



National Beef Packing Co. LLC

Livestock Purchasing Specifications and Requirements

Updated: January 3, 2005

National Beef Packing is governed by the Packers and Stockyards Act of 1921 in the purchase and payment of live cattle. Following is a summary of National Beef's livestock purchasing specifications and requirements. National Beef maintains a copy of the P & S Act, the following summary and detailed procedures on file and available to producers marketing cattle to National Beef anytime during normal business hours.

Live Weight Purchases

FOB the Seller

Unless other indicated prior or during the trade negotiation, cattle are normally picked up within 7 days of purchase. Cattle are to be weighed on certified scales at or near the seller location with a 4.0% shrink. Depending upon the region of the country or other terms, this shrink can range from 3.0% to 5.0%. Buyer is responsible for the cost of the transportation to the plant.

FOB the Buyer

Unless other indicated prior or during the trade negotiation, cattle are normally picked up within 7 days of purchase. Cattle are to be weighed on certified scales at or near the seller location with a 4.0% shrink. Depending upon the region of the country or other terms, this shrink can range from 3.0% to 5.0%. Seller is responsible for the cost of the transportation to the plant.

Dressed Weight and Grade & Yield Purchases (including Grid Cattle)

Unless other indicated prior or during the trade negotiation, cattle are normally picked up within 7 days of purchase. Cattle are to be slaughtered the day of loading unless indicated during negotiation or originally scheduled as overnight cattle.

Over 30 month old cattle are identified on the kill floor during the dressing process. National Beef uses USDA based dentition criteria to determine over 30 month cattle. The dentition process is audited by USDA. Cattle determined to be over 30 months of age are not eligible for Prime, Certified Angus Beef or National Angus Beef Programs.

Cattle weight will be based upon plant hot scale following initial knock and dressing.

National Beef's detailed dressing specifications are attached in addition to the most recent copy of the National Beef Grid.

In the event there is a problem with the hot scale during production, such as the drives, scales or PLC (programmable logic control), and then the following procedures are followed:

- (1) Plant and Slaughter Manager's contacted immediately and informed as to what the issues are, what is wrong, is it correctable and how long it will take.
- (2) A decision then be made as to what the impact of the problem is and determined whether or not to stop and fix the problem or to continue with production.
- (3) If production is continued without fixing the problem, then a decision will be made as to which cattle will be run to avoid a problem with paying for the cattle correctly. Such as running the cash cattle before the grid cattle so that the problem can be corrected before we get to them.
- (4) Accounting is to be notified as soon as possible so that they are aware of the situation and can be looking for these issues in the reporting and paying for the cattle.
- (5) A listing of the cattle by time, lot number and the number of cattle that are affected by the problem needs to be turned into accounting as soon as possible after the kill is completed so that it can be determined the extent of the problem on the reports.
- (6) Should dressed weight cattle be affected by any hot scale problem, producer is to be notified immediately.
- (7) Cattle affected by any hot scale problem, grade and fabrication scale readings are utilized to determine a fair and equitable weight per head. The totals are then reviewed against historical supplier performance.

Should any dressed weight or grade and yield cattle be carried overnight, seller will be notified of the situation and adjustments made accordingly to compensate producer for potential weight loss.

Cattle will be quality and yield graded by USDA Grading Service. National Beef grading procedures are based upon USDA's US Standards for Grades of Carcass Beef. A copy of this is available online at www.ams.usda.gov/lsg/stand/standards/beef-car.pdf or at a National Beef processing facility.

Procedures used by National Beef for grading B and C Maturity Carcasses and In-House Dark Cutter Program are on file at National Beef during normal business hours.

Age, Source, Process Verified Cattle

Regardless of purchase method, cattle marketed as eligible for any source and age and/or process verification premium must be accompanied by all documentation as directed by National Beef. Failure to comply could result in disqualification by National Beef Quality Assurance and no payments of potential verification premiums.

Depending upon the program, serious violations will result in delisting of seller or feed yard from that program. Any delisting will require satisfying National Beef Quality Assurance that requirements have been put in place to correct the delistment issues prior to reinstatement.