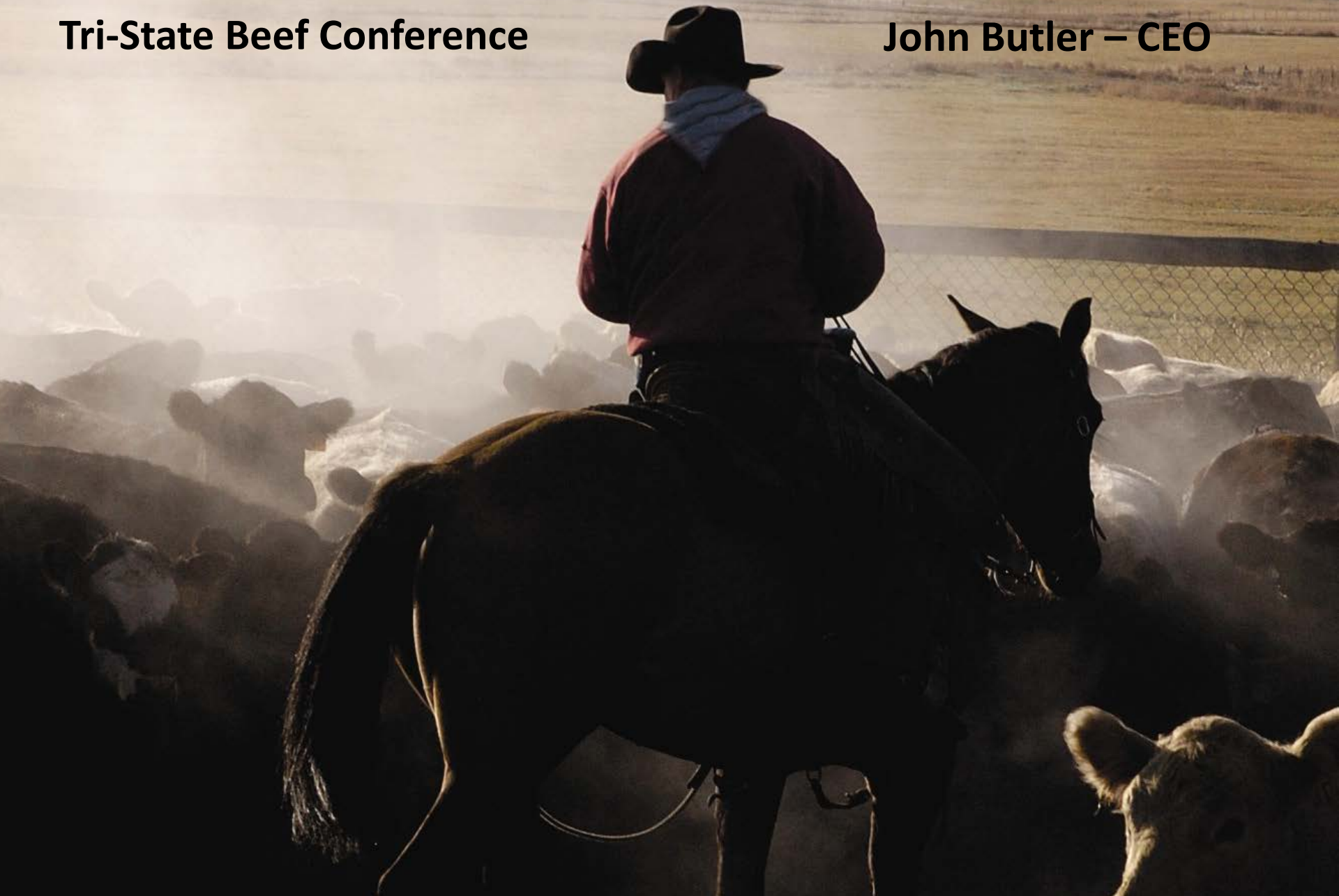


# BEEF MARKETING GROUP

**Tri-State Beef Conference**

**John Butler – CEO**



# 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



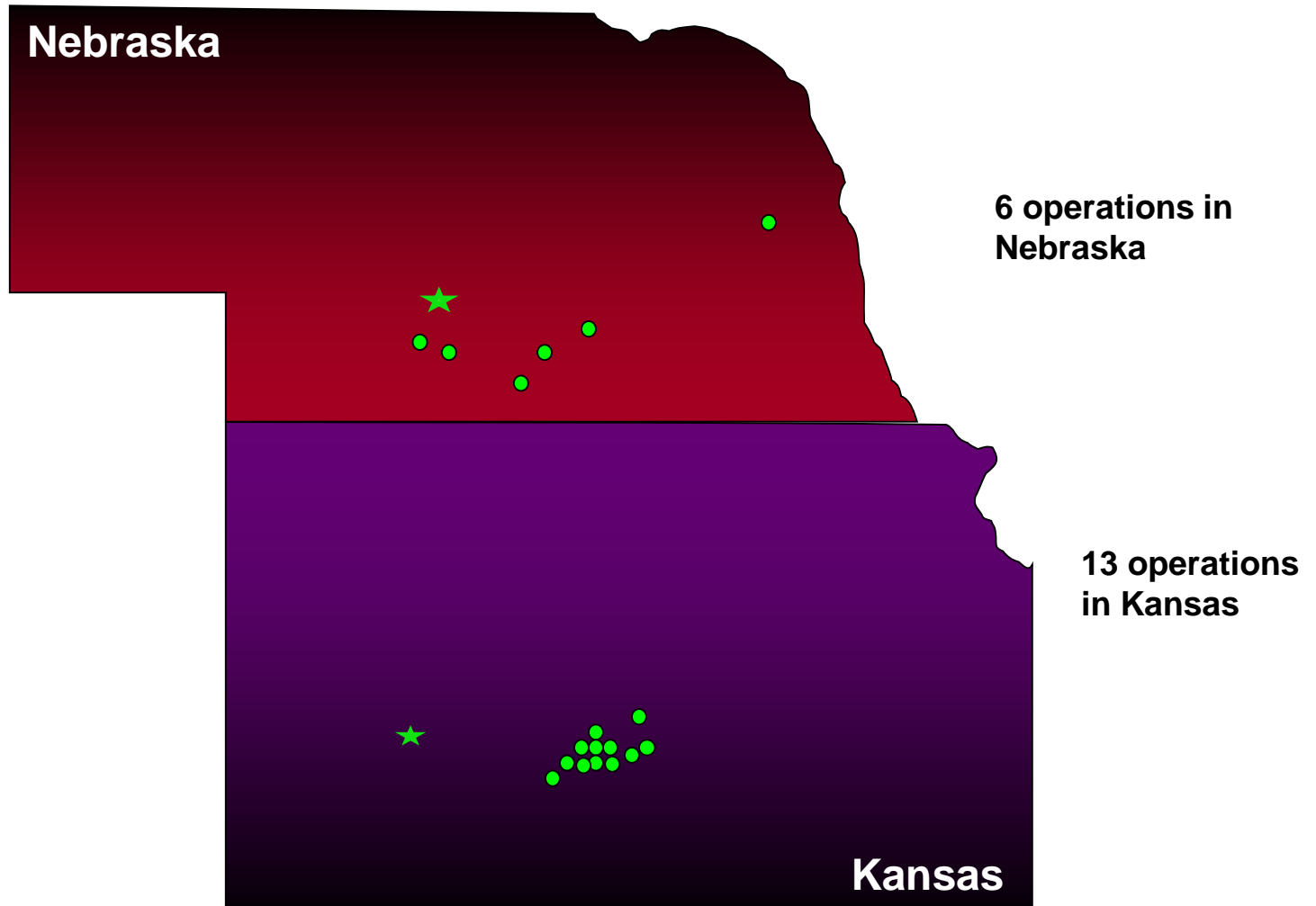


B E E F M A R K E T I N G G R O U P

19 Feed yards



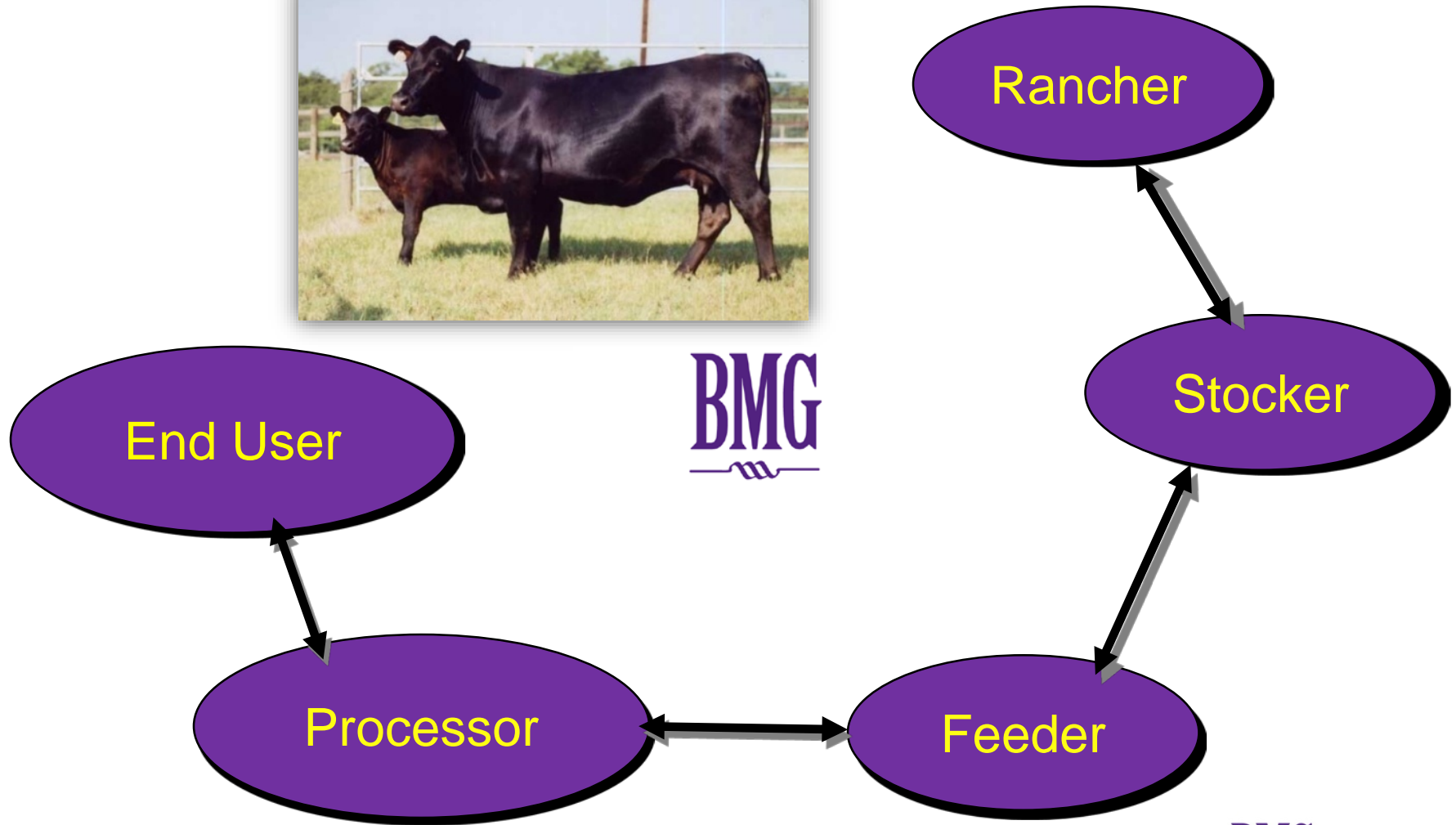
# BMG Feedyard Locations



# Value Chain Alignment



BMG



BMG

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# 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



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# 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?

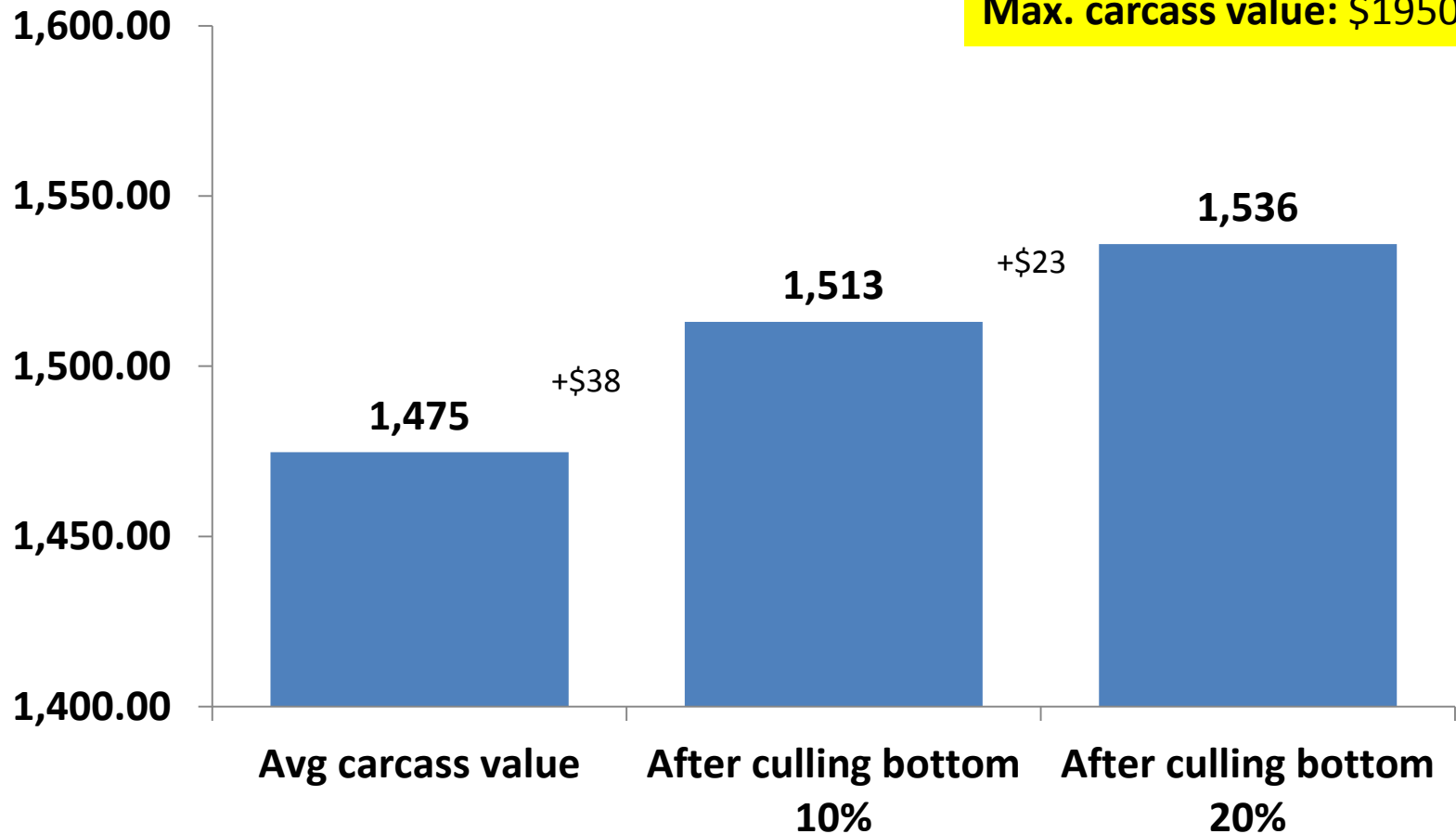
## Investment for the cattle feeder....assume breakeven

| Year                       | Live Cattle Price/lb | Out Weight                      | Value  |
|----------------------------|----------------------|---------------------------------|--------|
| 2005                       | \$.85                | 1250                            | \$1062 |
| 2011                       | \$1.20               | 1275                            | \$1594 |
| 2013                       | \$1.45               | 1300                            | \$1885 |
| Harvest 650,000 hd in 2013 |                      | \$1.2 billion in capital needed |        |



## Average Carcass Value, \$/hd

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



# “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...

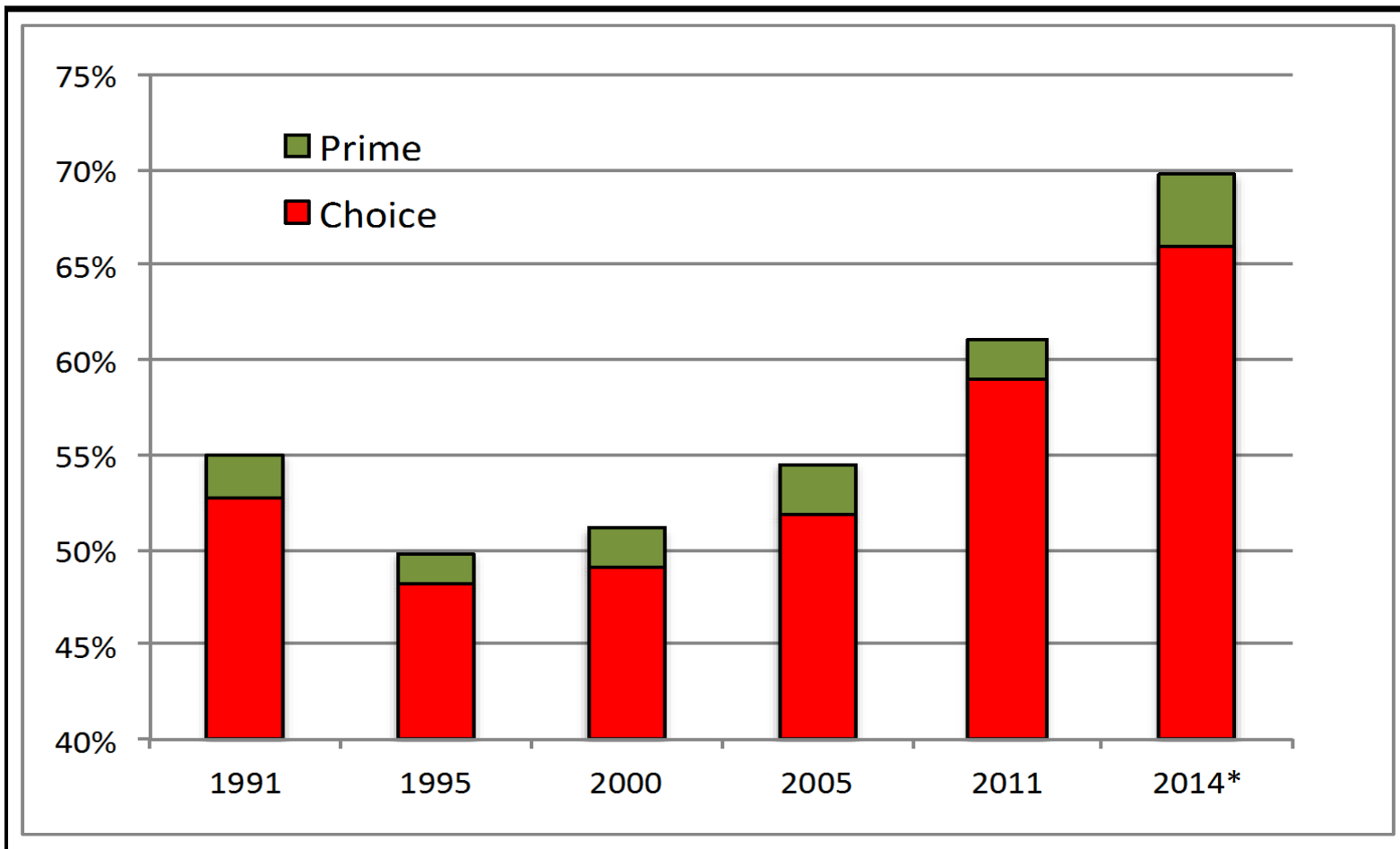
they are better!



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## Percentage USDA Prime and Choice NBQA Quality Audit Results + 2014 USDA YTD



# 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



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