Paul F. Engler
Chairman of the Board & CEO

The State of the Industry: Cactus Feeders’ Perspective on the Beef Industry
The Early Years: The Building of an Industry Leader

- **1960:** Hereford Feedyard
  - Built first large commercial yard in Texas

- **1972:** IBP
  - VP of Carcass Division, Board of Directors

- **1975:** Established Cactus Feeders
  - With partner Tom Dittmer
Cactus Feedyard
Capacity 75,000
Acquired in 1975
Frontier Feedyard
Acquired 1977
Capacity 40,000
Stratford Feedyard
Acquired in 1979
Capacity 80,000
Wrangler Feedyard
Acquired in 1982
Capacity 55,000
Southwest Feedyard
Acquired in 1993
Capacity 42,000
Wolf Creek Feedyard
Built in 1997
Capacity 65,000
Hale Center Feedyard
Acquired in 1999
Capacity 55,000
Syracuse Feedyard
Acquired in 1999
Capacity 40,000
Ulysses Feedyard
Acquired in 1999
Capacity 28,000
Cactus Argentina
Established 2000
Capacity 25,000

Joint Venture with Cresud

Villa Mercedes, Province of San Luis
Spike Box Ranches

- Benjamin / Amistad / Roswell
- 20,000 head stocker cattle
- 2,000 head cow herd
- 140,000 total acres / 8,000 irrigated

“If you take care of the land, the land will take care of you”
World’s Largest Cattle Feeders
~ 480,000 head one-time capacity
9 Feedyards in Texas and Kansas
25,000 head Argentina expansion
550 + Employees

“Producing America's Beef”
Industry Leadership

- NCBA Cattle Business of the Century
- TCFA Environmental Stewardship Award
- Paul F. Engler
  - Cattleman of the Year
  - TCFA Former Chairman
The Cactus Way

- Think like an Owner
- Take care of the cattle first
- Get paid for what you produce
- Give your partner just a little better deal

“It’s a business where a handshake still gets the deal done and your word is your bond.”
Company Ownership

- 32% Owned by Employees
- 68% Owned by Engler Family
- Share Price up over 300% since 1990
- Average ESOP account $72,000

“It just takes concrete & steel to build a feedyard, but it will only work when you have the right people running it.”
Beef & Feed Sales

- 20,000 finished animals per week
- 10 Million lbs. red meat per week
- 1.89 Million tons of feed each year
- Milling 40.5 Million bushels of grain

1 out of every 30 fed animals in the U.S. is Cactus Beef
Economic Impact

Cactus Feeders’ regional impact:

- Estimated economic multiplier 5:1
- Total Sales ~ $750 M
- Estimated Total Impact = $3.75 B

All products, goods and services are bought & sold within 200 miles of yard
Customers vary in size from 80 to 25,000 cattle on feed at one time

From Hawaii to Florida, Mexico to Montana

Majority take advantage of financing

Use carcass feedback to improve genetics

We serve as the Customer’s banker, grain elevator, care-taker, & marketer
Producer Alliances

- **60 / 40 Program:**
  - Producers partner 50 / 50 with Cactus
  - Receive 60% of profits or 50% of loses

- **Mexico Ranch Program**

- **Individual Carcass Information**

- **Cresud / Argentina**
Packer & Retail Alliances

- 1988: Founded “Formula Pricing”
- 2000: 900,000 head marketed to IBP / Excel
- ~ 7,000,000 total head marketed
The Current State of the Beef Industry
The Cattle Cycle

Cattle Prices

HI

LO

1974-1976

1979

1985-1986

1990-1991

2001

1996-1998

TIME
Total Cattle Inventory

Source: USDA
2003-2006 projected
Annual Calf Crop

Source: USDA, 2002-06 projected
Feeder Cattle and Calf Supply - Jan 1st

Outside of feedyards, 2003 projected

Source: USDA & Cattle-Fax
Average Carcass Weights

Average increase 5.9 lbs

Source: USDA, 2002 Projected
Steer Carcass Weights

Source: USDA

2001

5-Yr Avg

2002
Additional Beef Tonnage due to Increase Carcass Weights

Source: USDA, compared to 1997 carcass weights

2002 estimate

Source: USDA, compared to 1997 carcass weights
2002 estimate
Beef Production

projected 2002-2006

Source: USDA & Cattle-Fax
Pork Production

Source: USDA
2002 projected
Poultry Production

Source: USDA

2002 projected
Per Capita Beef Spending and Consumption

Source: USDA
2003 projected

Spending
Consumption
## Market Share of Meat Spending

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<td>Beef</td>
<td>53.9</td>
<td>50.3</td>
<td>45.4</td>
<td>39.8</td>
<td>42.3</td>
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<td>Pork</td>
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<td>26.2</td>
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<td>29.5</td>
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<tr>
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<td>16.1</td>
<td>19.5</td>
<td>23.1</td>
<td>26.3</td>
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<td>Turkey</td>
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<td>4.4</td>
<td>3.9</td>
<td>3.7</td>
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*Projected*
All Fresh Beef Price

Source: USDA 2002 projected Years
Change in Choice Beef Values vs. 1998

Source: USDA

- 1999
- 2000
- 2001

Round Chuck

Change in %

Source: USDA
2001 Live Cattle, Beef, and Beef Product Exports vs. Imports Total Value

Source: Dept of Commerce
Bureau of Census
Beef Imports and Exports

Source: USDA/ERS, 2002 projected
What if Exports to Japan Decline?

Result:

- Off 10 percent: An additional 2.1 mil lbs per week on U.S. market
- Off 20 percent: An additional 4.2 mil lbs per week on U.S. market
- Off 30 percent: An additional 6.3 mil lbs per week on U.S. market
- Off 50 percent: An additional 10.5 mil lbs per week on U.S. market
750 lb Steer as Percent of Fed Steer

Source: Cattle-Fax
2002 projected
450 lb Steer Calf as Percent of Fed Steer

Source: Cattle-Fax
From 1990 to 2000 U.S. bunk capacity grew 16%
Percentage of Fed Cattle Movement from:
Formula, Contract, Alliance & Packer Fed Cattle

![Bar graph showing the percentage of Fed Cattle Movement from 1995 to 2001.
}]
Get More Money from your Feeder Cattle!

Cactus buys cattle every day. How about yours?

Cactus partners with cattlemen. Let's do business.

Cactus. Choose retained ownership if you like. You bring them and we'll feed them.

Wanted: 1 Million Cattle

- We pay top prices for your cattle.
- We collect performance data to help improve your herd.

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<td>The Cactus Way</td>
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“Oh, stop your frettin’.”