

National Beef Packing Co LLC

BUSINESS OVERVIEW

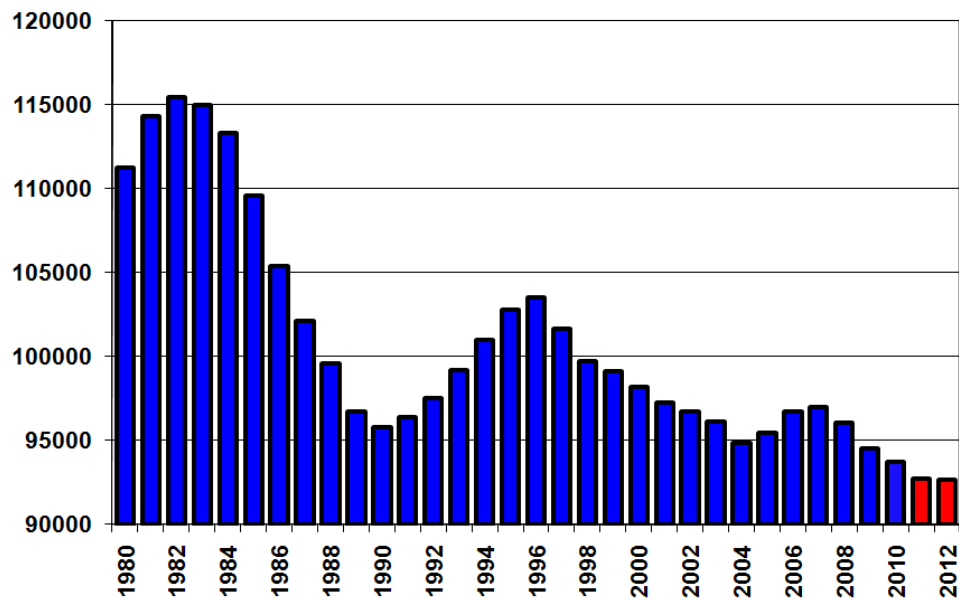
April 01, 2011

Cattle Market Update and Outlook

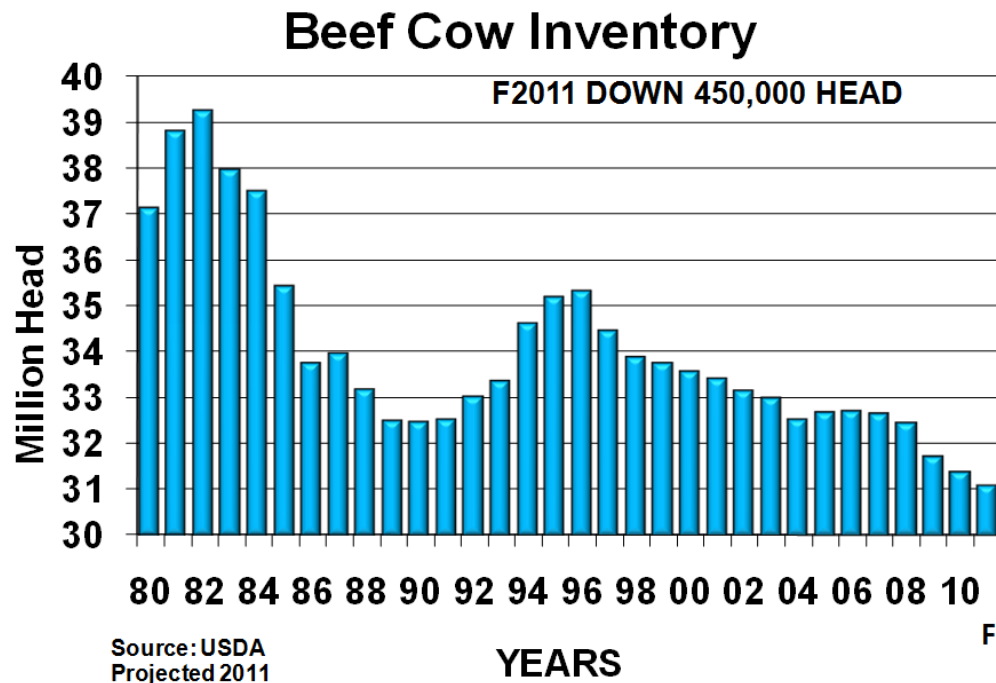
March 01, 2011

Total US Cattle Inventory

January 1 - All US Cattle Inventory (million head)



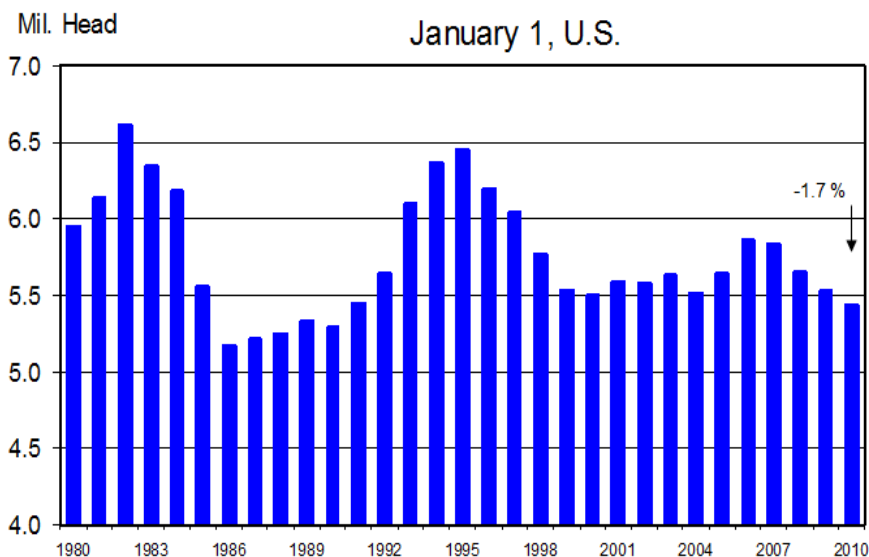
- **Issues:**
- Industry remains in liquidation mode
- Total US cattle herd smallest since late 1950's
- US cattle herd expansion does not appear eminent
- **Impact:**
- Smaller cattle supplies will result in reduced beef production (despite near record carcass weights)
- Smaller supplies are set. Price direction will be more sensitive to demand than ever.



9 Industry Not Growing

- **Issues:**
- Beef cow numbers continue to decline as producers liquidate herd.
- Record high cow prices and macro economic and regulatory challenges keep cows moving to town.
- **Impact:**
- Beef supplies will not show any growth for the foreseeable future.

HEIFERS HELD AS BEEF COW REPLACEMENTS



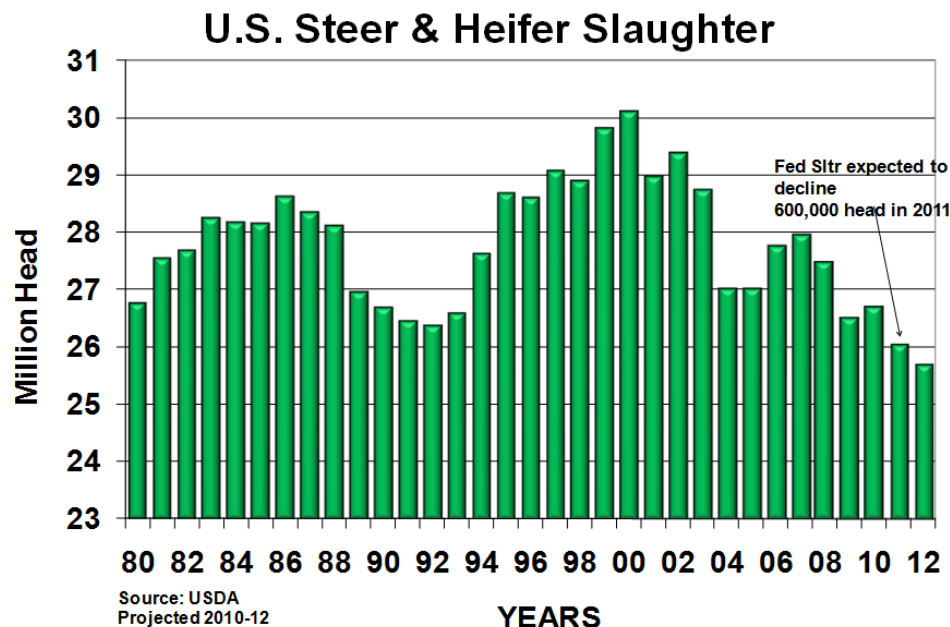
Livestock Marketing Information Center
Data Source: USDA/NASS

C-N-38
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Females Not Being Retained in the Herd

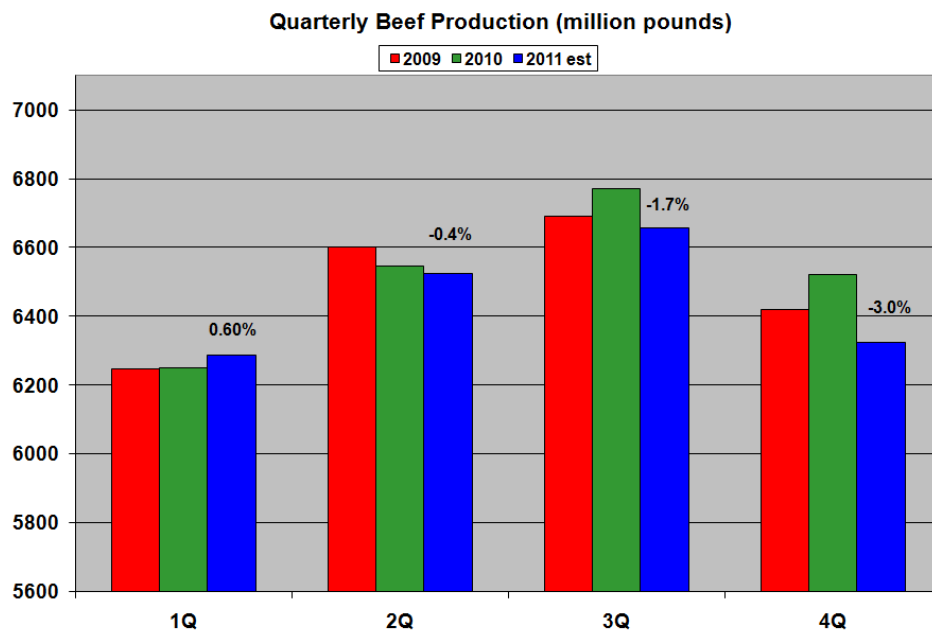
- **Issues:**
- Compounding cow inventory and liquidation is lack of any move to retain new females into the herd.
- **Impact:**
- At the point in time producers decide to start retaining heifers, the decline in fed cattle supplies will accelerate to even smaller levels.

Steer Heifer Slaughter Declining

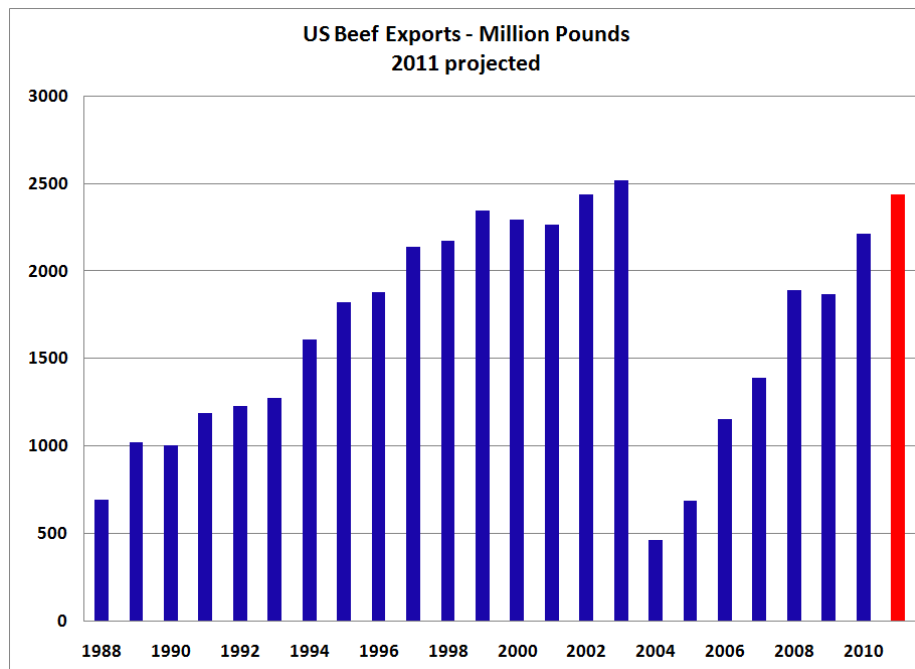


- **Issues:**
- Fed steer and heifer slaughter expected to show larger than trend decline following the modest increase during 2010.
- **Impact:**
- Magnitude and impact of declining inventory will be greater and more challenging to processors and end users.

Quarterly Beef Production

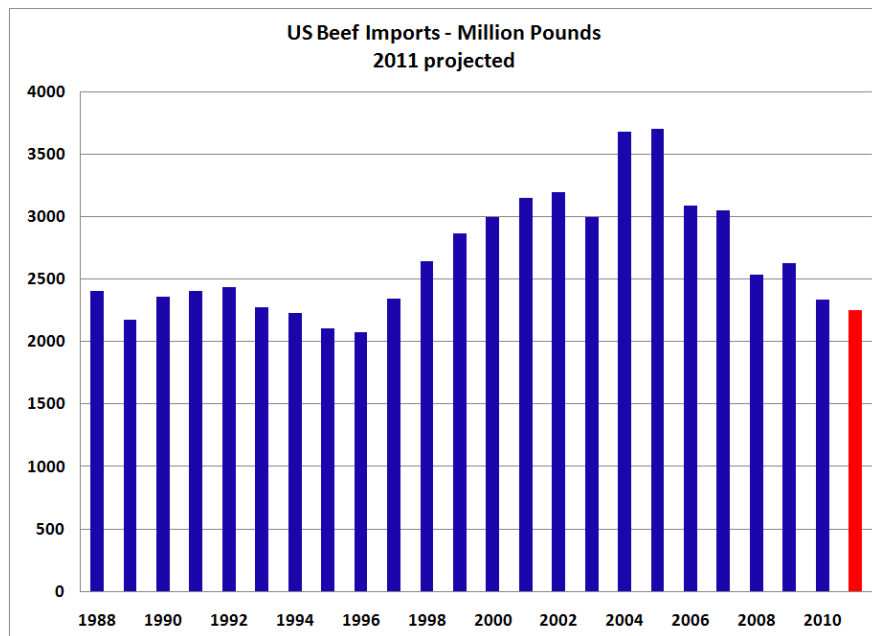


- **Issues:**
- 2011 production will drop nearly 2% from year prior.
- Heavier carcass weights during Jan-July 2011 vs. negative winter of 2010 will moderate YTY beef production decline during this period.
- 2nd half 2011 expected to show largest decline
- **Impact:**
- Smaller beef supplies, higher prices.



Exports Return to Pre-BSE Levels

- **Issues:**
- Strong global demand aided by the weak dollar and smaller global beef supplies should continue to support another large YTY gain in beef exports.
- **Impact:**
- Positive export growth will further exasperate domestic supply situation



Beef Imports Not Providing any Relief

- **Issues:**
- Weak US dollar (strong Australian dollar), strong demand from emerging markets (Far East) and smaller global beef supplies will further tighten imports of grinding product
- **Impact:**
- Lean complex will remain very strong without import growth and strong export demand for end cuts.

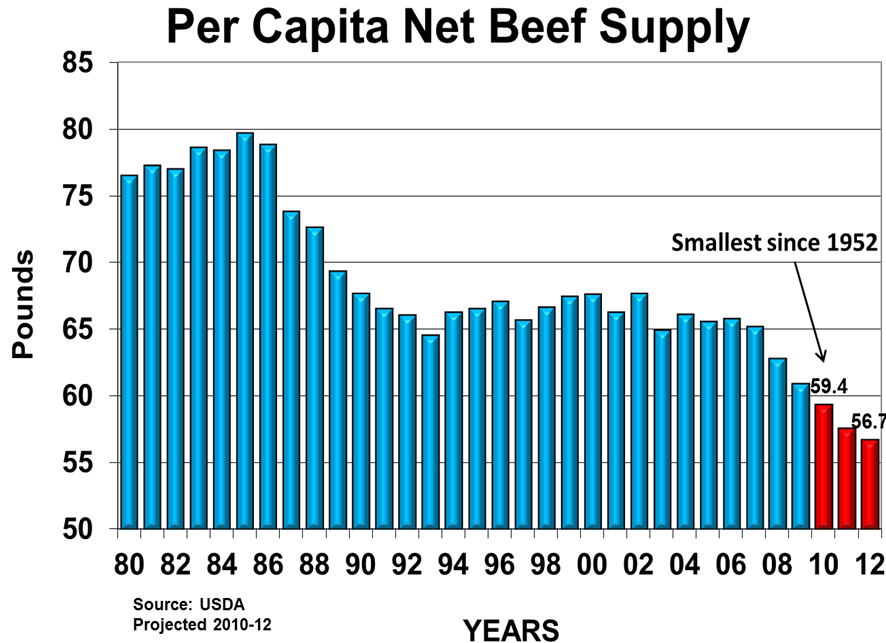


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Domestic Beef Supplies Plummet



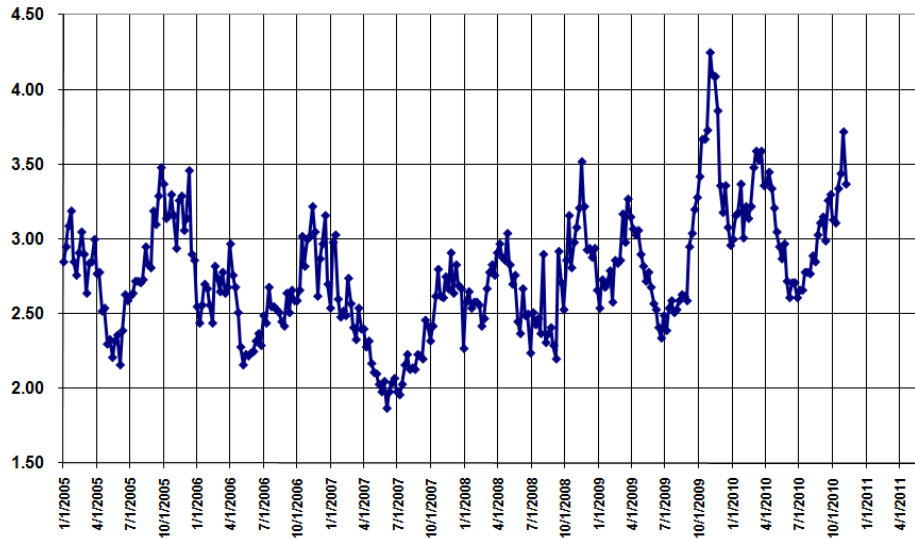
- **Issues:**
- Lower production, larger exports, lower imports and growing population drops domestic per capita beef supplies to modern record lows.
- **Impact:**
- Barring another economic meltdown, larger population demanding smaller supplies will keep beef prices at record levels.



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USDA - Weekly % Prime

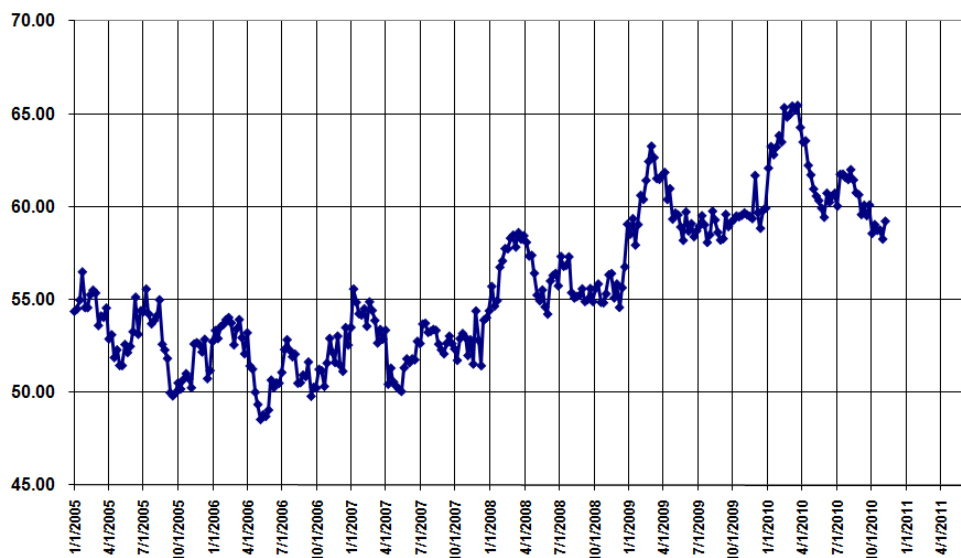


Prime Supplies Topping

- **Issues:**
- Smaller overall beef supplies will limit tonnage growth in Prime graded cattle.
- % of prime cattle for the industry should hold near 3% as heavier in-weights offset higher priced corn.
- **Impact:**
- Overall prime supplies will be lower in 2011.
- Stable to modest economic growth will support demand and higher prices.

Choice Grade Trending Lower

USDA - Weekly % Choice

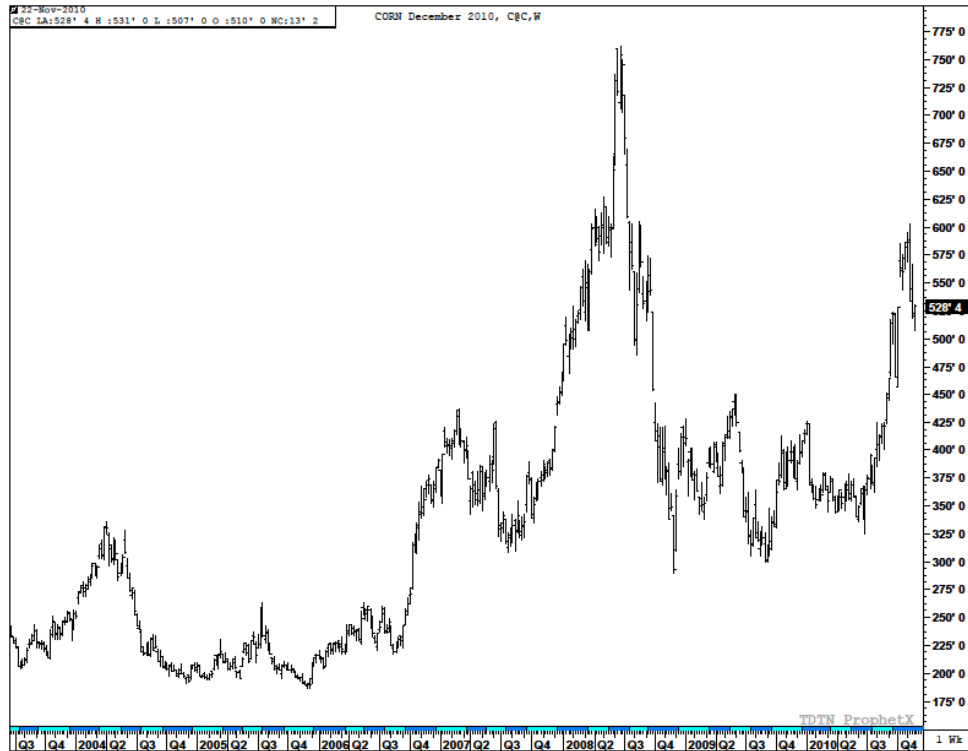


- **Issues:**
- Higher corn prices and marketing of cattle early will limit Choice grade potential in 2011
- **Impact:**
- Choice grade expected to not hold levels above 60% as realized the past couple of years.
- Will keep premiums on all choice and high choice branded programs well supported.



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High Corn Prices result in Higher Protein Prices

- **Issues:**
- Corn prices return to 2nd highest levels on record.
- Despite very large crops, demand is growing faster.
- **Impact:**
- Higher input costs further restrict ability to support growth across all proteins, including beef.
- Higher grain prices passed through the system in the form of higher beef, pork and poultry prices.

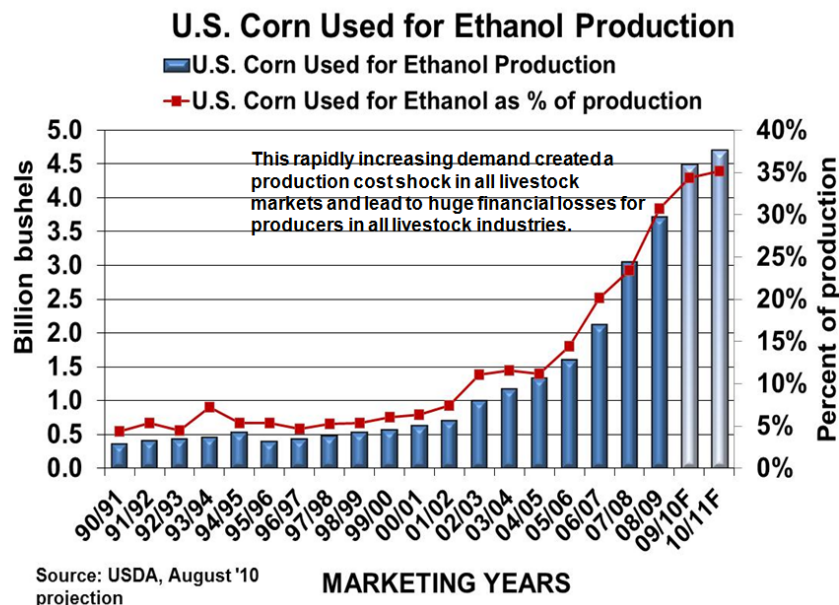


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Ethanol Policy Key Driver in Higher Corn and Food Prices



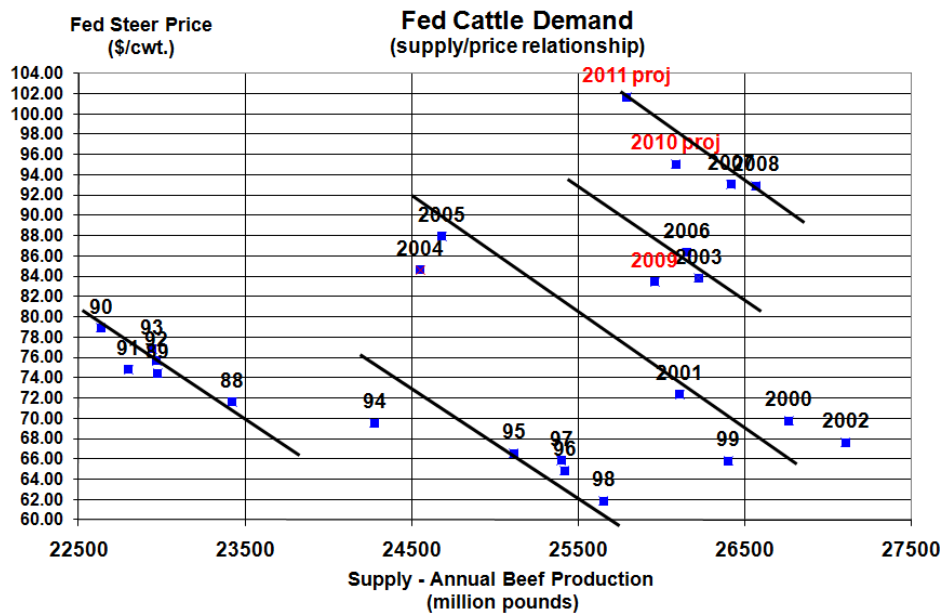
- **Issues:**
- Ethanol as % corn crop has exploded from 10/15% to nearly 40% in less than 5 years.
- Subsidy situation provides inelastic demand forcing livestock producer to be the user who contracts.
- **Impact:**
- Ethanol policy must be monitored for long term impact on animal protein production and prices going forward.



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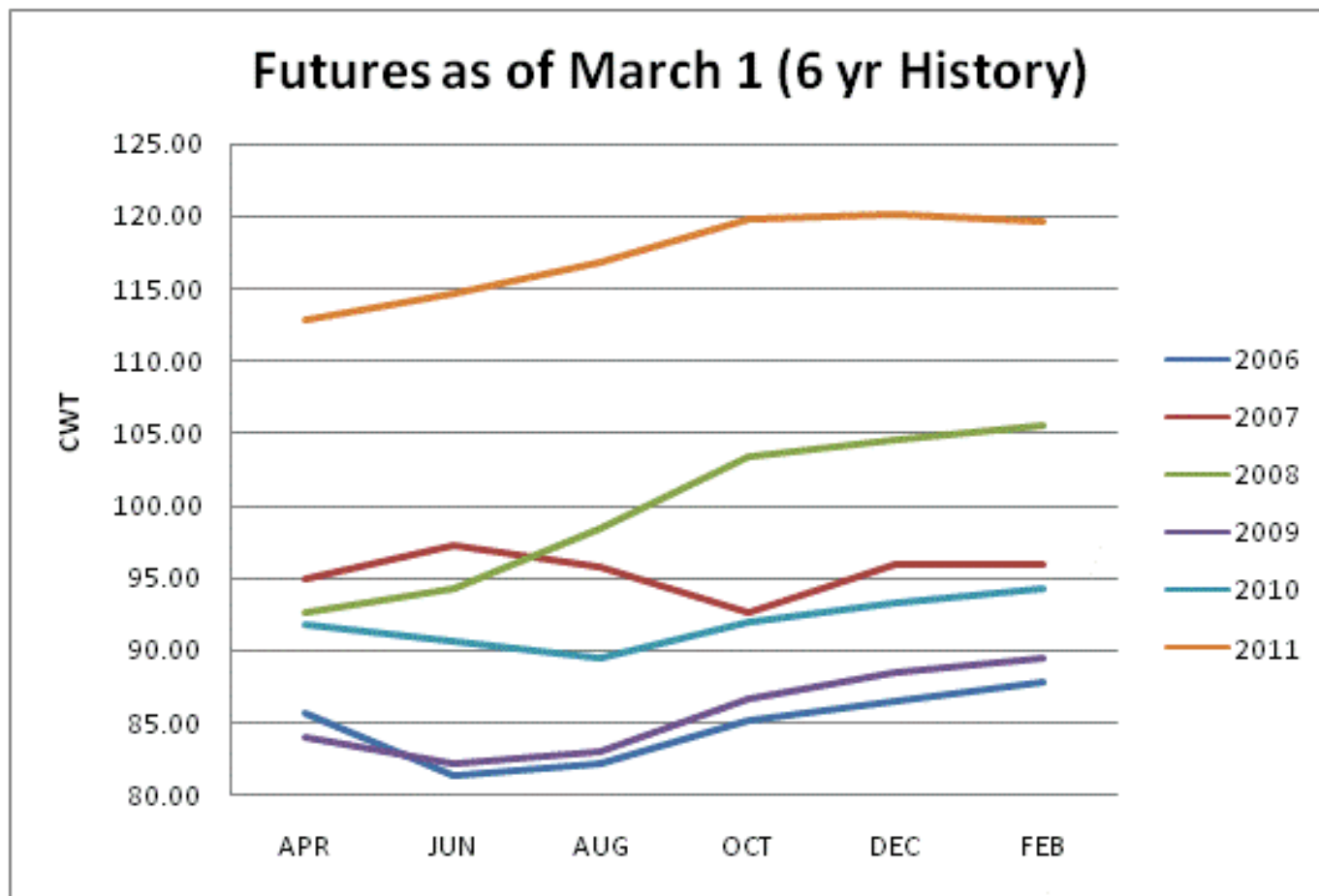
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Annual Beef Supply- Cattle Price Relationship



- **Issues:**
- Improving domestic and strong global demand support.
- Competing meat situation also price supportive
- **Impact:**
- Impressive return in implied demand during 2010 following 2009 collapse.
- Should 2nd half 2010 demand hold, 2011 expected to have annual average cattle price greater than \$1.00 per pound

Cattle Futures Comparison

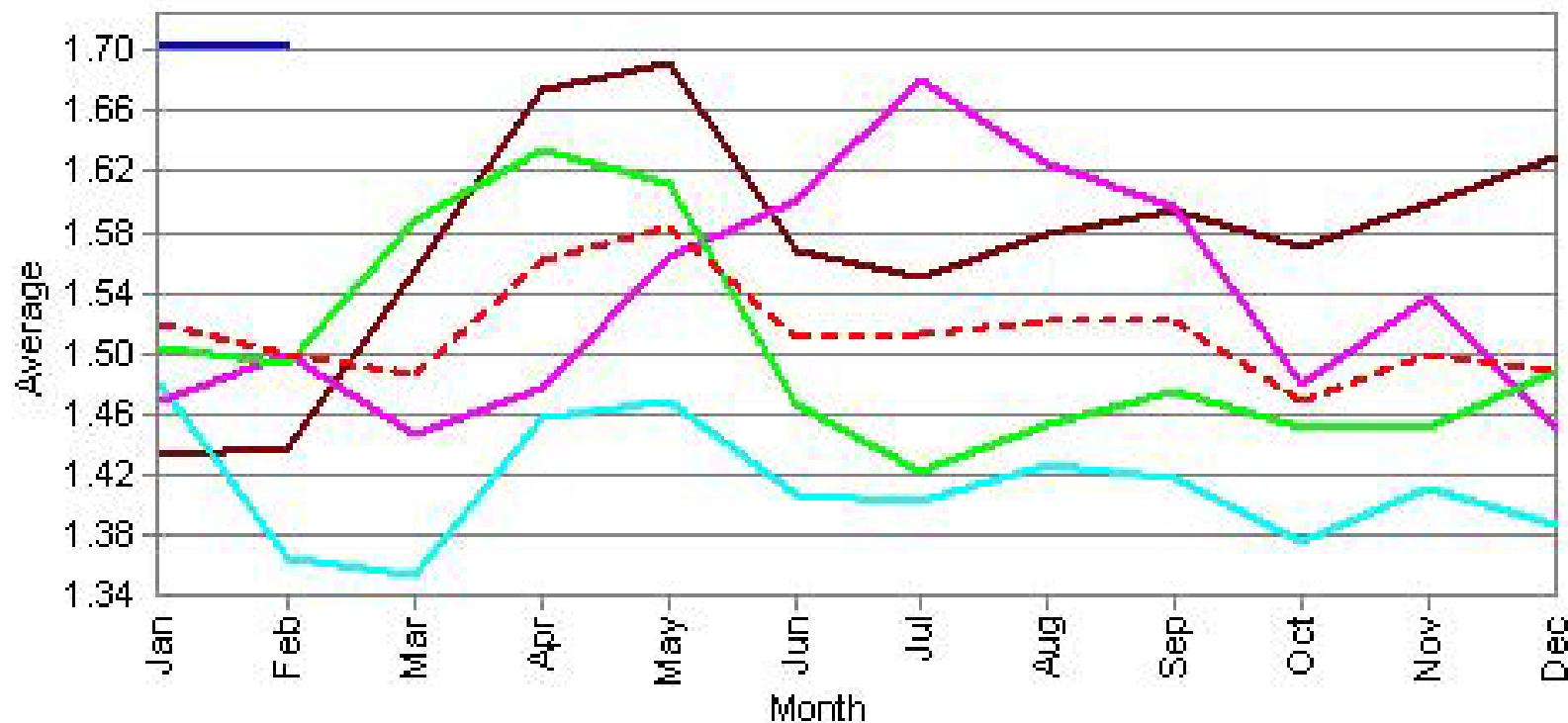




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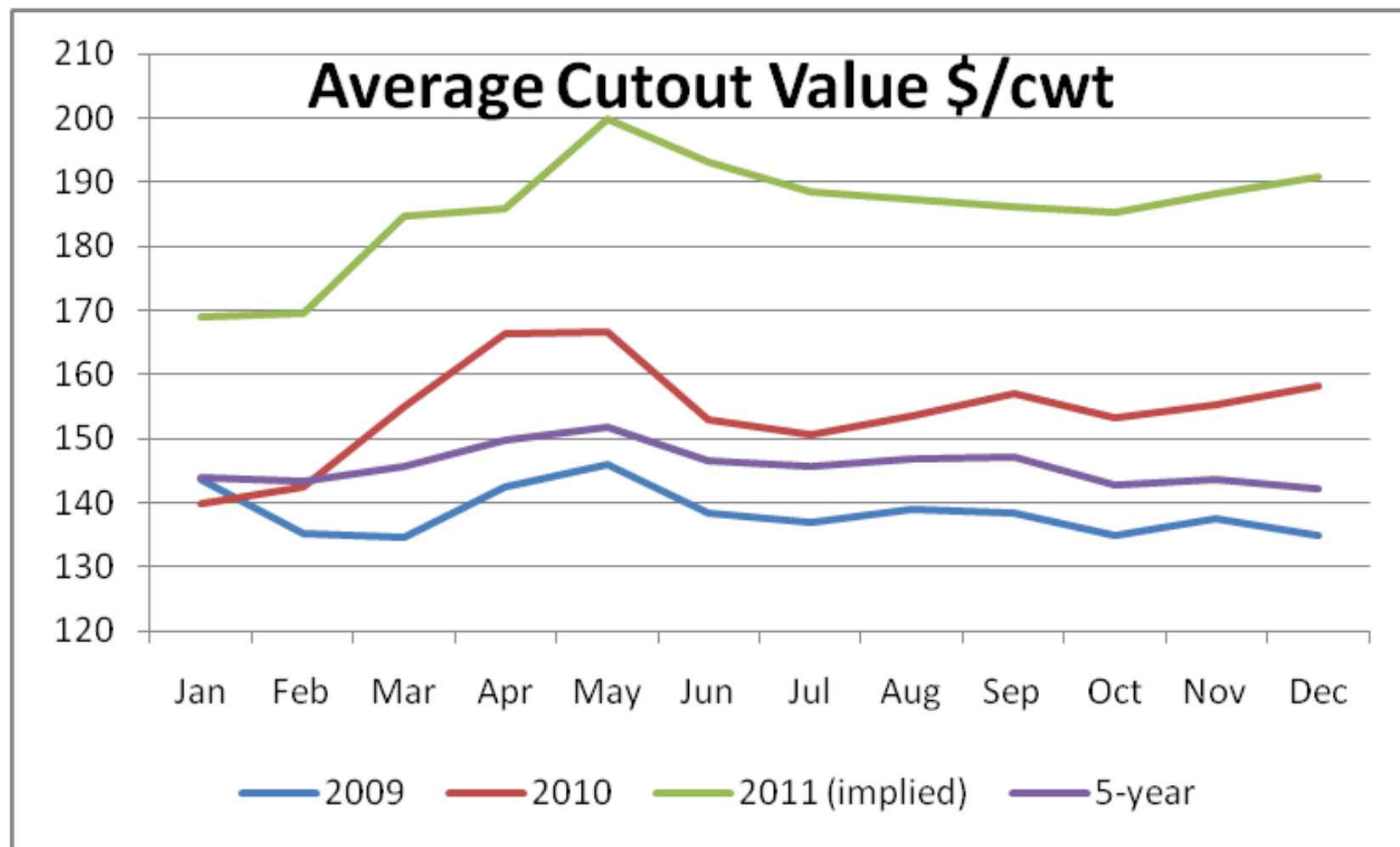
USDA Beef Cutout-Total Value 600-900 Choice Monthly Average Average



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Year 2011 Year 2010 Year 2009 Year 2008 Year 2007 Average

Implied Cutout

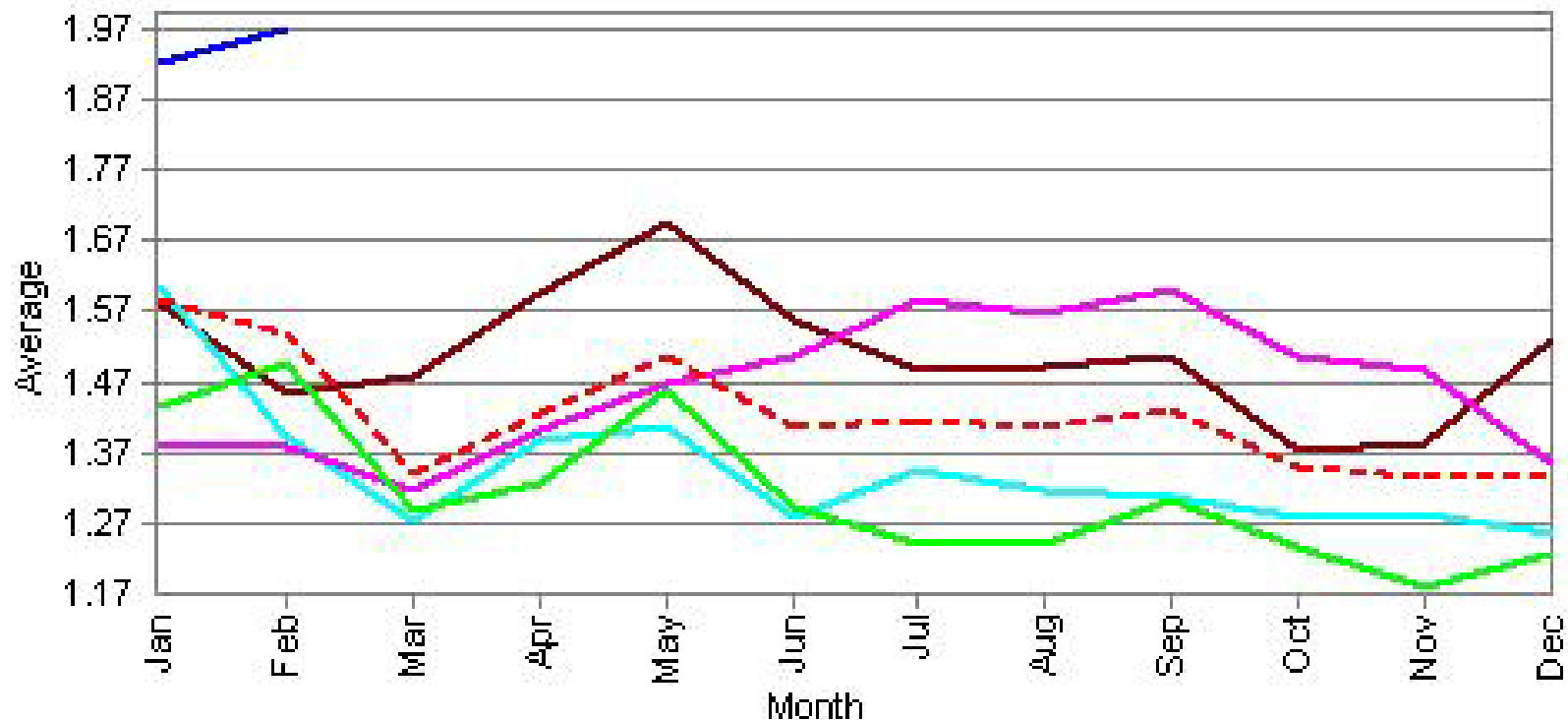




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USDA Coarse ground Chuck Steer & Heifer Source Monthly Average Average



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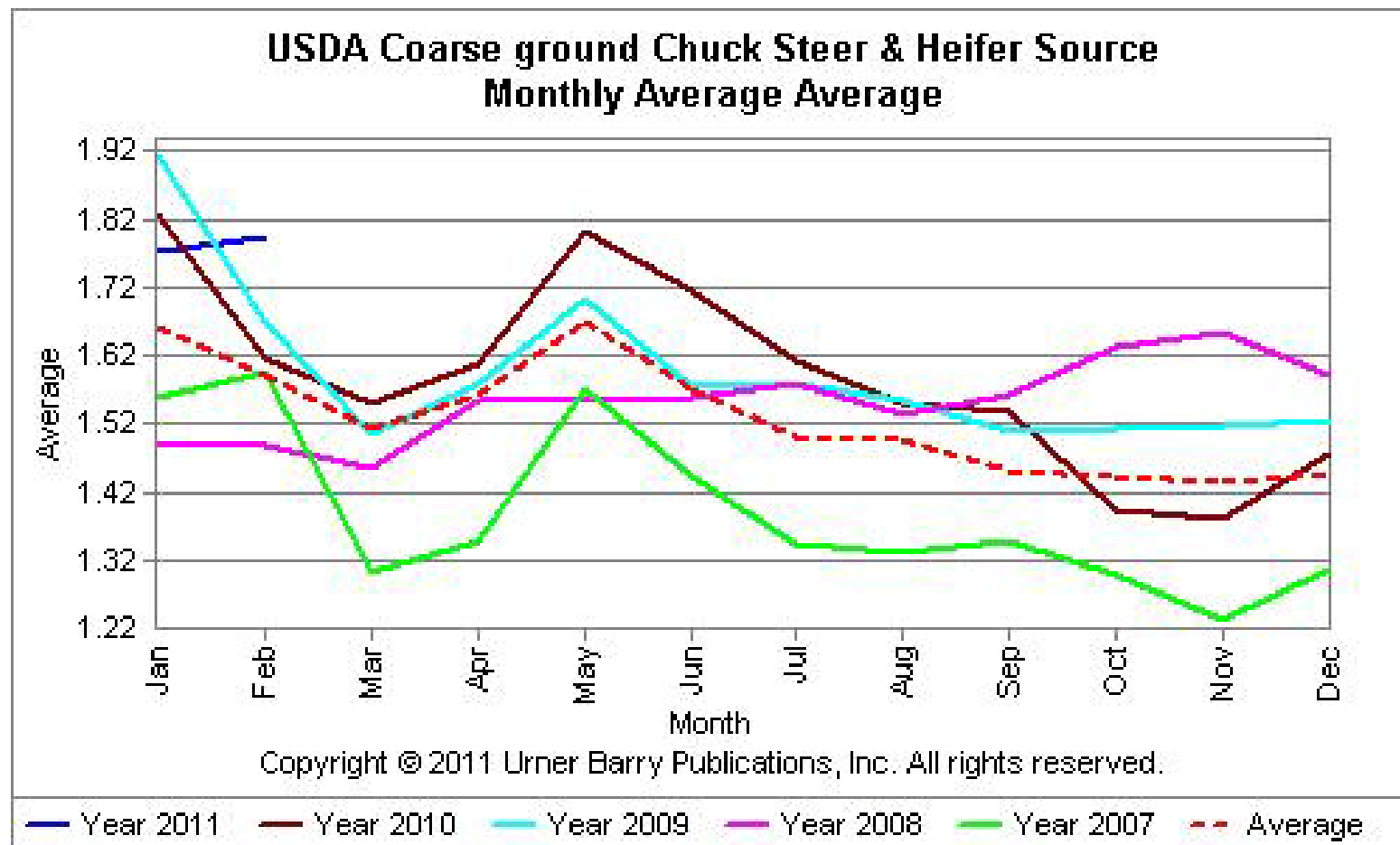
— Year 2011 — Year 2010 — Year 2009 — Year 2008 — Year 2007 - - Average



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Ground Chuck Ratios to Live





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