

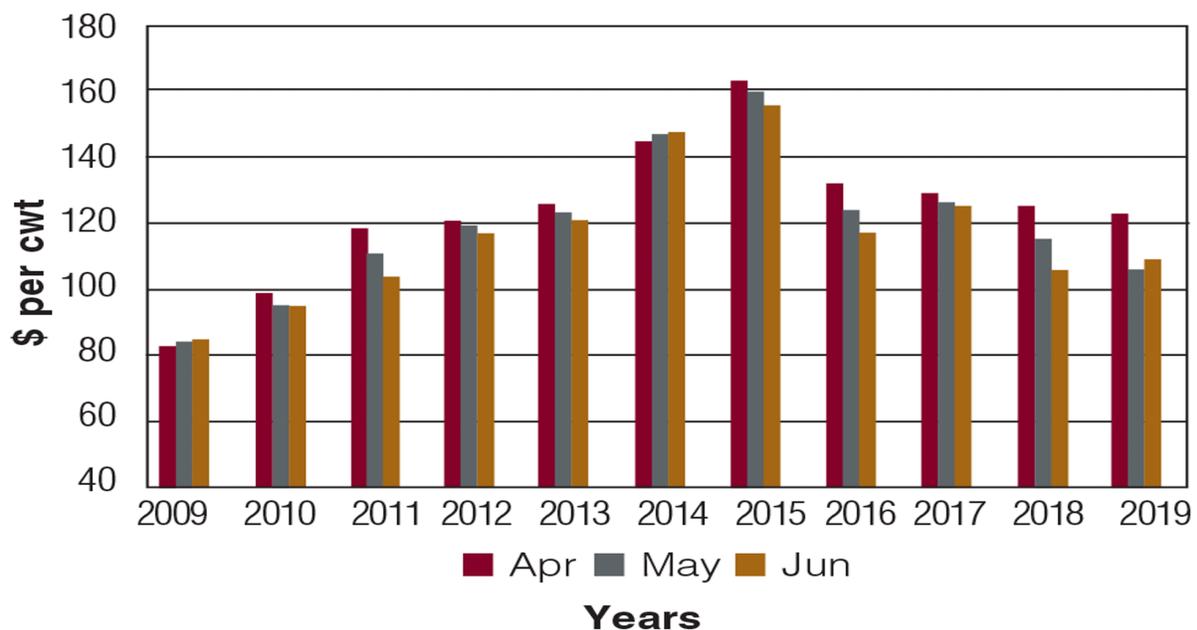
**Protect the Producers Meeting: Tuesday November 12 3:00pm** Thank you for taking part in the protect the producers meeting and I hope and pray these ideas will bless you. Help us unite and protect beef producers from suffering the same fate as the hog producers did in the 1980's. The government site aphis shows that over 400,000 hog producers went out of business in 4 years' time in the 1980's. What caused that problem was an oversupply of hogs, lack of kill floor space, and no marketing plan for hog producers for their own products. Now we can learn from that experience or we can duplicate it and watch the same thing happen to us in the beef industry.

**Discussion point Number 1:** How do we avoid this happening to the beef industry. What do we do about the low prices paid for livestock producers' products, and why isn't somebody doing something about it?

**Answer:** Beef Producers must start protecting themselves from the depressed markets by helping find more demand and value for their products by owning and marketing their own beef processing plants. Without competing against the major packers and burning bridges between the producers and the beef processing companies we do have. We can do that by offering services that are difficult for the big processing companies cannot offer. Call, Call, is not the answer. I am tired of hearing call call.

**Call who,** we have all been doing that for 3 years now and nothing changes this is America and no one can stop capitalism. In the past few years you have watched 2 Brazilian companies purchase processing plants in America and become the Number 1 and number 4 leading processors in America. JBS is number 1 and Marfrig is number 4 Marfrig recently bought national beef in Kansas, and on March 11<sup>th</sup>, 2019, this year. The justice department just allowed national beef to purchase Tama pack in Tamalowagiving them a larger market share. Look at the chart and look at the lower price pattern it shows for the month of April, May and June for fed cattle prices for the past 10 years.

**Figure 9. Annual April, May and June Live Cattle prices over current price cycle**



There is a steady decline in prices paid for beef every year since our highs in 2015. If you think there is going to be better days ahead you are sadly mistaken. The number 4 beef processor in America just got more market share with the purchase of Tama Pack. There are now four processors who own 84% of the kill floor space in America. If you add in American food groups, it is 5 companies with over 90%. American food groups are mainly a cow processing facility, but they kill most cows in the upper Midwest.

So, you can call all day long if you like but you need to be prepared for lower prices in 2020 not higher. That steadily decreasing price line you see on the chart is going to continue until we the producers do something about it. That is the only way you will see change come is if you get involved and make change happen.

### **The 2 greatest challenges facing the Producers. 1. CME greatest challenge 2. Packer concentration.**

**CME Group live cattle and feeder cattle.** Is by far the biggest problem beef producers face weekly because it creates trading rumors and false valuations that can't be challenged. A good example was when the Tyson fire happened. The CME board went down for days. It is a non-asset-based system and traded so low it scared the beef industry and put it to a standstill. Sales everywhere were cancelled and the few cattle that did come to town were sold for much less than the cattle the week before the fire. When the factual news came out about the Tyson plant and the cattle processing counts were reported counted it was not a major change. The beef processors found ways to handle the problem, but it was too late for many producers the false valuations from the CME trade rumors had cost them thousands of dollars if they sold in that time frame.

**Here is what it says at the CME web site:** Access the CME globex platform from more than 150 countries and foreign territories through a range of connectivity options. These include internet connections, direct connections and several telecommunications hubs that provide reduced connectivity costs, increased accessibility and fast, efficient trading. **Globalization** is their primary focus, having an asset based future trading platform and protecting American beef producers is not a in their plans. When a false valuation is created by the CME group feeder you can't challenge the valuation by asking for delivery. A futures contract is an asset-based contract for an ag product with delivery in the future. The CME group has been changed to a globalized commodity casino. In the national survey done about the CME group over 95% of American livestock producers did not consider it a risk management tool. So, what do we do about the CME false valuation system? We start the, AME, the American Mercantile Exchange and create an asset-based system that allows actual forward contracting for the American beef industry and the American beef producers to replace the globalized system.

**AME (American Mercantile Exchange):** The AME was started in Oct 2019 to help protect the American producers from the false valuations created by the CME system and give producers a forward contracting system with honest weights and prices and actual delivery of a product. To learn more visit [www.AME.trade](http://www.AME.trade).

**2. Greatest problem to face is Packer concentration:** We can't turn back time and stop 5 companies from controlling 90% of the beef cattle in the USA. We can join them and become beef processors ourselves and learn to process and market American beef by using small USDA inspected plants in America and adding value to our products that large processing plants can't offer. Small processing plants can be set up to create beef products that even a large processor may have requests for and would be willing to subcontract out to a small processor to achieve. All the current beef processors need buyers for their beef. If we learn how to direct market to homes through a friends and family type system, we can purchase from them and take it to our locations and create the desired product. We can't stop them from handling 90% of the beef but we can try to get a 1 to 3% market share of the beef industry through the use of small processing plants that take care enough of the beef supply to make the major processors have to compete more for their percentages.

**The first locker plant we have purchased is a training and learning site that is in Highmore SD.** It is not owned by the corporation. It is a state certified locker plant in Highmore S.D under the management of Stacey Hansen with him having an option to purchase it. He processed the first 3 beef for us in early October that will be using the US Beef Producers (USBP) and US certified Cool labeling. We are currently trade marking several label ideas and branded beef names. He will be involved in the first USDA certified plant at Pierre also.

**The Second processing location is Bad River Pack in FT Pierre SD.** This is where we need your help. It will be a USDA inspected facilities and allow for us to retail beef direct or businesses and family homes. We are planning to have producers help in marketing and promotion of the beef. We have plenty of talent in the families of the producers that can work from their homes and learn to market beef. I have taken an option to purchase the Bad River Pack facility and have spoken with the people from the SD Economic Development Office about helping with the project. They seem interested in helping protect the producers and want to help begin finding funding options for the plant in Ft Pierre, SD. It will be producer owned and if all goes well with memberships and funding it can be operational by January 1<sup>st</sup>. The plan as of now is to have a round table advisory committee of 5 people 1 from SD Stockgrowers association, 1 from SD cattlemen's association, 1 vet hopefully Dr Jen Poindexter and 2 others from the corporate office. That advisor council will help set the standards of how we manage our livestock to fit the value-added programs that exist and that we use for our branded beef programs. We plan to allow producers who are members from both organizations to be beef suppliers and product marketing reps. They will also need to become a US Beef Processors member and agree to our terms of use policies. Members of the US BEEF Producers must follow a unified branded beef program that is approved by the advisory council. There will be a "Protect the Producers" membership drive meeting at Huron Continental Marketing on Tuesday November 12th at 3 o'clock after the cattle sale. We will be inviting the SD Economic Development team. The SD Stockgrowers Association and the SD cattlemen's Association leaders to attend. Some of the requirements for the being involved to process at the plant, will be all cattle must be from a SD Stockgrowers or SD Cattlemen's member and SD raised for the SD processing plants. Producers interested in helping to make changes happen in the beef industry will need to join 1 of the SD organizations and become a member of the US Beef Producers.

**The 3<sup>rd</sup> beef Processing facility** is planned but if things go well in establishing the Ft Pierre location than the 3<sup>rd</sup> may be in Huron, SD. We are working on a plan to locate one in Huron, SD alongside US highway 14 near Huron Continental Marketing. If you are interested in getting involved and starting your own branded beef program or want to get involved in protecting the US beef processors, then call me or attend the "Protect the Producers" meeting November 12th.

**USBP Equity Membership:** This is the level which will allow you equity interest of the company, voting rights and be involved in the company policy making decisions. Details of responsibilities at this level will be done privately.

**Below are low risk levels that producers can be involved. There will be several contract labor opportunities for producers where they can make part time income. Delivery, processing, and cutting team, retail, and marketing representative.**

**US Beef Producer (USBP) voluntary beef check off level** is a voluntary amount that allows you to be a member of the USBP. You will receive the newsletter and be kept informed of the progress of the company. You will receive discounts on USBP, and you will be able to do friends and family type recommendations that lead to sales with a retail membership holder that shares his earnings with you.

**USBP Retail membership:** A retail membership is someone that will be allowed to purchase a membership and market products and earn income. There will not be limits on territory but there will be company procedures that are required to be followed. Retail members will be responsible for letting customers know about delivery dates and payment responsibilities. No deliveries will be made until payment is received.

**USBP Supplier membership:** Is a beef supplier to the USBP and will have to follow company protocol for cattle sales to USBP. There will be finishing rations, and vaccination protocol set by the advisor panel that will need to be followed.

**USBP Delivery Representative:** You can earn income by delivering USBP products and will need to follow company protocol.

**USBP Financing Membership:** If they would like to be an investor with a return on their investment then they can receive a promissory note with a fair interest rate on the amount of money they feel comfortable.

We will also be needing a franchising agreement with the company and the producers that will own the stores.