CONSUMER FOCUS

• Lamb is on trend!

• Consumers are driving more lamb consumption both at retail and in foodservice.

• Key consumer segments include Mature Perfectionists and Millennial Foodies.
LAMB IS ON TREND!
IN FOODSERVICE CHANNELS…

Four Year Growth for Top Menued Proteins
Chains / Independents  2014 vs. 2010

• Lamb is one of the fastest growing of the top menued proteins.

• Many of the top menued proteins have experienced significant declines in menu penetration
  ✓ Lamb’s penetration has grown 13%

• Growing trends in specialty proteins and a shift to more focused menus has resulted in smaller menu sizes and decreased penetration for the majority of proteins.

Source: Lamb Menu Study for the American Lamb Board – MenuTrends Datassential
Lamb is up more than any other major protein

<table>
<thead>
<tr>
<th>Species</th>
<th>Volume</th>
<th>$</th>
<th>ARP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken</td>
<td>+2.7%</td>
<td>+6.7%</td>
<td>+3.9%</td>
</tr>
<tr>
<td>Beef</td>
<td>-5.1%</td>
<td>+6.5%</td>
<td>+12.2%</td>
</tr>
<tr>
<td>Pork</td>
<td>-6.1%</td>
<td>+5.1%</td>
<td>+11.9%</td>
</tr>
<tr>
<td>Turkey</td>
<td>+1.9%</td>
<td>+5.9%</td>
<td>+3.9%</td>
</tr>
<tr>
<td>Lamb</td>
<td>+7.0%</td>
<td>+9.8%</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>

Source: VMMeat FreshLook
Mature Perfectionists

Millennial Foodies
WHY ARE CONSUMERS CHOOSING LAMB
Assessing Perceptions Regarding American Lamb Quality in Foodservice and Retail Markets.

• Conducted by Colorado State University and Ohio State University

• Designed to quantify and benchmark perceptions regarding American Lamb quality at the retail and foodservice sectors.

• Perceptions were ranked and willingness-to-pay estimates for lamb quality attributes were established

• Retail and foodservice samples of lamb were also acquired throughout the country (retail stores and foodservice outlets); label information, packaging and characteristics of the product were assessed.

• A strategic emphasis on quality attributes were identified to ensure that eating satisfaction and lamb flavor are optimized.
Objectives and Attributes
The study’s objective was to determine U.S. lamb retail and foodservice rank, definition and relative preference for the following seven qualities:

1. Origin
2. Sheep Raising Practices
3. Eating Satisfaction
4. Weight/Size
5. Product Appearance/Composition
6. Product Convenience/Form
7. Nutrition/Wholesomeness
So, What Did They Say?

First, the seven qualities ranked in this order:
1. Eating Satisfaction (most commonly defined as flavor/taste)
2. Origin (locally raised)
3. Sheep Raising Practices (grass fed)
4. Product Appearance/Composition (of greater importance to purveyors)
5. Weight/Size (again of greater importance to purveyors)
6. Nutrition/Wholesomeness
7. Product Convenience/Form
8. Of these qualities, Origin and Sheep Raising Practices had the greatest likelihood of being a non-negotiable requirement for lamb purchasers. Eating Satisfaction was most likely to return a premium, and product assurance of Eating Satisfaction generated the greatest average willingness-to-pay premium.
Where do we go from here?

- With a consumer centric goal for American Lamb, three **strategic goals** that will drive the future progress associated with quality of lamb produced in the U.S. include:
  - Address factors contributing to lamb flavor, their impact on consumer satisfaction, and align flavor characteristics with target markets.
  - Improve lamb management to hit market-ready targets for product size, composition, and eating satisfaction while reducing production costs.
  - Identify and capitalize on market opportunities for American Lamb.
• Dennis Stifler
VALUE BASED PRICING

<table>
<thead>
<tr>
<th>DATE</th>
<th>6/10/2015</th>
<th>LIVE WEIGHT</th>
<th>3,965.0</th>
<th>AVG WT/HD</th>
<th>127.90</th>
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<tbody>
<tr>
<td>LOT #</td>
<td>302</td>
<td>PELTS SHORN</td>
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<td>PELTS UNSHORN</td>
<td>31</td>
</tr>
<tr>
<td># HEAD</td>
<td>31</td>
<td>HOT WEIGHT</td>
<td>2,036.8</td>
<td>HOT YIELD</td>
<td>51.37%</td>
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<tr>
<td>CONDEMNED</td>
<td>0</td>
<td>PAY WEIGHT</td>
<td>3,965.0</td>
<td>AVG WT/HD</td>
<td>127.90</td>
</tr>
</tbody>
</table>

**CARCASS PRICING**

<table>
<thead>
<tr>
<th>CARCASS PRICING</th>
<th>Head</th>
<th>Weight</th>
<th>USDA LM</th>
<th>PREM/DISC*</th>
<th>ADJUSTED MARKET</th>
<th>Extended w/ Floor**</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 65-DN *</td>
<td>16</td>
<td>980.0</td>
<td>3.2155</td>
<td></td>
<td></td>
<td></td>
<td>$6,463.89</td>
</tr>
<tr>
<td>#2 65-75</td>
<td>13</td>
<td>897.5</td>
<td>3.2155</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#3 75-85</td>
<td>2</td>
<td>159.3</td>
<td>3.0108</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#4 85-UP</td>
<td>0</td>
<td>0.0</td>
<td>2.8338</td>
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</table>

**Floor Price:**

**CARCASS PRICING** Total: $6,463.89

**STANDARD CARCASS VALUE**

<table>
<thead>
<tr>
<th>DISCOUNT - Yield Grade 4</th>
<th>Head</th>
<th>Weight</th>
<th>Rate</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>DISCOUNT - Yield Grade 5</td>
<td>0</td>
<td>0.0</td>
<td>$(0.2000)</td>
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<tr>
<td>NON GRADING LAMBS</td>
<td>0</td>
<td>0.0</td>
<td>$(0.4000)</td>
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<tr>
<td>PREMIUM - 65.1/75# - YIELD GRADE 2</td>
<td>0</td>
<td>0.0</td>
<td>$(20.0000)</td>
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</table>

**STANDARD CARCASS VALUE** Total: $6,477.82

**TOTAL LIVESTOCK VALUE PER AGREEMENT FOR THIS LOAD**: $6,477.82

**AVG PRICE**: $163.38
### VALUE BASED PRICING

#### ADJUSTED CARCASS VALUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Head</th>
<th>Weight</th>
<th>Rate</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Freight</td>
<td>31</td>
<td>0.0</td>
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<tr>
<td>Harvest Charge</td>
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<tr>
<td>Offal Value</td>
<td>31</td>
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<td></td>
</tr>
<tr>
<td>Pelts Value</td>
<td>31</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit to the Plant</td>
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<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pure Premium</td>
<td>0</td>
<td>0.0</td>
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</table>

**ADJUSTED CARCASS VALUE Total:** $(398.75)

#### TOTAL LIVESTOCK VALUE

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Total $6,081.07</td>
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<tr>
<td>Avg Price $153.37</td>
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#### SPECIAL PROGRAMS

<table>
<thead>
<tr>
<th>Description</th>
<th>Head</th>
<th>Weight</th>
<th>Rate</th>
<th>Amount</th>
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<tbody>
<tr>
<td>American Lamb Promotion Check-Off</td>
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<td>$(27.76)</td>
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<tr>
<td>Colorado Check-Off</td>
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<td>0.0</td>
<td>$(0.2500)</td>
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<tr>
<td>Iowa Check-Off</td>
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<td>0.0</td>
<td>$(0.1000)</td>
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**SPECIAL PROGRAMS Total:** $(27.76)

#### CARCASS WEIGHT AND YIELD SUMMARY

<table>
<thead>
<tr>
<th>Weight Group</th>
<th>Hot Weight</th>
<th>YG1</th>
<th>YG2</th>
<th>YG3</th>
<th>YG4</th>
<th>YG5</th>
<th>NG/DMG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 65-DN</td>
<td>980.0</td>
<td>15</td>
<td></td>
<td></td>
<td>4</td>
<td>9</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>#2 65-75</td>
<td>897.5</td>
<td></td>
<td>4</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>#3 75-85</td>
<td>159.3</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>#4 85-UP</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,036.8</td>
<td>19</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31</td>
</tr>
</tbody>
</table>

**NET PAYMENT:** $6,053.31

* #1 Premium $5/CWT for 65 - Down
* #1 Reduced Price $5.00/CWT for 65 - Down
The data points that can be collected by the machine are:

- Side and rear view images of the carcass
- Yield Grade
- Quality Grade
- Projected Primal Cut Yield
- Calculated Ovine Carcass Cutability (OCC)
  - This is the % trimmed for retail cuts and takes into account muscularity and trimness of the carcass
- Prediction of shoulder, rack, loin, leg weights (as well as other cuts)
SUPERIOR FARMS BRANDING

- Farmers Mark
- Source Verified
- Cascade Creek
FOCUSING ON THE PRODUCER STORIES

- Identifying where our producer partners are located
- Sharing the farming and ranching story

Support Your Local Sheep Rancher

Superior Farms is committed to providing you with American grown, high quality lamb from neighboring ranches whenever possible. When you support Superior Farms, you support your local sheep ranchers and the American lamb industry.
PRODUCER PARTNER PROGRAMS

• Long Term Pricing Agreements – Lamb Contracts

• Ewe Financing and Long Term Contract

• Participation of premium programs – consumer branding
PRODUCER PARTNER PROGRAMS

Long Term Producer Agreements

– 3+ years
– Renewed the year prior to expiration
– Committed quantity
– Committed harvest slot
– Price options dependent on producer risk tolerance
Terms:

– SF will advance up to 50% of the value of the ewe
– Producer contracts the lamb crop from the ewes
– Payment to the loan advance will be deducted as the lambs are delivered
– Interest at five percent (5%) APR, and will be deducted in full on the final load of lambs
PRODUCER RESOURCES

- Budgets and Business Plans
- USDA Farm Programs
- Banking and Financial Assistance
- Production information and resources
- Allied Industry support
Website:
http://superiorfarms.com/

Facebook:
https://www.facebook.com/SuperiorFarms

Twitter:
https://twitter.com/eatlamb
• Lesa Eidman
  – Director of Producer Resources and Sustainability
    • Email: lesa.eidman@superiorfarms.com
    • Office: (530) 297-3523
    • Mobile: (530) 263-2383