

Identifying Marketing Opportunities

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One of great challenges for agriculture
is marketing our product

- We simply accept selling a commodity

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Most would agree
the traditional usage of AI has been:

- Seedstock Industry
 - Use of proven sires to propagate super genetics
- Commercial Industry
 - Predictable calving ease bulls

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For commercial producer, the greatest value
may be the residual marketing opportunities

- Replacement heifers for the cow herd
- Replacement heifers for sale
- Steers with added grid value

The greatest economic justification for AI usage
are these three points

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Resulted in a special pride
in the cattle being raised

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So what are the marketing
opportunities today and in the future?

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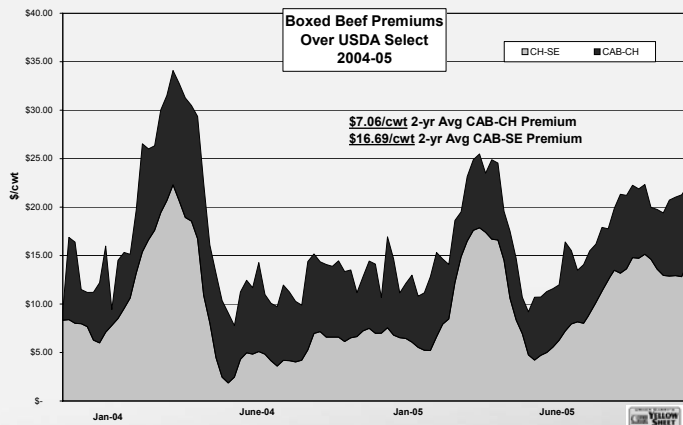
The past 3-5 years have seen:

- Unprecedented cattle prices
- Unprecedented volatility in the market
- The development of grid premiums driven by the demand for quality



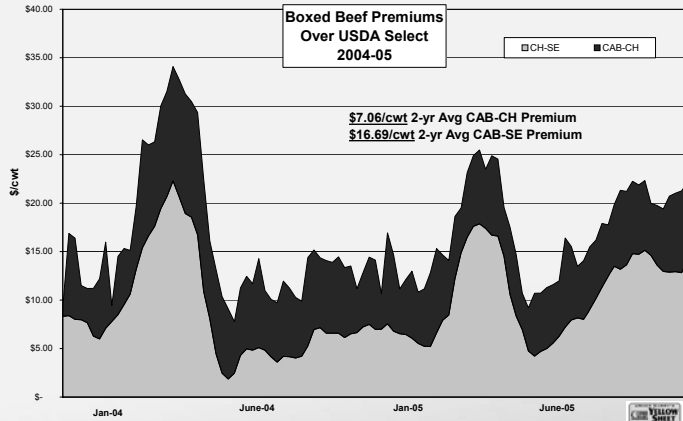
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New highs in the Choice-Select spread



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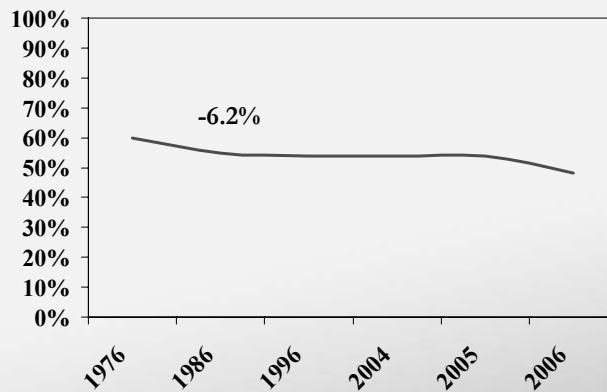
The development of a CAB[®]-Low Choice spread



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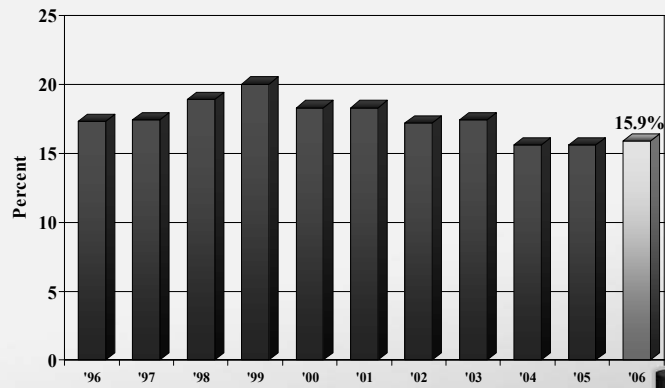
Why?

- Lack of Choice grading cattle



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- Lack of Premium Choice  grading cattle



Fiscal Year (October 1 - September 30)

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- Lack of Prime grading cattle
 - Used to be only a staple of the high quality restaurant
 - Today, many upscale retailers carry Prime

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The target?

- Dr. Harlan Ritchie's guidelines
 - 30% – high quality
 - 60% – high Select/Low Choice
 - 10% – Niche markets, such as Natural

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Let us identify the future marketing opportunities

- For heifers
 - The projected growth in cow herd size the next 3-4 years suggests a continued strong AI sired/AI bred female market

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Let us identify the future marketing opportunities

- For steers
 - Age and source verified
 - Genetic verified
 - Predictable growth
 - Predictable carcass quality

Does AI help?

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Does AI help?

Yes

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We could be moving to a tiered quality marketplace

- Quality target
 - 70+% Choice
 - 20-30% Premium Choice
 - 5-7% Prime
- Commodity market
 - A pumped select grading product

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As a producer,
you get to pick these three targets



12 oz. strip

CAB®
\$10.34

Low Choice
\$9.55

Select
\$6.44



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Angus beef at its best®



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