

Delivery Year 2016 Cattle Summary

U.S. Premium Beef wrapped up its nineteenth delivery year on August 27, 2016 (DY 2016). During the year, USPB unitholders and associates delivered cattle against 100% of our unitholder-owned delivery rights.

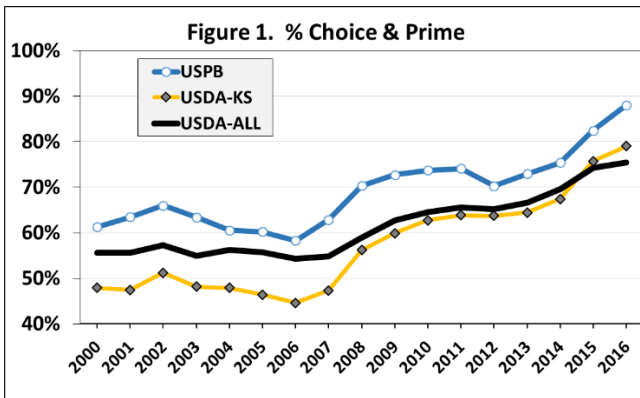
The table below summarizes carcass grid performance of all USPB cattle harvested during the previous three delivery years.

USPB DELIVERY YEAR PERFORMANCE - KS PLANTS			
	DY 2014	DY 2015	DY 2016
In Weight	745	748	761
Days Fed	151	158	160
Live Weight	1293	1307	1338
Carcass Weight	827	840	860
Yield %	64.00	64.23	64.27
Yield Difference %	0.78	0.63	0.63
Prime %	2.76	3.81	4.56
Choice & Prime %	75.88	80.96	85.79
CAB %	26.38	26.20	27.58
Yield Grade 1 %	6.24	8.02	8.96
Yield Grade 2 %	30.87	34.47	34.12
Yield Grade 3 %	45.08	42.66	41.10
Yield Grade 4 %	16.07	13.42	14.02
Yield Grade 5 %	1.73	1.41	1.80
Average Yield Grade	2.76	2.66	2.66
Lightweight %	0.32	0.30	0.23
Heavyweight %	1.19	2.04	3.71
Quality Grade \$/head	\$29.59	\$26.60	\$30.57
Yield Benefit \$/head	\$25.66	\$24.28	\$20.94
Yield Grade \$/head	-\$6.57	-\$1.21	-\$1.62
Outweights \$/head	-\$2.00	-\$3.19	-\$5.70
Subtotal Prem. \$/head	\$46.68	\$46.48	\$44.19
Natural \$/head	\$3.62	\$4.64	\$3.23
Overall Premium/head	\$50.30	\$51.12	\$47.42
Top 75% Prem./head	\$63.43	\$65.21	\$61.41
Top 50% Prem./head	\$74.62	\$77.98	\$73.04
Top 25% Prem./head	\$90.18	\$97.49	\$90.36
CH/SE Spread \$/cwt	\$9.10	\$8.75	\$9.80
% Steer Lots	35.59	38.74	42.12

For the third consecutive year, USPB carcasses set new records for quality grading. The percentage grading Choice and Prime was record high, up nearly five percentage points from the previous year. The percentage of Certified Angus Beef was also record high.

Industry wide, quality grading was also record high during company history. USPB cattle increased their advantage over the industry and were nearly eleven percentage points higher in Choice and Prime during the delivery year. This was a record high level of superiority relative to industry average.

Figure 1 shows the Choice and Prime percentage of USPB carcasses, as well as all carcasses graded by USDA nationwide and all graded in packing plants in the state of Kansas, for the past sixteen years and for the current year-to-date, on a calendar year basis.



You can see the significant improvement in Quality grade across all cattle in the U.S. beef industry. It is also interesting to note that, on average, all carcasses graded in Kansas packing plants are now above average for the entire industry.

Choice/Select spreads were a little above average. Together with record high Quality grading of the USPB cattle, this resulted in the second highest Quality grade premium per head on the USPB grid.

Carcass weights and live weights were both record high during DY 2016. This was mainly driven by record high placement weights coupled with the third highest days on feed. As a result, apparent total feedyard gain was record high. On average, USPB cattle gained 577 total pounds according to live weight and available in-weight data, although USPB does not collect closeout records from feedlots. This was eighteen pounds greater than the old record set the previous year.

Even though cattle were fed longer, apparent average daily gain was the second highest on record. Additionally, the concentration of steers was higher which also contributed to the heavier weights. As a result, heavyweight percentage and outweigh discount were both record large.

Subtotal, or grid only, premium and Total overall premium were both the fifth highest in company history. Please call Brian at 866-877-2525 if you have any questions, or if you would like to discuss your carcass grid results.