Beef Marketing Group — who we are

• Regarded as an industry leader for adoption of new technologies and practices, and setting standards in animal care and handling
• Committed to supplying safe, wholesome beef that is certified
• Offer a variety of beef production systems — conventional to natural
BEEF MARKETING GROUP

19 Feed yards
BMG Feedyard Locations

6 operations in Nebraska

13 operations in Kansas
Value Chain Alignment

End User

Processor

Feeder

Stocker

Rancher
Supply Chain System Partner
Responsibilities

- Manage cattle supply to meet Darden spec (feeder & finished)
- Feed cattle to target quality and weight specification
- Own and finance cattle until ready for harvest
- Deliver cattle consistently to processor (Tyson Holcomb KS)

- Harvest and fabricate cattle for Darden
  - Assist in moving non-Darden beef products
  - Process selected carcasses to Darden specification
  - Purchases drop from all cattle

- Identifies fabrication spec for Tyson
  - Utilize selected carcasses in Darden concepts and with Darden partners
  - Responsible for total utilization of selected carcasses
Through the Power of Branding…

The promise is conveyed to consumer to address concerns and deliver on their values that they care about.
Ideal Cattle for BMG Program

Uniform feeder cattle -- Consistent quality

Predictable Performance
Ideal Cattle for BMG Program

- Pre-conditioned
  - 45 days weaned
  - Two rounds of vaccinations
    - 2 Viral vaccinations
    - 1 Pasturella
    - 2 Clostridial
- Wormed
- Bunk & water broke
- Proper nutrition
How important is creating extra value?

### Investment for the cattle feeder….assume breakeven

<table>
<thead>
<tr>
<th>Year</th>
<th>Live Cattle Price/lb</th>
<th>Out Weight</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$.85</td>
<td>1250</td>
<td>$1062</td>
</tr>
<tr>
<td>2011</td>
<td>$1.20</td>
<td>1275</td>
<td>$1594</td>
</tr>
<tr>
<td>2013</td>
<td>$1.45</td>
<td>1300</td>
<td>$1885</td>
</tr>
</tbody>
</table>

Harvest 650,000 hd in 2013

$1.2 billion in capital needed
Average Carcass Value, $/hd

Min. carcass value: $818
Max. carcass value: $1950

- Avg carcass value: $1,475
- After culling bottom 10%: $1,513 (+$38)
- After culling bottom 20%: $1,536 (+$23)
“Battle for feeder cattle”

How do feedyards deal with declining supply?
• Take more risk – own more
• Manage supply, own them longer
• Control inventory
  – Wheat pasture/grass  
  – Growing or starting yards
• Alliances
• Cows?
Key Take Aways

• Reduced variation in feeder cattle = margin opportunity
  – Animal health & management
  – Genetics

• Risk management imperative for cattle feeder sustainability

• Consistent predictable performance is a key element of quality

• Special feeder cattle sales
They are not just bigger…

they are better!
Opinion

The US cattle industry *must* produce big, high value cattle to maximize revenue per unit.

To accomplish this we need them healthy. We need them good.
Specification production:

- Tighter specifications, bigger premiums and discounts - eventually realized in feeder cattle pricing
- More than just reputation and feeding experience – will require documentation
- Required for market access
- Redefinition of commodity
Targeted outcome management:

- Success means hitting specifications and documenting practices
- We can invest more $ per head because value and value differences are greater than ever
- Genetic evaluation
- Health diagnostics
- Sorting