

Creating a Win, Win, Win Waste Water Partnership

A story about Farmer Brown and our new \$65 million waste water treatment facility in Liberal.

In many business negotiations, there's a winner. And a loser. Someone gets a better deal, the other gets a raw one.

Very rarely do all parties walk away from a deal thinking they are better off before they started.

But such was the case as we navigated a tricky, uncertain waste water treatment plan with the State of Kansas, its 30-year-old waste water treatment plant, the EPA, the farmers and community of Liberal, and our own interests.

It wasn't without its twists and turns, but after many years and a \$65 million investment, the story involving Farmer Brown (no, we're not making that up) and our brand-new waste water treatment facility is too good not to be told.

So here we go.

"Across the board at National Beef, we always take the high road when it comes to being regulatory compliant. If there's any doubt whatsoever, we do the right thing. We always tell our team, don't ever do anything illegal, immoral or unethical," said Terry Wilkerson, Senior Executive Vice President, Operations.

The issue at hand?

A city council and management change at the state level that pushed for a stand-alone city waste water treatment plant, after the waste water from our Liberal plant had been processed there for nearly 30 years.

Not only that, new regulations and regulatory standards regarding discharge limits, and tighter restrictions were also on the table.

With nearly 40% of the company's revenue stream coming from Liberal production, we couldn't risk being shut down for any period of time for non-compliance.

Something had to be done. Quickly.

We did what we've always done in situations like these...rolled up our sleeves and got to work.

Thankfully, we already had a great model in place in Dodge City where the city benefits, the local farmers benefit and National Beef® benefits.

A win, win, win.

Beginning with that end in mind, we had meeting after meeting after meeting with all the key stakeholders. The only agenda, "How do we make this work so all parties benefit?"

We knew we needed to:

- Maintain compliance
- Meet the dates the city set before us
- Be good neighbors
- Be sure all parties benefit



Liberal Waste Water Operation 2019



Dan and Thurman Brown discuss irrigation issues at their center pivot this spring. The Brown family will be receiving irrigation water from National Beef by early 2021.

As we worked through all the possible solutions, the farmer directly north of the facility in Liberal gave us a call.

Farmer Brown.

"I'd like to propose something to you," Dan Brown informed us.

He's been farming ground his whole life, and now he and his sons are the largest farmers north of Liberal. They have been very progressive in their approach to our ever-changing economy. He's been a great neighbor and a good advocate for National Beef.

Brown Farms had more land than they had water rights. They wanted to turn their unproductive land productive. And they had an idea of how we could help them do that.

With no additional burden on the city, Dan Brown's proposal was that he would assign National Beef® the water rights to five of his wells, if in turn, we would build the waste water treatment facility and allow him to use the treated water to irrigate his fields.

The result?

An astonishing 500,000,000 gallons less water would be pumped each year out of the Ogallala Aquifer, a natural resource that has been supplying water to farmers and industry for over eight decades but has been severely depleted in recent years.

For Brown Farms, the benefit is simple. National Beef will supply them with a stable, consistent, nutrient-rich, organic water source. They won't have any pumping costs on their wells. And 300 acres

of unproductive land will now be able to be farmed.

For the city, their benefit is they will no longer have a water burden from National Beef. They are building a city treatment plant for their own needs.

For National Beef, our benefit is that we will have full control over the waste water treatment operation, in a brand-new plant. Further, we will meet new compliance standards and enter into a new, sustainable era of transforming waste water into nutrient-rich irrigation water so the cycle of life can continue.

The ground is broken. The plan is in motion. We anticipate delivering irrigation water to the Browns by early 2021.

The price is high, \$65 million to be approximate. But the payoff is priceless.

A payoff in business continuance and a feeling of "business as usual" for National Beef, Liberal, our employees, our customers and our cattle suppliers.

A payoff in being compliant with the agencies that oversee our regulatory waste water limits.

And a payoff to Brown's family and the Liberal community at large.

A win, win, win in the pursuit of a sustainable way of life in Liberal, Kansas.