

FIRST QUARTER REPORTS

GRID PERFORMANCE

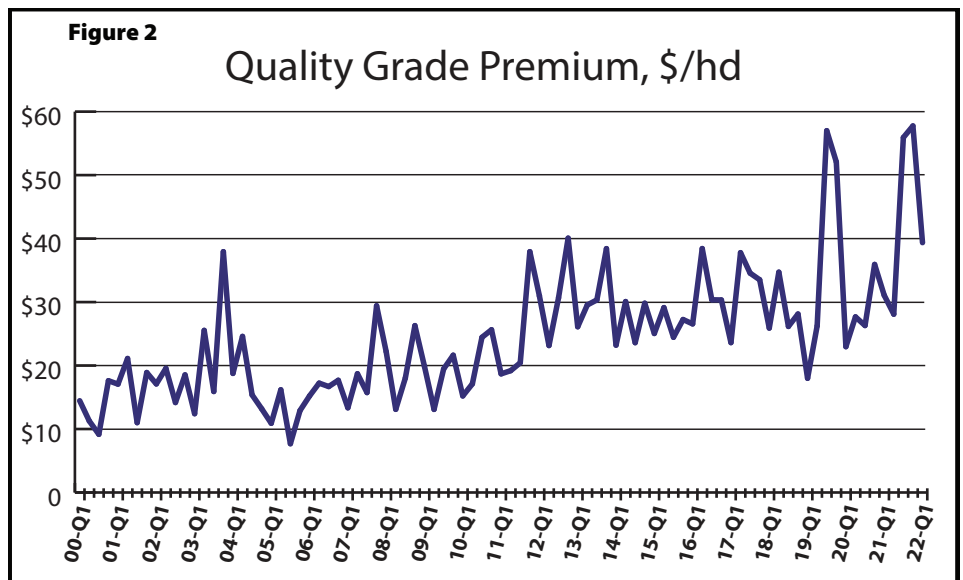
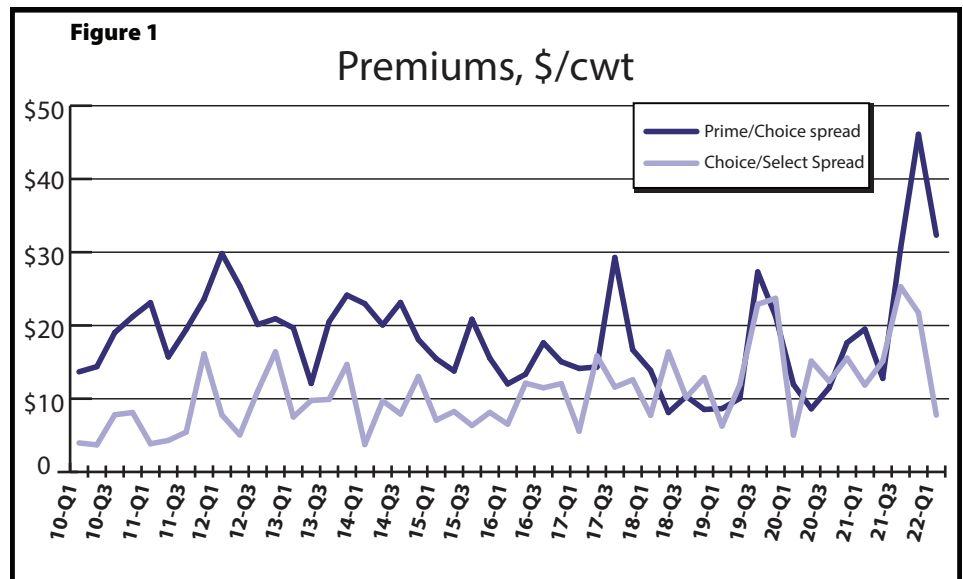
Kansas Grid Performance

Grid performance for U.S. Premium Beef, LLC (USPB) cattle delivered to Kansas plants during the first quarter of fiscal year 2022 is summarized in Table 1 (page 2). Typically, the first quarter is known for higher quality grading, but lesser rewards in the marketplace. Other trends expected in the first quarter, historically, are fatter yield grades and more age-related discounts since the industry is typically marketing older cattle before calf-feds are ready for harvest. First quarter premiums have tended to be lower, as well.

Quality grading of USPB cattle was high, which is typical for the first quarter. The percentage of carcasses grading Choice and Prime was 88.71%, which was the sixth highest in nearly 25 years of company history. Prime percentage was the fourth highest. Premiums in the marketplace started strong, but moderated throughout the first quarter. Prime premium used on the grid decreased from the record high in the previous quarter, but was still the fourth highest quarterly average.

Figure 1 shows the Prime premium and the Choice/Select spread used on the Base grid each quarter. Both decreased from recent high levels but remained above the long-term seasonal average for the first quarter.

The percentage of USPB carcasses that qualified for the Black Canyon



Premium Reserve (BCPR) branded beef program was third highest. Certified Hereford Beef Premium (CHBP) brand percentage was the highest quarterly average in the three years since it was added to the Base

grid, driven by a record high number of red, white-faced cattle delivered during the quarter.

Quality grade premium per head, in Figure 2 was down significantly

GRID PERFORMANCE

USPB Grid Performance for Cattle Harvested in Kansas

* = record high/large

Table I	FY22, Q1 (this Qtr)	FY21, Q4 (last Qtr)	FY21, Q1 (year ago)	FY22, Q2-to-date
USDA-KS cash \$/cwt.	\$138.24	\$130.50	\$112.67	\$138.56
Choice/Pr. Threshold, %	74.83	71.09	77.12	74.05
CH/SE spread, \$/cwt.	\$7.75	\$21.73	\$11.86	\$8.45
Prime/CH spread, \$/cwt	\$32.32	\$46.10*	\$19.50	\$19.75
CAB spread, \$/cwt.	\$5.34	\$7.77	\$4.50	\$4.40
Plant Average YG 4&5, %	14.88	16.98	18.98	14.34
% steers	43.32	47.68	45.38	41.59
% black hided	75.81	74.64	74.75	73.54
Apparent Avg Daily Gain	3.63	3.65	3.60	3.33
In weight	772	783*	769	738
Days fed	169	168	171	181
Live weight	1,384	1,395*	1,384	1,340
Carcass weight	885	891*	884	856
Yield, %	63.98	63.91	63.87	63.92
Prime, %	7.40	6.22	6.48	6.08
Choice & Prime, %	88.71	83.53	88.53	85.27
CAB, %	27.38	21.45	27.53	25.27
CHBP, %	0.81*	0.51	0.71	0.60
BCPR, %	20.88	20.72	21.40	18.68
Yield Grade 1&2, %	40.23	43.99	39.78	47.49
Yield Grade 3, %	42.71	40.72	42.42	39.35
Yield Grade 4&5, %	17.06	15.29	17.80	13.16
Average backfat, inches	0.61	0.63	0.61	0.58
Actual-Required REA, sq.in.	0.54	0.77	0.49	0.74
Total Heavyweight, %	5.72	6.52*	5.31	3.27
Total Condemned liver, %	16.41	17.23	20.33	18.53
Open Abscessed liver, %	2.28	2.61	3.10	2.86
QG premium/head	\$39.36	\$57.75*	\$31.08	\$23.89
Yield benefit/head	\$17.54	\$15.35	\$11.97	\$15.07
Yield Grade premium/head	-\$0.04	\$5.36	\$4.76	\$4.82
Outweight discount/head	-\$4.04	-\$4.86	-\$3.57	-\$2.43
Steer premium/head	\$6.07	\$6.63	\$6.27	\$5.55
Subtotal premium/head	\$58.89	\$80.23	\$50.51	\$46.90
Natural premium/head	\$0.81	\$3.02	\$0.40	\$0.62
Total premium/head	\$59.70	\$83.25	\$50.91	\$47.52
Top 25% premium/hea	\$104.32	\$154.88*	\$88.13	\$87.82

continued from page 1

from the record set the previous quarter, but was the highest first quarter average in company history.

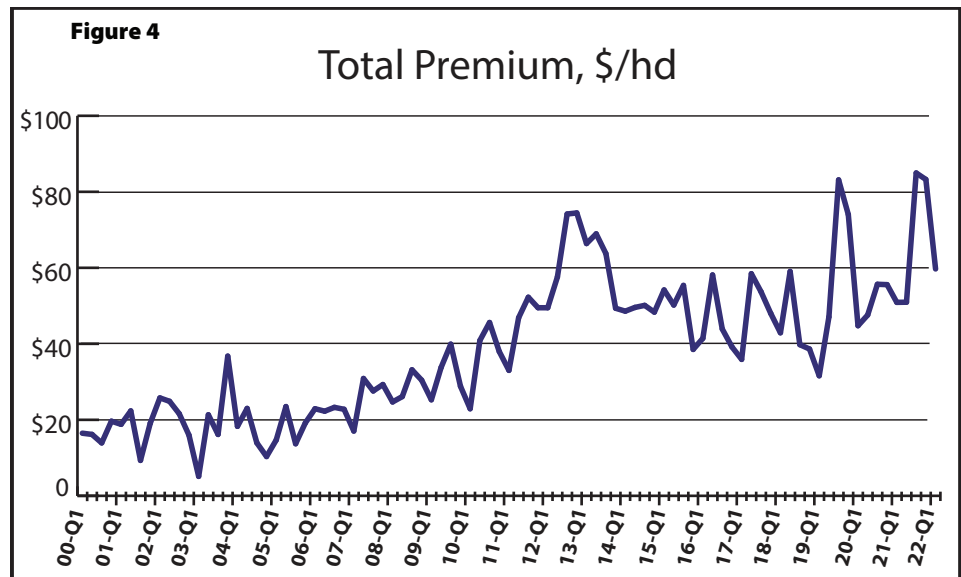
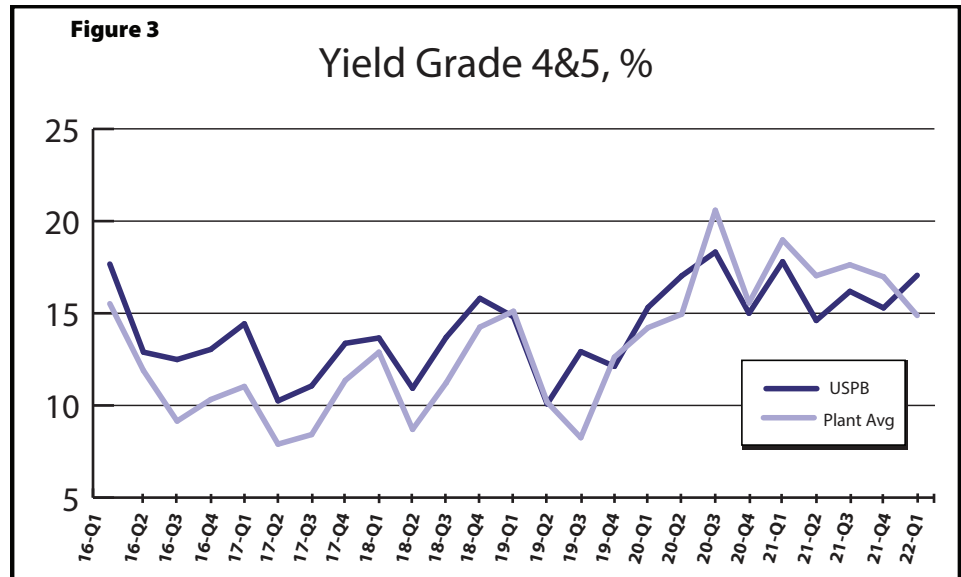
Industry average, reported by USDA, was record high for Choice and Prime percentage of all fed cattle graded in U.S. packing plants at 84.51%. Nationwide, 71.5% of all cattle graded were black-hided. By comparison, USPB cattle were 75.81% black-hided and have been greater than 73% for the past 13 years.

Live slaughter weight of USPB cattle was the fourth highest quarter on record. Average carcass weight was third highest. Both weights were down from the record highs set during the previous quarter. Total heavyweight percentage was the third largest in company history, but was down from the previous quarter and slightly higher than a year ago.

Overall, weather was good during the quarter which supported yield, or dressing percentage. As a result, yield benefit per head on the grid was stronger during the first quarter.

Yield Grade 4 and 5 percentage of USPB cattle increased from the previous quarter; however, plant average decreased, or became leaner. In fact, plant average Yield Grade 4 and 5 percentage has not been this low for two years. As a result, yield grade premium per head went to essentially zero. Figure 3 shows the Yield Grade 4 and 5 percentage for USPB cattle and the plant average during recent years.

Total premium per head, shown in Figure 4, was \$59.70 per head more than if the cattle were sold on the average Kansas cash market. This was the 10th highest average premium. The top 25% average premium was \$104.32, which ranked as the fifth highest. Larger quality grade premiums early in the year helped boost



premiums on cattle that graded and performed well on the rail.

So far, for cattle harvested during the second quarter-to-date, the majority of the data is following typical seasonal trends. Calf-feds are beginning to be harvested, so average in-weight when they entered the feedyard is lower and days fed is much longer. Weights are down, so there are less heavyweights. USPB cattle are leaner and have returned to having less Yield Grade 4 and 5 carcasses than the plant average, resulting in a premium for yield grade once again.

Though we only have data for about

one-third of the quarter, a couple things are different than the normal seasonal changes. The percentage of steers delivered has decreased, when typically, the second quarter is usually known for a greater concentration of steers. Less total premium is also contrary to the normal seasonal trend. This is largely due to the lower premiums for quality that we've seen so far this quarter. However, there is a lot of the second quarter remaining. Typically, the Choice/Select spread increases throughout the second quarter and, lately, it has been steadily increasing.

continued on page 4

GRID PERFORMANCE

continued from page 3

Iowa Grid Performance Summary

Grid performance for USPB cattle delivered to the Tama, Iowa, plant is summarized in Table 2. 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 to a dressed delivered price in Iowa/Minnesota 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,” which is added to 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.

Fiscal year 2022 marks the third year USPB has offered the Iowa grid. Volume of cattle delivered to Iowa continues to increase. During the first quarter, a record high number of cattle were delivered. In general, the cattle are improving and feeders who regularly deliver cattle are gaining more experience.

Quality grade premium per head, shown in Figure 5 (page 5) was down from the record high during the

previous quarter, but remained the second highest of the nine full quarters cattle have been delivered on this new grid. During the first quarter, premiums for Prime and CAB steadily decreased from the record highs during the previous quarter, but remained above historic averages for the season.

Cattle delivered on the Iowa grid are very high quality. When quality premiums in the marketplace are high, quality grade premium is pushed higher. Even though the Iowa grid has a fixed threshold of 90% Choice or better and a plant average threshold for CAB, quality grade premium is still the largest component of the total

continued on page 5

USPB Grid Performance for Cattle Harvested in Iowa

* = record high/large
† = record low

Table 2	FY22, Q1 (this Qtr)	FY21, Q4 (last Qtr)	FY21, Q1 (year ago)	FY22, Q2-to-date
USDA-IA/MN dressed \$/cwt.	\$221.32*	\$205.21	\$177.43	\$227.07
Choice/Prime threshold, %	90.00	90.52	94.60	90.00
Plant Average YG 4&5, %	31.97	34.78*	34.57*	22.21
% steers	45.18†	55.15	59.89	44.90
Live weight	1,420*	1,411	1,391	1,403
Carcass weight	896*	891	873	885
Yield, %	63.13	63.17	62.80†	63.07
Prime, %	21.52	21.44	24.06	22.02
Choice & Prime, %	94.55	94.34	95.44*	94.42
CAB, %	36.42	34.49	35.56	36.18
Yield Grade 1&2, %	13.20	11.76†	14.55	11.60
Yield Grade 3, %	57.92†	58.82	63.49*	59.11
Yield Grade 4&5, %	28.88	29.42*	21.96	29.29
1050-1099 lb. heavy, %	4.24	3.73	2.59	2.71
1100+ lb. heavy, %	2.00	1.69	1.06	1.29
QG premium/head	\$58.93	\$94.24*	\$37.29	\$36.78
Formula Allowance/head	\$9.00	\$8.20	\$17.61	\$8.85
YG premium/head	\$2.54	\$5.93	\$16.78	-\$4.59
Outweight discount/head	-\$7.68*	-\$6.75	-\$4.52	-\$4.96
Total premium/head	\$62.79	\$101.62*	\$67.16	\$36.08
Top 25% premium/head	\$119.07	\$176.79*	\$114.65	\$66.62

continued from page 4

premium per head. Figure 6 shows the percentage of quality grade premium contribution to total premium each quarter.

During the first quarter, USPB cattle were fed longer. Average yield grade was the second highest, down from the record high during the previous quarter. Live and carcass weights were both record high in quarter one, even with a higher percentage of heifers.

Typically, USPB carcasses tend to have less Yield Grade 4s and 5s compared to the Iowa plant averages of the cattle purchased on the cash market. Many USPB groups are sorted at the feedlot. As a result, average yield grade premium per head has always been positive. Even producers who sell an entire pen are getting better at evaluating composition and marketing cattle in a timely manner while still maintaining quality grade.

Total heavyweight percentage was the second highest. As a result, overweight discount per head was the largest on record. Formula allowance per head differed from a year ago due to changes to the grid that were implemented in October 2021.

The overall total premium, shown in Figure 7, was \$62.79 per head more than selling on the cash, dressed delivered market in the Iowa/Minnesota region as reported by the USDA. Currently, this region leads the market, resulting in a very strong base carcass price on the USPB Iowa grid.

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 grid, please call 866-877-2525 and ask for Brian. ♦

