

SECOND QUARTER REPORTS

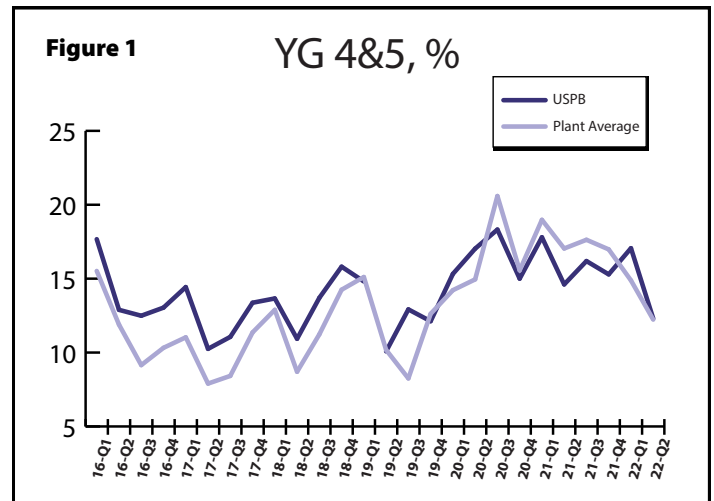
GRID PERFORMANCE

Kansas Grid Performance

Grid performance for U.S. Premium Beef, LLC (USPB) cattle delivered to Kansas plants during the second quarter of fiscal year 2022 is summarized in Table 1 (page 2). Typically, the second quarter is known for a greater percentage of calf-feds in the mix.

As expected, USPB cattle harvested in the second quarter had lighter placement weights and a high number of days fed. Live weights at harvest were six pounds lighter than a year ago. During the second quarter, there is typically an increase in the percentage of steers harvested. However, this year steer percentage was lower, which contributed to the lower weights.

Yield grades (YG) of USPB carcasses were leaner, as they usually are during the second quarter, but were lower than a year ago. The plant average, or threshold, for YG 4 and 5 percentage also dropped compared to the second quarter last year, though more dramatically. USPB and plant average YG 4 and 5 percentages are shown in Figure 1. As a result, YG premium was positive,



but less than the record high set a year ago. Historical YG premium/discount is shown in Figure 2 (page 3).

Quality grades were slightly lower during the second quarter. Typically, there is a little decrease because the first

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GRID PERFORMANCE

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* = record high/large

USPB Grid Performance for Cattle Harvested in Kansas

Table I	FY22,Q2 (this Qtr)	FY22,Q1 (last Qtr)	FY21,Q2 (year ago)	FY22,Q3 -to-date
USDA-KS cash \$/cwt.	\$138.37	\$138.24	\$119.19	\$137.09
Choice/Pr.Threshold, %	71.55	74.83	77.41	66.74
CH/SE spread, \$/cwt.	\$12.29	\$7.75	\$15.12	\$23.44
Prime/CH spread, \$/cwt	\$21.19	\$32.32	\$12.77	\$30.42
CAB spread, \$/cwt.	\$4.90	\$5.34	\$4.45	\$6.01
Plant Average YG 4&5, %	12.23	14.88	17.04	8.45
% steers	43.64	43.32	48.30	49.05
% black hided	74.38	75.81	73.34	76.36
Apparent Avg Daily Gain	3.38	3.63	3.38	3.45
In weight	732	772	736	735
Days fed	179	169	179*	179
Live weight	1,336	1,384	1,342	1,353
Carcass weight	854	885	857	867
Yield, %	63.88	63.98	63.84	64.08
Prime, %	6.22	7.40	7.38	6.92
Choice & Prime, %	85.12	88.71	86.84	85.49
CAB, %	26.11	27.38	27.32	27.65
CHBP, %	0.63	0.81*	0.64	0.56
BCPR, %	18.16	20.88	17.86	18.54
Yield Grade 1&2, %	48.10	40.23	44.93	43.15
Yield Grade 3, %	39.60	42.71	40.45	42.09
Yield Grade 4&5, %	12.30	17.06	14.61	14.76
Average backfat, inches	0.58	0.61	0.59	0.62
Actual-Required REA, sq.in.	0.76	0.54	0.57	0.64
Total Heavyweight, %	2.96	5.72	3.17	3.13
Total Condemned liver, %	20.33	16.41	23.04*	20.43
Open Abscessed liver, %	3.21	2.28	3.37	4.00
QG premium/head	\$34.32	\$39.36	\$28.09	\$67.60
Yield benefit/head	\$14.19	\$17.54	\$11.66	\$20.36
Yield Grade premium/head	\$3.15	-\$0.04	\$6.66*	-\$4.64
Outweight discount/head	-\$2.18	-\$4.04	-\$2.20	-\$2.20
Steer premium/head	\$5.76	\$6.07	\$6.41	\$6.65
Subtotal premium/head	\$55.24	\$58.89	\$50.62	\$87.77
Natural premium/head	\$0.46	\$0.81	\$0.33	\$0.90
Total premium/head	\$55.70	\$59.70	\$50.95	\$88.67
Top 25% premium/head	\$102.82	\$104.32	\$94.22	\$145.45

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quarter, on average, tends to be the season of highest quality grade.

Choice and Prime percentage remained in the top 15 percentile of all quarters in company history, but was also slightly lower than a year ago. Prime and Certified Angus Beef® (CAB) reacted similarly.

Choice and Prime percentage during recent years is shown in Figure 3 (page 4) for USPB cattle and the industry average, which is reported by the USDA. Our cattle have always graded better than industry average and have been consistently more than 85% for most of the quarters shown. However, notice the improvement in the industry average.

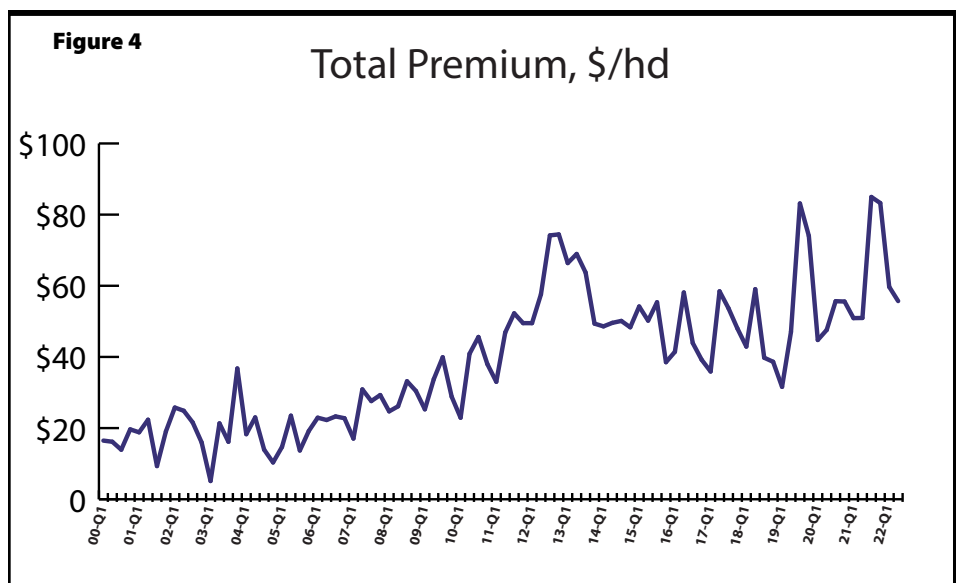
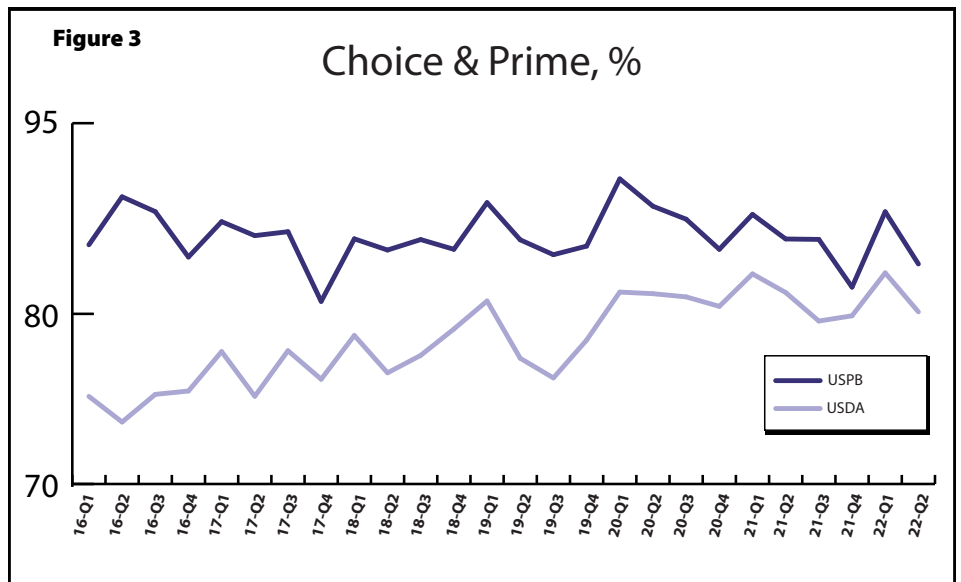
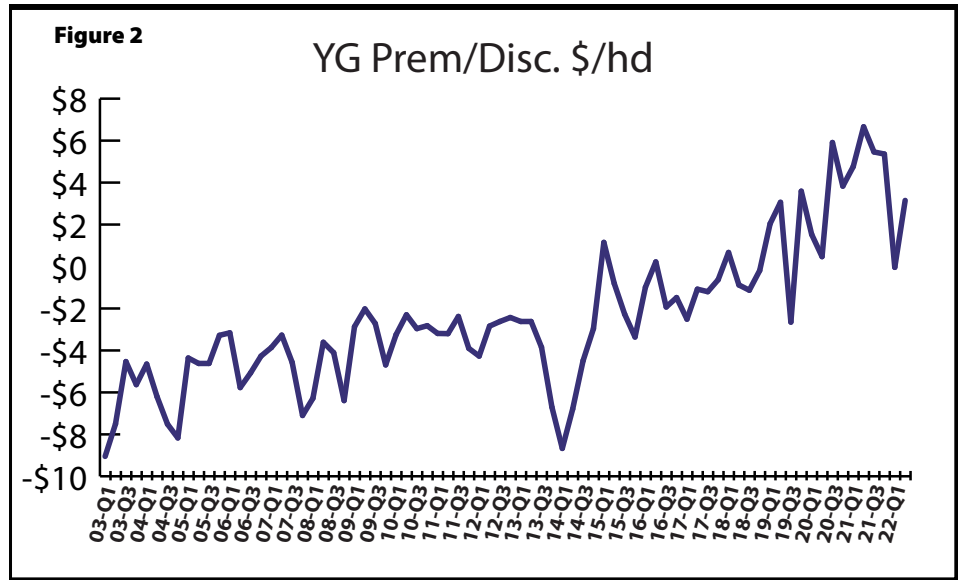
Premiums in the marketplace were strong for high quality grades. From the beginning to end of the second quarter, Choice/Select spreads increased \$20/cwt on the grid. The Prime/Choice spread was down from the first quarter but was more than \$8.00 higher than the second quarter last year.

The threshold on the USPB Base grid was also lower. Together, these changes contributed to a quality grade premium per head that was the 15th highest, down from the previous quarter, but more than a year ago.

Total premium per head, shown in Figure 4 was \$55.70 per head more than if the cattle were sold on the average cash market in Kansas. This was the 15th highest average premium, down slightly from the previous quarter, but higher than a year ago.

The top 25% average premium was \$102.82 per head which ranked as the sixth highest in company history. High quality grade premiums helped boost the overall premium of high grading cattle during the second quarter.

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GRID PERFORMANCE

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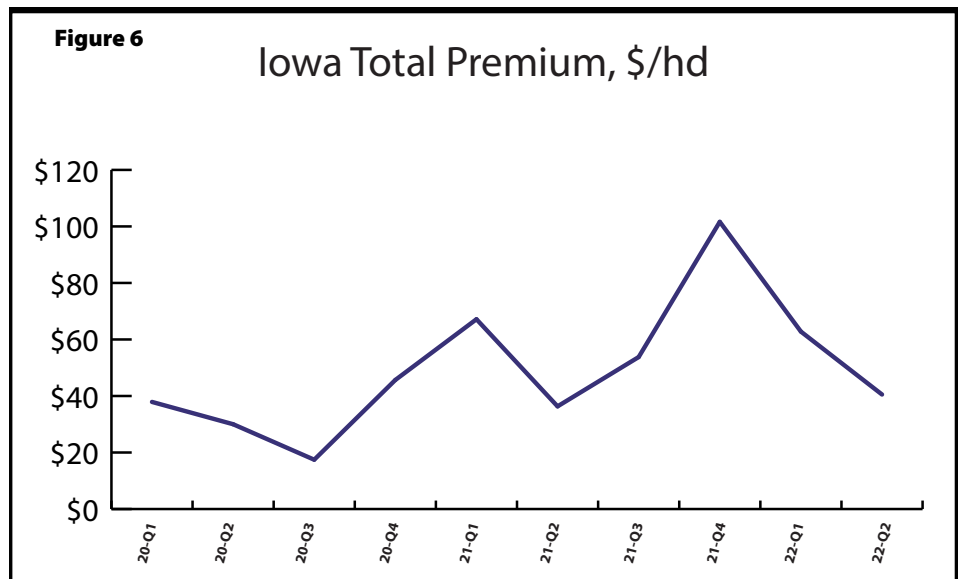
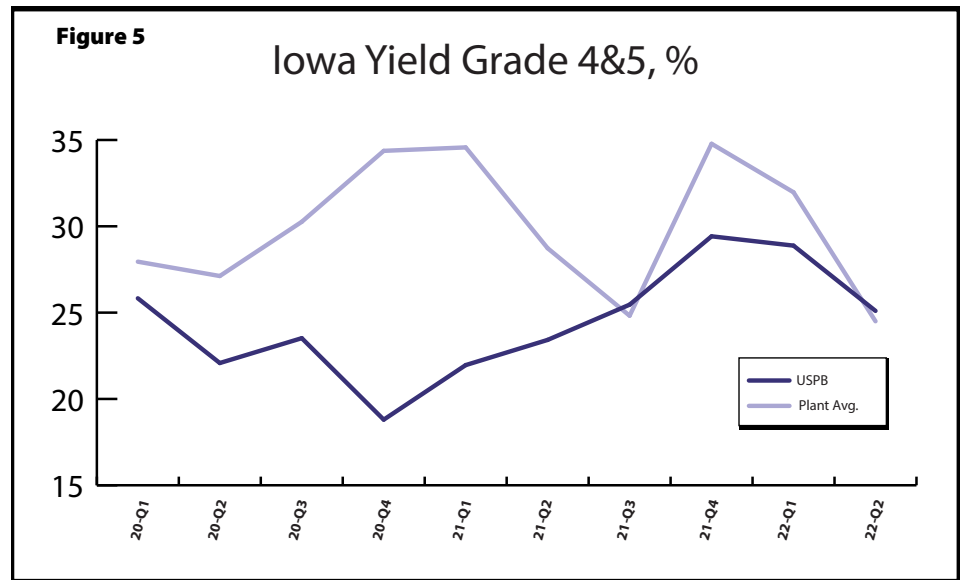
Iowa Grid Performance Summary

Grid performance for USPB cattle delivered to the Tama, Iowa plant is summarized in Table 2 on page 5. 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 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 KS 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.

The cornbelt region has seen an obvious decrease in cattle on feed numbers compared to the rest of the country. As a result, regional cash market prices in the Iowa/Minnesota region have been the highest in the country according to USDA reports. This has drawn cattle from a farther distance from the plant to be delivered on the USPB Iowa grid. This is simply rewarding feeders to deliver cattle in a region that has less cattle available.

This regional price difference is exacerbated by high freight rates that have been driven by the increase in fuel prices. The cost for packers to ship fed cattle further is greater, so “local” cattle are even more valuable. As a result, USPB producers who have black cattle can afford to ship their cattle a little further to gain a significantly higher base price. During the second quarter, the Iowa base carcass price averaged \$9.15/cwt higher than the Kansas grid. There



are a number of other differences between the grids, so that does not tell the entire story. If you have black-hided cattle and are interested in delivering to the Tama plant, please call 866-877-2525.

So far, during the third quarter, this strong cash market in the cornbelt has encouraged feedlots to market cattle sooner. High corn prices have been encouraging feeders to decrease days for some time and recently, high temperatures combined with the higher humidity

in the cornbelt has encouraged feeders to market earlier as the anticipated performance from feeding longer is low during the intense heat.

During the second quarter, quality grade premium per head was down from the previous quarter but higher than a year ago, primarily from changes in the rewards available in the marketplace for higher quality. Choice and Prime percentage was relatively unchanged.

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USPB Grid Performance for Cattle Harvested in Iowa

* = record high/large
† = record low

Table 2	FY22, Q2 (this Qtr)	FY22, Q1 (last Qtr)	FY21, Q2 (year ago)	FY22, Q3-to-date
USDA-IA/MN dressed \$/cwt.	\$226.45*	\$221.32	\$191.06	\$231.39
Choice/Prime threshold, %	90.00	90.00	94.87	90.00
Plant Average YG 4&5, %	21.06	31.97	28.73	24.50
% steers	52.40	45.18†	64.43	62.25
Live weight	1,365	1,420*	1,373	1,359
Carcass weight	862	896*	870	861
Yield, %	63.15	63.13	63.37	63.32
Prime, %	20.71	21.52	18.98	12.73
Choice & Prime, %	94.44	94.55	94.42	92.17
CAB, %	37.50*	36.42	37.07	33.99
Yield Grade 1&2, %	13.81	13.20	16.72	13.57
Yield Grade 3, %	61.09	57.92†	59.86	60.50
Yield Grade 4&5, %	25.10	28.88	23.42	25.93
1050-1099 lb. heavy, %	2.07	4.24	2.39	1.88
1100+ lb. heavy, %	0.82	2.00	1.14	0.61
QG premium/head	\$39.47	\$58.93	\$16.08	\$33.69
Formula Allowance/head	\$8.62	\$9.00	\$16.73	\$8.62
YG premium/head	-\$2.36	\$2.54	\$8.11	-\$3.25
Outweight discount/head	-\$5.21	-\$7.68*	-\$4.59	-\$5.89
Total premium/head	\$40.52	\$62.79	\$36.33	\$33.17
Top 25% premium/head	\$76.64	\$119.07	\$72.13	\$76.75

The percentage of CAB was record high, but numerically, increased only slightly from a year ago, which was the previous record.

Yield Grade 4 and 5 percentage decreased within USPB cattle. However, plant average decreased even more. Both are shown in Figure 5 (page 4). As a result, yield grade premium went negative and was the lowest in the two and a half years this grid has been offered.

The overall total premium, in Figure 6 (page 4), was \$40.52 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, but up slightly compared to a year ago.

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. ♦

