



National Beef Packing Co. LLC Livestock Purchasing Specifications and Requirements

Updated: December 10, 2014

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 otherwise indicated prior to or during the trade negotiation, cattle are normally picked up week following 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 otherwise indicated prior to or during the trade negotiation, cattle are normally picked up week following 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.

National Beef makes payment the same day of ownership transfer upon receiving weight information from Seller. Proceeds are sent US Mail upon final determination of the total amount of purchase price. If requested by the Seller or Seller's Agent, overnight courier service is available at seller expense.

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

Unless otherwise indicated prior to or during the trade negotiation, cattle are normally picked up week following 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 shall not be responsible for cattle that become non-ambulatory or die between delivery to National Beef and initial knock unless the cause of such non-ambulatory condition or death is clearly due to the gross negligence of National Beef.

National Beef's detailed dressing specifications are included in the addendum.

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

- (1) Plant and Slaughter Manager are 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 is then made regarding the impact of the problem and whether or not to stop and fix the problem or to continue with production.
- (3) If production is continued without fixing the problem, a decision will be made regarding 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 grid cattle are weighed).
- (4) Accounting is to be notified as soon as possible so that they are aware of the situation and can look 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 affected by the problem needs to be turned into accounting as soon as possible after the kill is completed so that accounting can determine the extent of the problem in preparing its reports.
- (6) If dressed weight cattle are affected by any hot scale problem, the producer is to be notified immediately.
- (7) For 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 will be made accordingly to compensate 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 publication is included in the addendum.

Procedures used by National Beef for grading B and C Maturity Carcasses and In-House Dark Cutter Program are included in the addendum.