Inventory numbers have rebounded due to profitability and good grazing conditions.

6.5 million more! 2014-2019
3 million Beef Cows
2 million Feeder Cattle and Calves outside feedyards
1.5 million Cattle on Feed

Source: USDA
Production record large with beef cow numbers down 13 mil. head
U.S. Steer & Heifer Slaughter

2017  25.8  +1,200,000 hd (+4.9%)
2018  26.2  +430,000 hd  (+1.7%)
F2019 26.5  +300,000 hd  (+1.1%)

Source: USDA
CattleFax 2019 Projection
2019 up 300,000

2019 supplies are seasonal and up 1%

Source: USDA, CattleFax forecast
Annual Fed Marketings
2018 vs 2015 Cycle Lows

Source: USDA, 2018 CF Forecast
Corn Belt* = IA, SD, MN, IL, IN, OH, MI, MO, ND, WI

<table>
<thead>
<tr>
<th>Region</th>
<th>Head (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZ/CA</td>
<td>+190,000</td>
</tr>
<tr>
<td>CO</td>
<td>+309,000</td>
</tr>
<tr>
<td>CB*</td>
<td>+355,000</td>
</tr>
<tr>
<td>NE</td>
<td>+461,000</td>
</tr>
<tr>
<td>TX/OK</td>
<td>+537,000</td>
</tr>
<tr>
<td>KS</td>
<td>+763,000</td>
</tr>
</tbody>
</table>
March-May Weather Outlook

Precipitation

Temperature

ABOVE

BELOW
Weather influenced carcass weights, 3% equals 15,000 head equivalent

Source: USDA, CattleFax
U.S. Beef Production

<table>
<thead>
<tr>
<th>Quarter</th>
<th>5-Yr Avg</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Qtr.</td>
<td></td>
<td>-0.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd Qtr.</td>
<td></td>
<td>0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd Qtr.</td>
<td></td>
<td></td>
<td>3.4%</td>
<td></td>
</tr>
<tr>
<td>4th Qtr.</td>
<td></td>
<td></td>
<td>2.3%</td>
<td></td>
</tr>
</tbody>
</table>

Source: USDA, CattleFax projection
2018F exports +11%, imports -1%
2019F exports +6%, imports -4%

The balance of trade improved 1.3 Bil. lbs. between 2015 and 2018, offsetting 40% of the production growth

Source: USDA CF Projection 2018-2021
Can demand absorb all of this production?
U.S. Per Capita Net Meat & Poultry Consumption

Source: USDA
CattleFax Projection
Beef maintaining much wider premium over pork and poultry
Highest Quality Supply in History!!

USDA Prime+Choice Grading Percentage

50% increase in Prime and Choice production since 2004. (11.5 bil - 17.5 bil pounds)

Source: USDA, projection CattleFax

YEARS

50% 53% 56% 59% 62% 65% 68% 71% 74% 77% 80% 83%
At $5.73/lb. retail in 2019, there will be $5 bil. more to share across segments than the 2016.

$60 billion dollar increase

Source: USDA CattleFax Projection
Beef's share of meat spending increased by 7% from its demand low.

Beef spending has increased more than the combined total for Pork and Chicken, since 1998.

Source: USDA. CattleFax.
This is a direct result of demand growth!

Demand Low
2019 Seasonal Year!
Spring High, Fall Low
The Shifting Trends in the Food Business
Consumer Spending by Generation

- **Millennials**
  - Restaurants: 24%
  - Groceries: 22%
  - Elec/Hobbies/Clothing: 19%
  - Gasoline: 11%
  - Furniture/Building: 5%
  - Pharmacies: 3%
  - General/Misc: 18%
  - Total: 100%

- **Generation X**
  - Restaurants: 18%
  - Groceries: 25%
  - Elec/Hobbies/Clothing: 17%
  - Gasoline: 10%
  - Furniture/Building: 7%
  - Pharmacies: 3%
  - General/Misc: 20%
  - Total: 100%

- **Baby Boomers**
  - Restaurants: 14%
  - Groceries: 27%
  - Elec/Hobbies/Clothing: 15%
  - Gasoline: 9%
  - Furniture/Building: 10%
  - Pharmacies: 4%
  - General/Misc: 22%
  - Total: 100%

- **Traditionalists**
  - Restaurants: 13%
  - Groceries: 30%
  - Elec/Hobbies/Clothing: 12%
  - Gasoline: 7%
  - Furniture/Building: 9%
  - Pharmacies: 6%
  - General/Misc: 23%
  - Total: 100%

Source: Bank of America, Merrill Lynch, Business Insider, July 2017
Proportion of Grocery Shoppers Who Have Shopped Online for Food

- 3.9% in 2007
- 14.3% in 2012
- 23.4% in 2017

GlobalData Consumer Survey, May 2018
The Next Frontier

• More than 50% of searches will be voice-based by 2020\(^1\)

• More than 40% of smart speaker users use them in their kitchen\(^2\)

• Cooking skills are one of the most sought after skills\(^2\)


2 - Voicebot Smart Speaker Consumer Adoption Report, January 2018
Nearly 50 Million smart speaker owners in the US today

Source: Voicebot Smart Speaker Consumer Adoption Report, January 2018
Meet Chuck, the only all-knowing beef expert powered by Google Artificial Intelligence.

He has the know-how of a rancher, the skills of a chef ... and the sense of humor of, well ... a dad.

Visit Booth 122 to Meet Chuck!
2019 beef production record large, prices little changed.

Beef consumption near 57 lbs. per capita for the next few years.

Must continue to respond to changing consumer demands.

Market access and competitive trade deals are key.

Beef market more vulnerable if economy slows down, recession.

Cattle and beef industry will have cyclical price risk into early 2020’s.
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>19 CF Estimate</th>
<th>19 USDA Actual</th>
<th>Est. vs Actual (head)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cattle</td>
<td>94.3</td>
<td>95.00</td>
<td>94.76</td>
<td>-240,300</td>
</tr>
<tr>
<td>All Cows</td>
<td>40.9</td>
<td>41.27</td>
<td>41.12</td>
<td>-150,900</td>
</tr>
<tr>
<td>Beef Cows</td>
<td>31.5</td>
<td>31.90</td>
<td>31.77</td>
<td>-134,300</td>
</tr>
<tr>
<td>Dairy Cows</td>
<td>9.4</td>
<td>9.37</td>
<td>9.35</td>
<td>-16,600</td>
</tr>
<tr>
<td>Heifers &gt; 500 lbs.</td>
<td>20.2</td>
<td>20.23</td>
<td>20.23</td>
<td>0</td>
</tr>
<tr>
<td>Beef Replacement Heifers</td>
<td>6.1</td>
<td>5.85</td>
<td>5.92</td>
<td>74,900</td>
</tr>
<tr>
<td>Expected to Calve</td>
<td>3.8</td>
<td>3.57</td>
<td>3.54</td>
<td>-26,100</td>
</tr>
<tr>
<td>Dairy Replacement Heifers</td>
<td>4.8</td>
<td>4.78</td>
<td>4.70</td>
<td>-78,500</td>
</tr>
<tr>
<td>Expected to Calve</td>
<td>3.0</td>
<td>3.08</td>
<td>3.01</td>
<td>-77,300</td>
</tr>
<tr>
<td>Other Heifers &gt; 500 lbs.</td>
<td>9.3</td>
<td>9.60</td>
<td>9.60</td>
<td>3,600</td>
</tr>
<tr>
<td>Bulls &gt; 500 lbs.</td>
<td>2.3</td>
<td>2.30</td>
<td>2.26</td>
<td>-37,000</td>
</tr>
<tr>
<td>Steers &gt; 500 lbs.</td>
<td>16.5</td>
<td>16.50</td>
<td>16.63</td>
<td>132,700</td>
</tr>
<tr>
<td>Calves &lt; 500 lbs.</td>
<td>14.4</td>
<td>14.70</td>
<td>14.51</td>
<td>-185,100</td>
</tr>
<tr>
<td>Feeder &amp; Calf Supply</td>
<td>40.3</td>
<td>40.80</td>
<td>40.75</td>
<td>-48,800</td>
</tr>
<tr>
<td>Total Cattle on Feed</td>
<td>14.1</td>
<td>14.30</td>
<td>14.37</td>
<td>70,900</td>
</tr>
<tr>
<td>Calf Crop (previous year)</td>
<td>35.8</td>
<td>36.20</td>
<td>36.40</td>
<td>202,700</td>
</tr>
</tbody>
</table>