



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

***Presentation to
1999 USDA Agricultural Outlook Forum
Washington, DC***

***U. S. Premium Beef
A Beef Marketing Strategy for the Next Millenium
By: Steve Hunt
CEO***

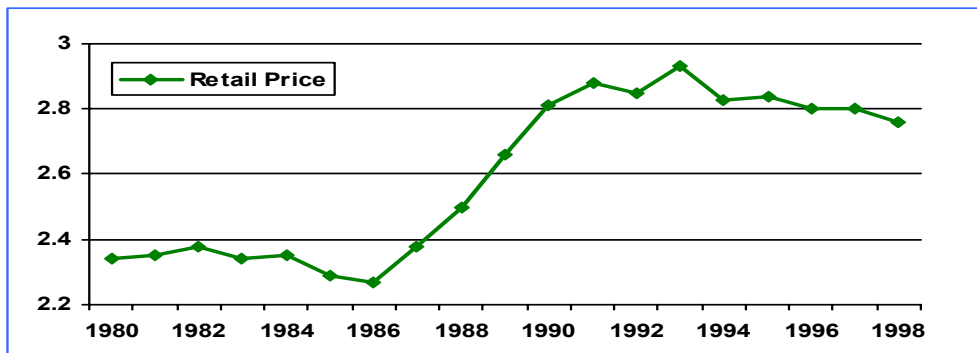
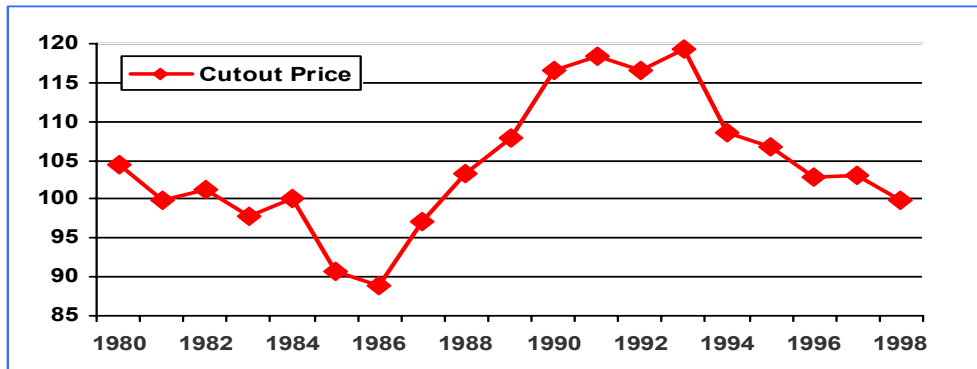
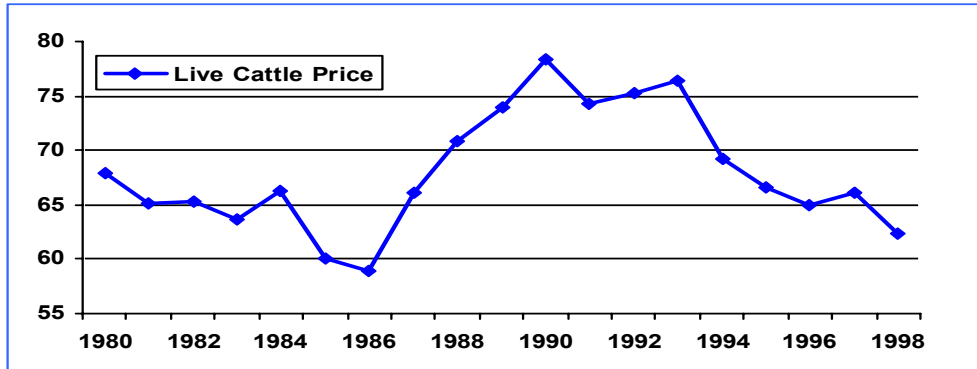


Beef Industry Vision Statement

**A dynamic and profitable industry
which concentrates resources around a
unified plan, consistently meets
consumer needs and increases demand.**

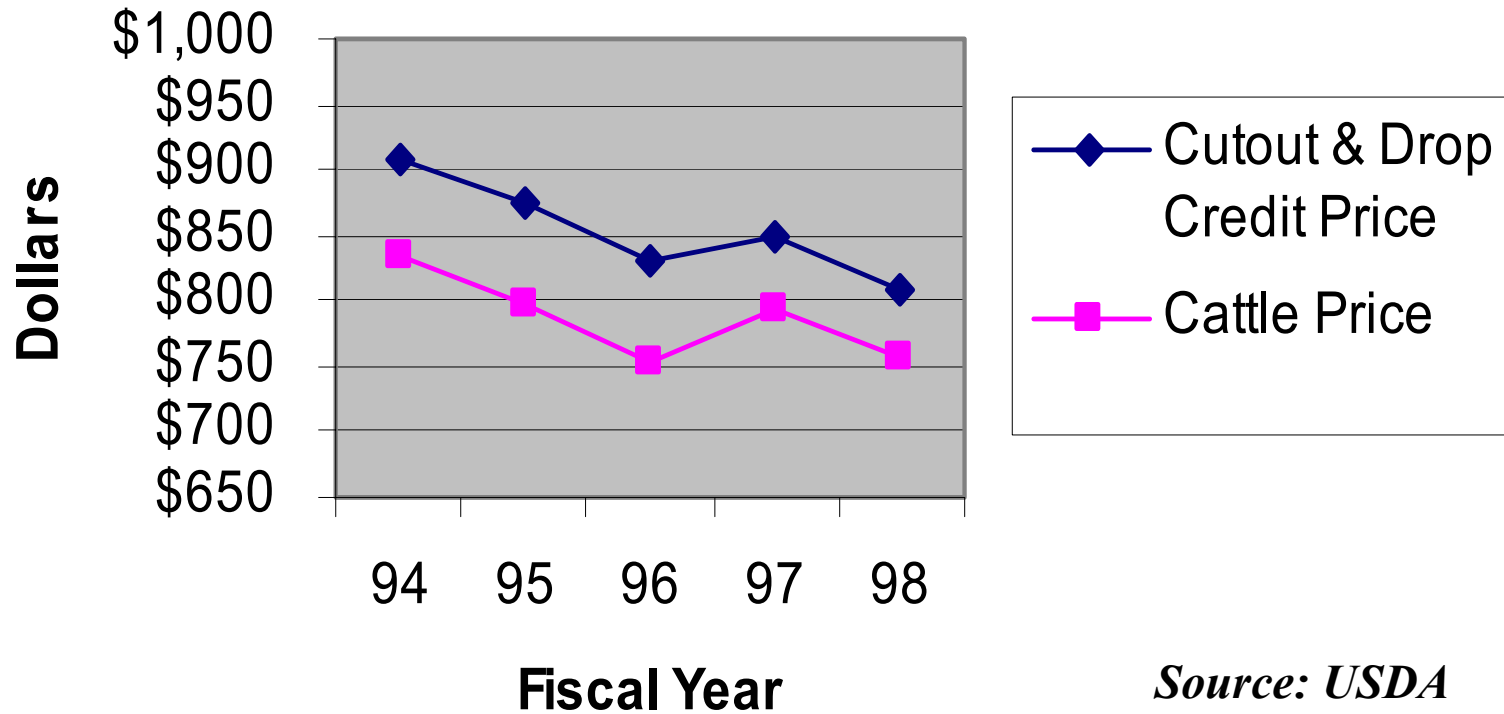


Who is making the money?

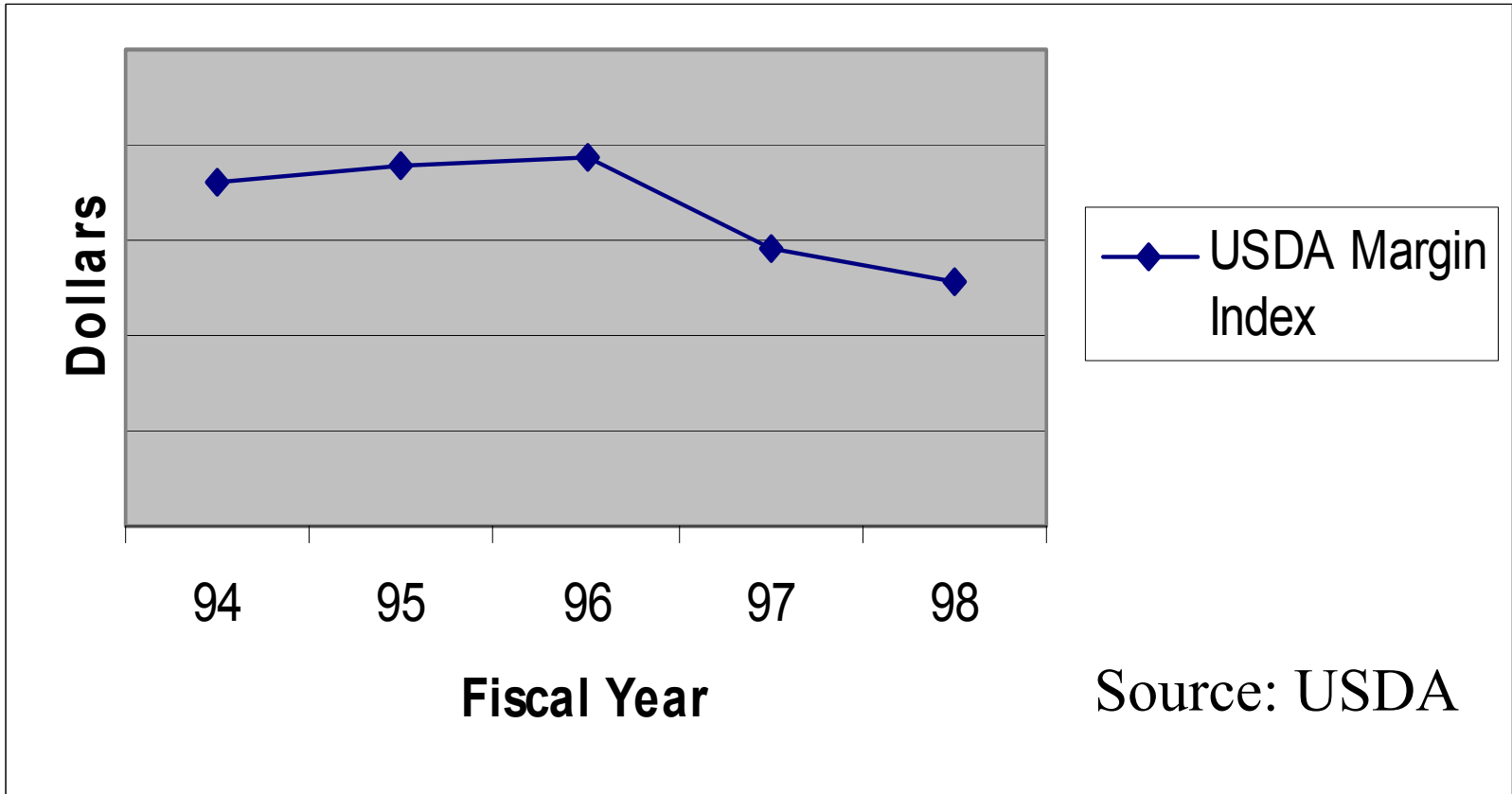


Source: USDA

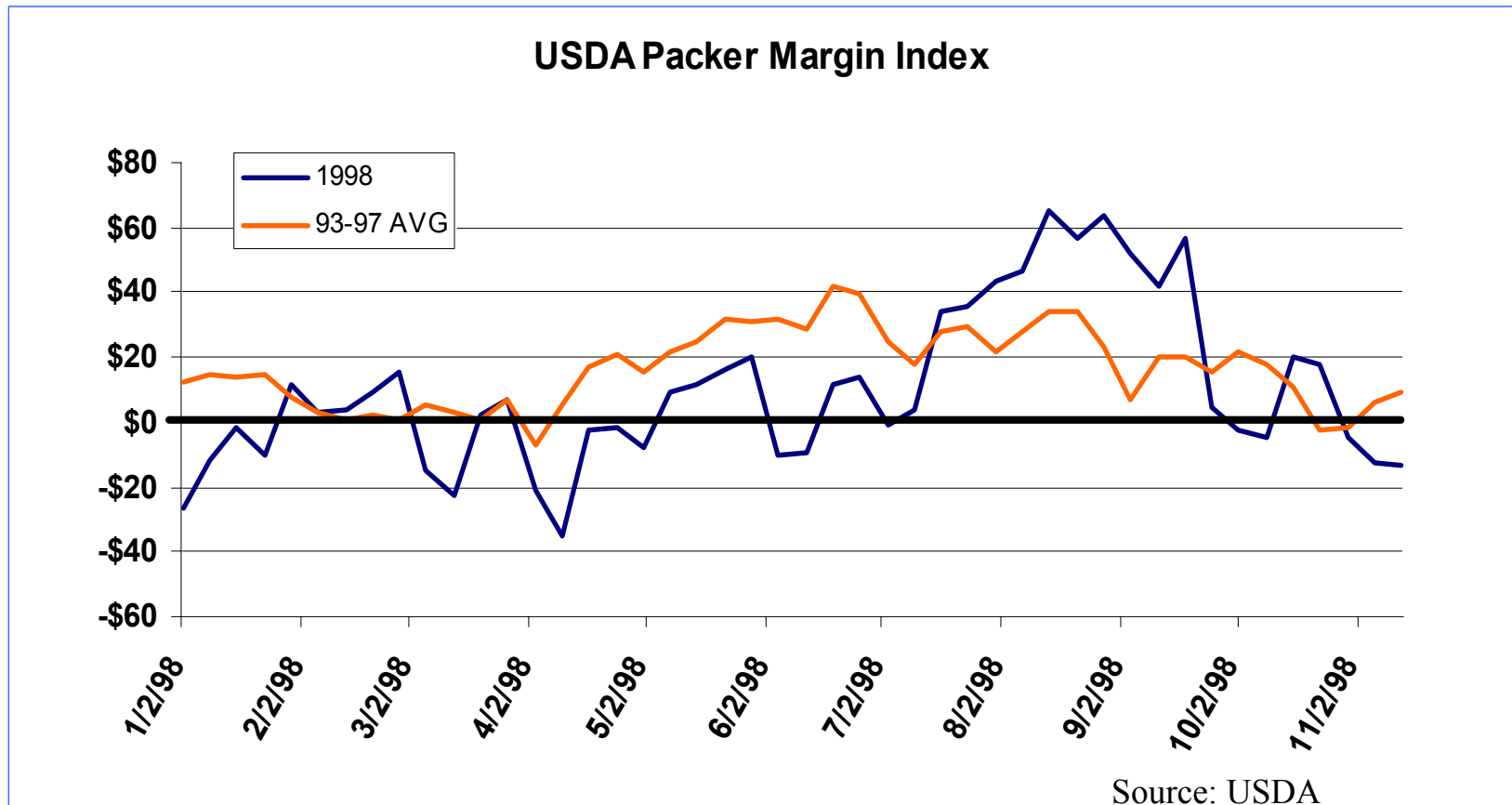
Cutout + Drop Vs. Cattle Price



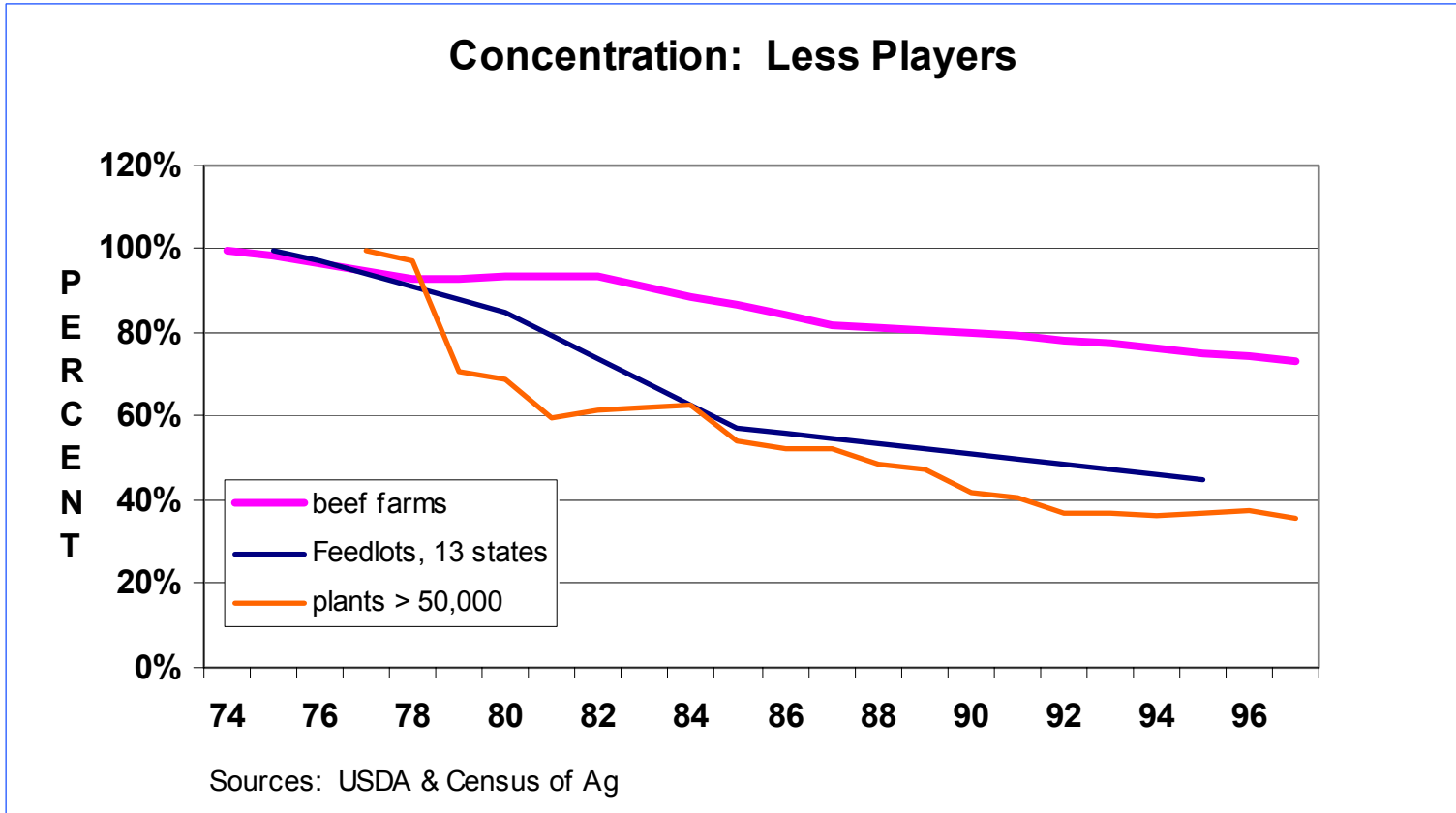
USDA Gross Packer Margins



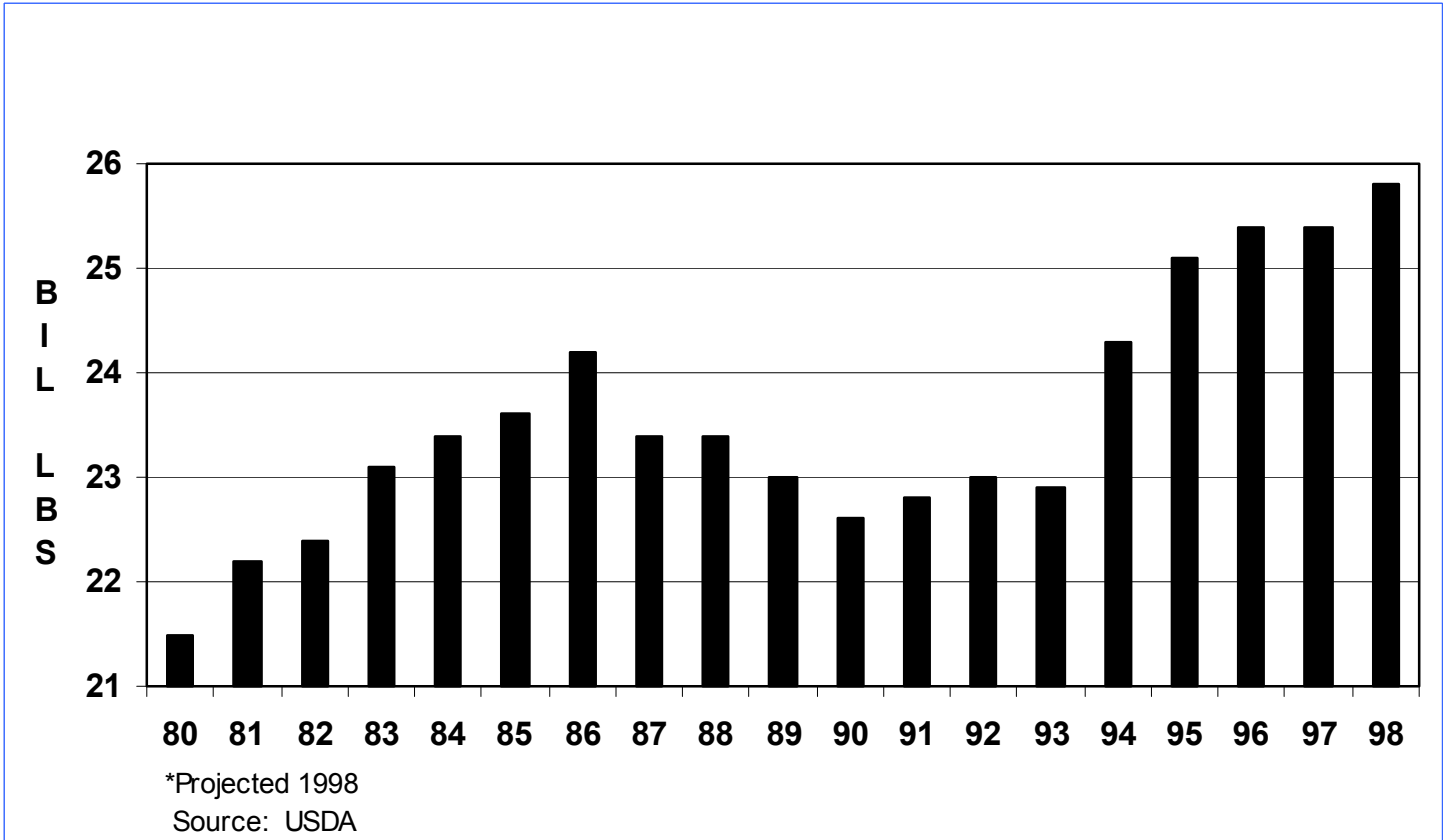
USDA Weekly Packer Margin Index



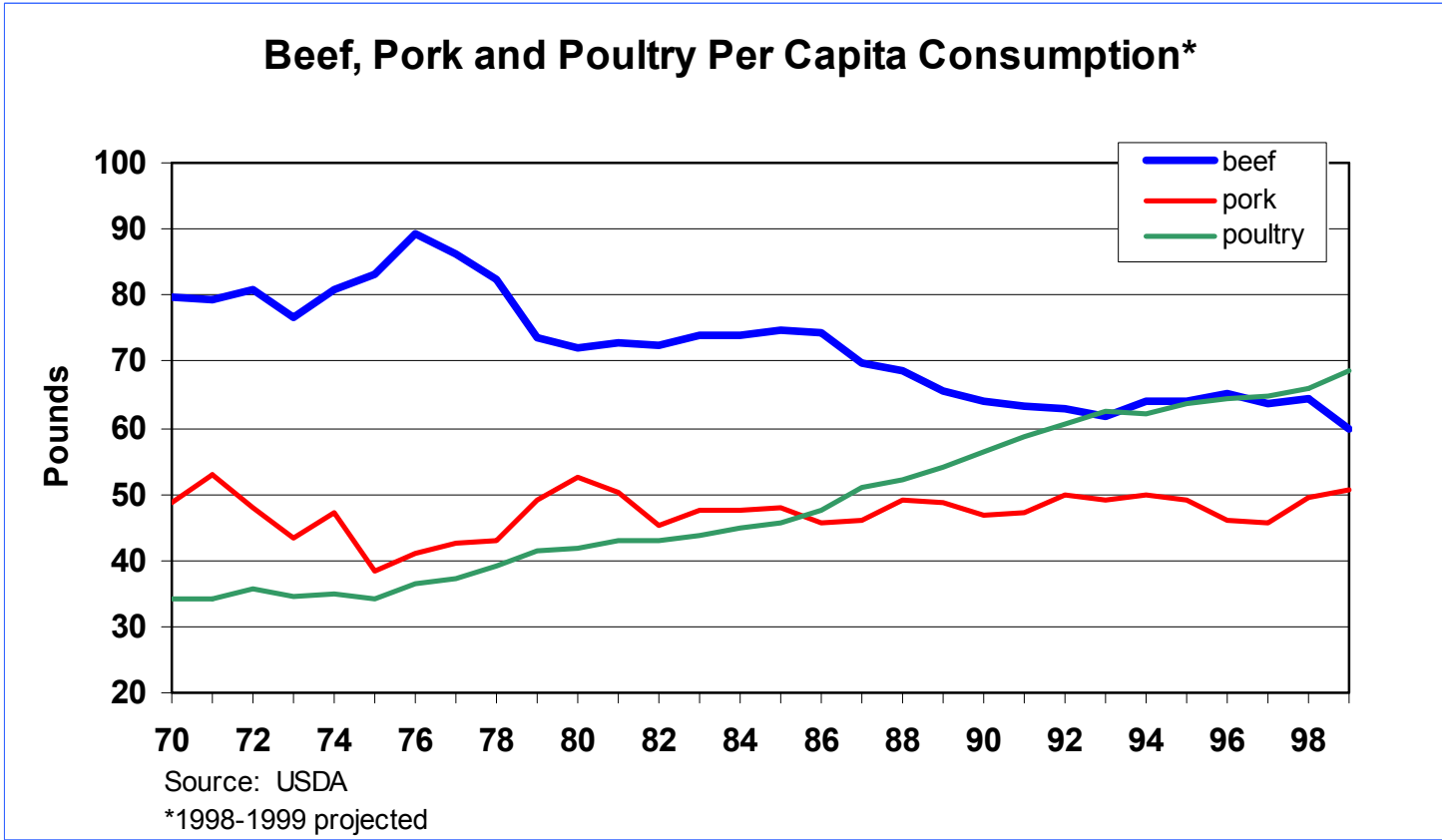
Industry Concentration



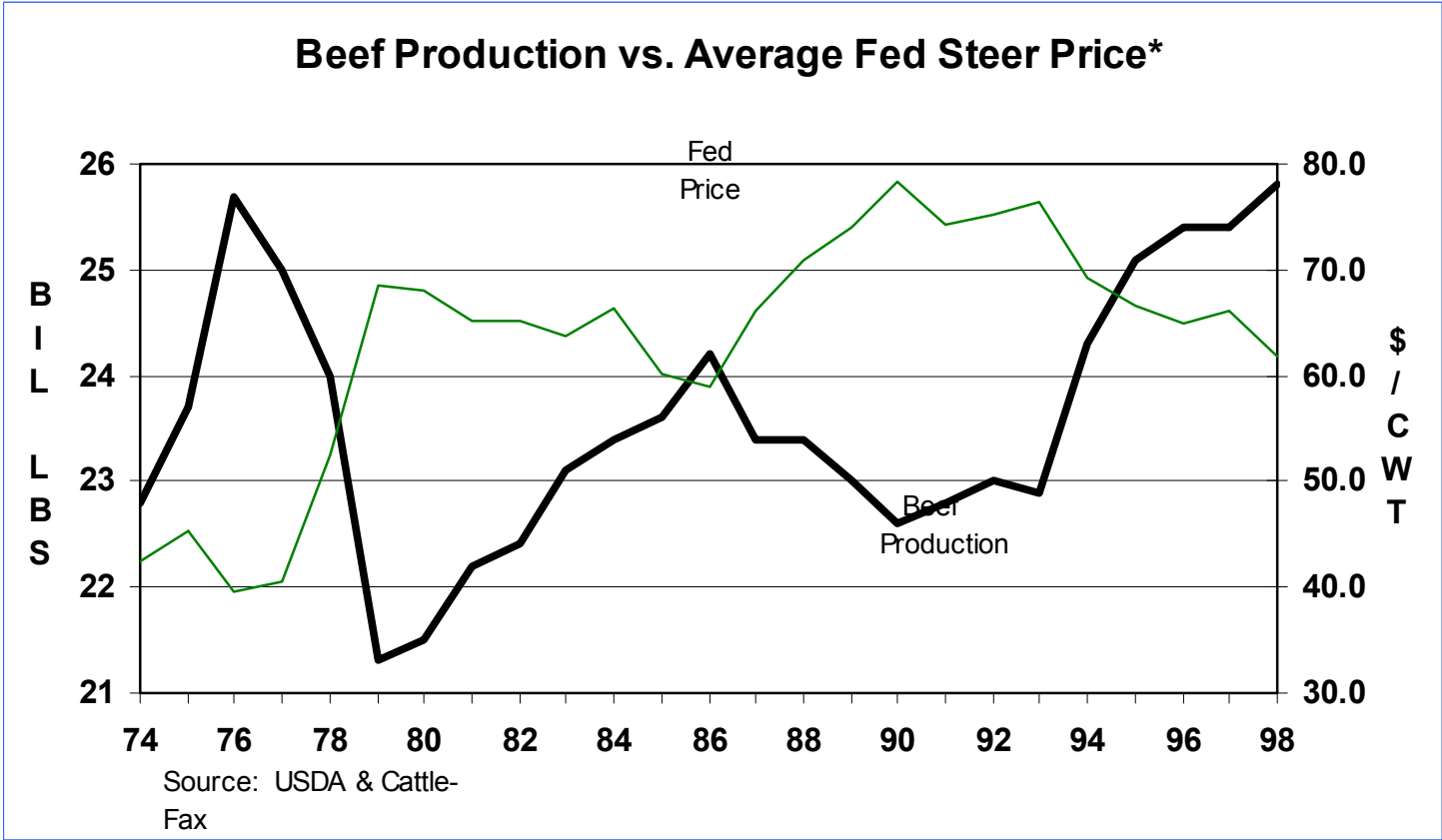
Beef Production



Consumption



Production vs. Price



Summary of Facts

- ◆ **Captive Supply**
- ◆ **Abundant Supplies**
- ◆ **Flat Demand**
- ◆ **Increased Competition**
 - **Efficiency**
 - **Effectiveness**

Keys to Achieve Mission

- ◆ **Value Based Pricing**
- ◆ **Carcass Information**
- ◆ **Ownership**
 - **Full value**
 - **Value-added products**

USPB

Mission Statement

- ◆ **“To increase the quality of beef and long-term profitability of cattle producers by creating a fully integrated producer-owned beef processing system that is a global supplier of high quality value-added beef products responsive to consumer desires.”**



USPB Program

- ◆ **Own Farmland National Beef Packing Co.**
- ◆ **Equal Governance**
- ◆ **One time cost of \$55 per head (\$7/yr.)**
- ◆ **Deliver/Processing Commitment**
- ◆ **Industry Leading Grid**
- ◆ **Carcass Data**

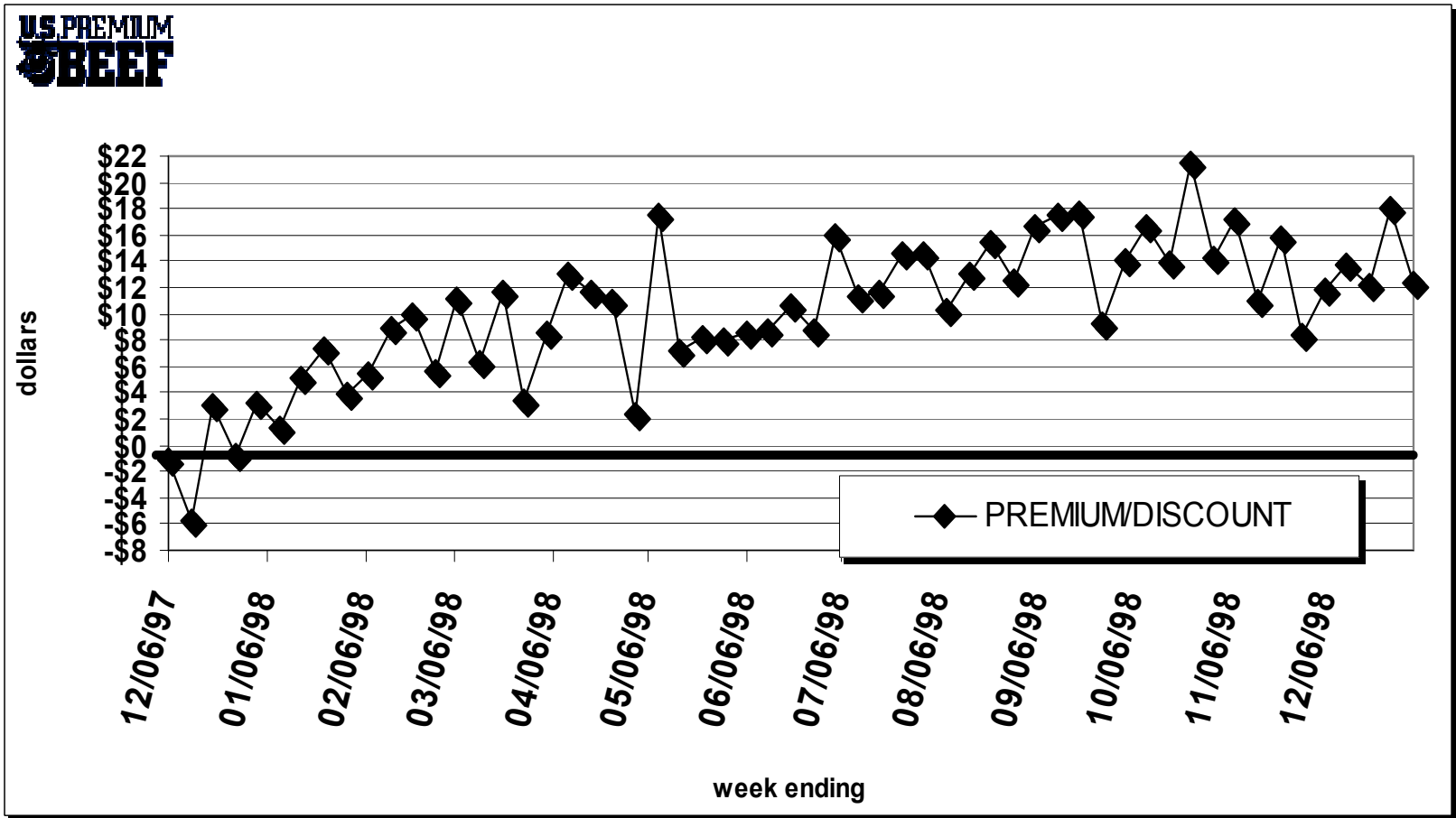


USPB Results

- ◆ **Began Operations on December 1, 1997**
- ◆ **Delivered 500,000 cattle**
- ◆ **Averaged 8,500 cattle / week**
- ◆ **\$4.5 million in premiums over cash YTD**
- ◆ **\$9.00 average premium over cash**
- ◆ **\$29 top 25% ave. premium**
- ◆ **USPB Year-end earnings of \$3.9 million**
- ◆ **USPB earnings of \$12 per head**
- ◆ **Ave. ROI of 37.5%**



USPB Average Weekly Premiums



USPB Single Week Performance

lot#	Head	Sex	Yield	Prime	Choice +	USPB SORTED BY PREMIUM		yg1	yg2	yg3	yg4	yg5	light	heavy	PREMIUM
						CAB	10/27/98 Ungraded								
360	116	S	63.85	20.59	88.98	33.6	0.79	4.95	35.28	59.77	0	0	0.00	3.20	\$ 61.36
403	52	H	65.59	2.13	79.09	23.38	0	3.71	76.36	18.2	1.73	0	0.00	0.00	\$ 59.30
404	52	H	65.38	4.4	77.03	22.74	1.9	0	76.61	23.39	0	0	0.00	0.00	\$ 57.53
262	211	H	65.85	2.9	62.43	8.64	4.17	11.48	47.32	38.35	2.85	0	0.00	0.00	\$ 48.19
102	51	S	65.02	0	74.8	6.15	1.91	1.91	64.67	31.2	2.22	0	0.00	0.00	\$ 46.84
562	132	H	65.11	8.63	82.11	16.19	1.37	2.18	32.24	51.52	14.06	0	0.00	5.24	\$ 46.28
165	127	H	64.16	7.1	80.56	11.32	0.75	1.45	41.82	51.88	4.85	0	0.00	0.00	\$ 45.79
164	254	H	65.21	3.63	75.01	7.13	1.16	3.79	37.26	53.23	5.72	0	0.00	4.08	\$ 45.53
468	133	H	64.73	6.04	75.86	19.14	1.52	1.5	33.22	58.12	7.16	0	0.00	5.26	\$ 42.24
307	43	Mixed	63.08	11.83	90.62	0	0	18.01	70.26	11.73	0	0	0.00	2.98	\$ 37.77
664	60	H	64.9	1.63	72.14	9.45	3	7.51	25.16	62.61	4.72	0	0.00	0.00	\$ 36.00
668	30	Mixed	64.92	0	56.83	7.08	3.05	16.81	69.87	13.32	0	0	0.00	0.00	\$ 35.59
501	65	S	64.14	1.73	80.67	3.06	1.59	0	52.27	44.37	3.36	0	0.00	1.88	\$ 34.94
660	248	H	63.69	4.65	81.09	6.68	3.14	1.56	26.23	65.71	6.5	0	0.00	0.00	\$ 33.04
304	83	S	64.51	4.84	61.44	16.91	0	0	35.62	60.49	3.89	0	0.00	0.00	\$ 33.03
263	45	S	64.69	0	60.76	9.16	6.47	10.39	55.09	34.52	0	0	0.00	2.55	\$ 32.62
320	75	S	63.92	8.56	70.77	27.2	7.96	7.94	59.94	29.47	2.65	0	0.00	0.00	\$ 32.57
401	138	H	66	0	44.39	6.75	8.56	3.58	72.76	22	1.66	0	0.52	0.91	\$ 31.58
201	88	H	65.04	5.1	67.35	3.45	3.73	6.49	56.06	27.93	9.52	0	0.75	0.00	\$ 31.05
202	84	H	62.7	4.6	81.28	41.49	0.81	1.23	62.04	36.73	0	0	0.81	0.00	\$ 30.03
161	128	H	64.12	1.48	68.79	5.24	0	14.89	53.01	28.78	3.32	0	0.00	0.00	\$ 29.96
469	129	H	64.39	4.12	64.6	9.81	2.1	4.18	39.5	49.36	6.96	0	0.00	0.00	\$ 29.57
163	60	H	65.83	0	42.7	5.08	7.94	11.36	50.4	38.24	0	0	0.00	0.00	\$ 28.62
503	25	S	63.05	3.58	88.94	13.2	0	0	43.04	56.96	0	0	0.00	10.56	\$ 28.25
563	115	H	65.35	1.75	53.92	1.81	7.19	7.95	41.13	44.72	6.2	0	0.00	0.00	\$ 27.46
204	62	S	62.77	0	77.33	37	0	0	23.99	76.01	0	0	0.00	0.00	\$ 27.25
464	150	S	64.8	3.95	68.47	6.46	1.62	9.64	39.54	41.15	9.67	0	0.00	4.32	\$ 27.12



USPB Results (Cont.)

- ◆ **Marketing Opportunities**
- ◆ **New Product Development**
- ◆ **Acquired KC Steaks**



In Conclusion

- ◆ Move toward Coordination vs. Isolation
- ◆ Selling Meals vs. Cattle
- ◆ Explore Alternative Marketing
- ◆ Must Support Efforts to Develop Creative Solutions to the Problems

