liver, %	3.37	3.10	2.88	3.48
QG premium/head	\$28.09	\$31.08	\$27.67	\$54.82
Yield benefit/head	\$11.66	\$11.97	\$16.84	\$16.31
YG premium/head	+\$6.66*	+\$4.76	+\$0.47	+\$8.59
Outweight discount/head	-\$2.20	-\$3.57	-\$4.06	-\$2.00
Steer premium/head	\$6.41*	\$6.27	\$6.26	\$7.00
Subtotal premium/head	\$50.62	\$50.51	\$47.18	\$84.72
Natural premium/head	\$0.33	\$0.40	\$0.41	\$0.47
Total premium/head	\$50.95	\$50.91	\$47.59	\$85.19
Top 25% premium/head	\$94.22	\$88.13	\$90.81	\$139.72

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As a result, Quality grade premium per head remained strong during the second quarter.

Across the industry, according to USDA reports, Choice or better percentage was the third highest during USPB history. **Figure 3** (below) shows the percentage of Choice and Prime carcasses for USPB and the industry average.

The overall total premium was \$50.95 per head more than selling on the cash, live market. This was similar to the previous quarter and up slightly from a year ago. During the third quarter so far, premiums have been outstanding, driven by large premiums for higher marbling in the marketplace.

Iowa Grid

Grid performance for USPB cattle delivered to the Tama, Iowa, plant is

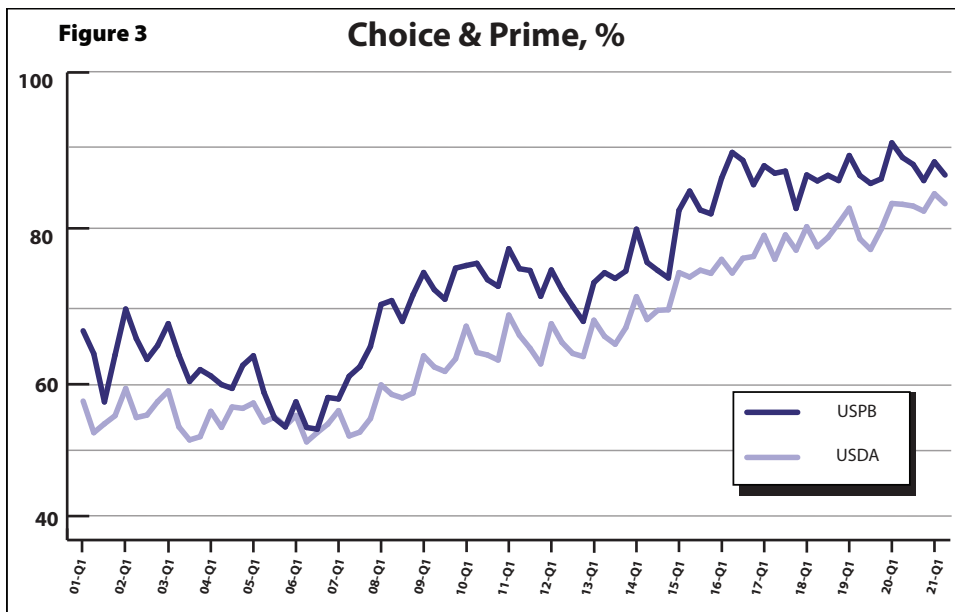
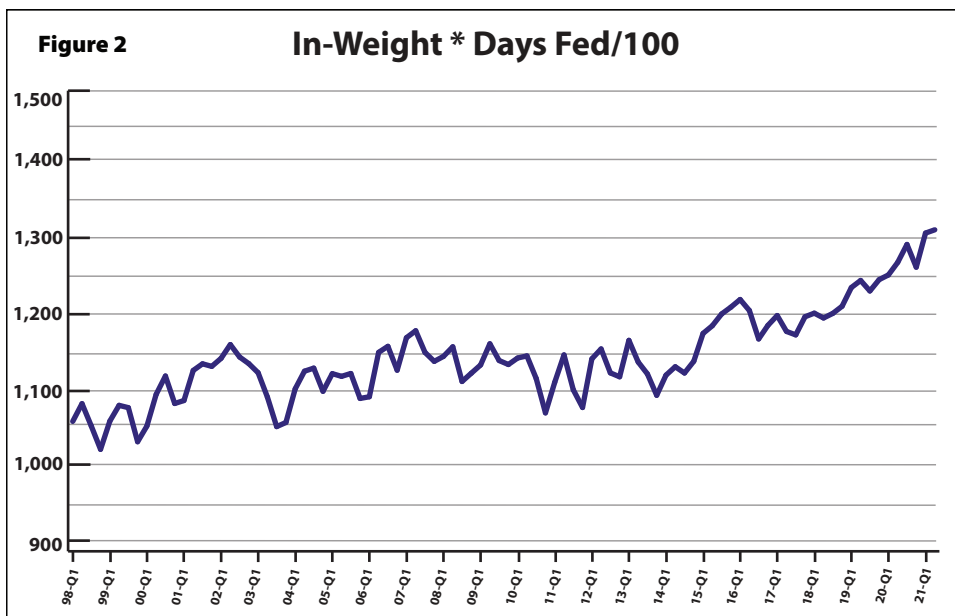
summarized in **Table 2** (page 4).

Results from the Iowa grid cannot be compared directly to those from the Kansas grid. Only black-hided cattle are harvested at the Tama plant. The Iowa grid compares back to a dressed delivered price instead of a live price at the feedyard in Kansas. Therefore, the Iowa grid does not have a “Yield benefit” like the Kansas grid. Instead, the benefit of the “Formula Allowance” addition, above the USDA dressed delivered price is listed. There are also other differences in the structure of the two grids. These are different cattle, harvested at a different plant in a different region on a different grid.

Similar seasonal trends occurred in the grid performance of USPB cattle shipped on the Iowa grid during the second quarter. However, CAB percentage was higher, but Prime percentage was lower. As a result, Quality grade premium was lower than the previous quarter, but remained higher than a year ago.

USPB carcasses were a little higher in Yield Grade 4 & 5 percentage. With a greater percentage of calves, weights were down, but only slightly compared to the previous quarter. There was still significantly less heavies compared to a year ago.

The overall total premium was \$36.33 per head more than selling on the cash, dressed delivered market in the Iowa/Minnesota region, as reported by USDA. This was down significantly from the previous quarter due to lower Quality grade premium, which was related to a lower Prime percentage and smaller Prime premium in the marketplace. Yield Grade premium was also smaller due to leaner plant averages.



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So far, during the third quarter, plant averages are a little leaner, which are translating to smaller Yield Grade premium per head. However, Quality

grade premium is larger, driven by a higher Prime premium, which is currently more than \$30/cwt.

If you have black-hided cattle you would like to deliver to the National

Beef plant in Tama, Iowa, or if you have questions about the USPB Iowa Premium grid, please call 866-877-2525 and ask for Brian Bertelsen. ♦

USPB Grid Performance for Cattle Harvested in Iowa

Table 2	FY21, Q2 (this Qtr)	FY21, Q1 (last Qtr)	FY20, Q2 (year ago)	FY21, Q3 to-date
USDA-IA/MN dressed \$/cwt.	\$191.06	\$177.43	\$173.28	\$197.98
Choice/Prime Plant Avg, %	94.87	94.60	94.21	94.73
Plant Average YG 4&5, %	28.73	34.57	27.12	22.63
% steers	64.43	59.89	78.00	70.87
Live weight	1,373	1,391	1,391	1,348
Carcass weight	870	873	887	858
Yield, %	63.37	62.80	63.79	63.66
Prime, %	18.98	24.06	23.78	17.59
Choice & Prime, %	94.42	95.44	93.97	95.85
CAB, %	37.07	35.56	32.96	38.00
Yield Grade 1&2, %	16.72	14.55	16.60	12.45
Yield Grade 3, %	59.86	63.49	61.33	66.67
Yield Grade 4&5, %	23.42	21.96	22.08	20.89
1050-1099 lb. heavy, %	2.39	2.59	4.40	1.12
1100+ lb. heavy, %	1.14	1.06	2.07	0.30
QG premium/head	\$16.08	\$37.29	\$10.72	\$35.24
Formula Allowance/head	\$16.73	\$17.61	\$17.74	\$4.29
YG premium/head	\$8.11	\$16.78	\$6.99	\$3.35
Outweight discount/head	-\$4.59	-\$4.52	-\$5.44	-\$1.36
Total premium/head	\$36.33	\$67.16	\$30.01	\$41.52
Top 25% premium/head	\$72.13	\$114.65	\$58.20	\$82.94
Yield Grade 4&5, %	14.61	17.80	17.03	16.02