



Paul F. Engler

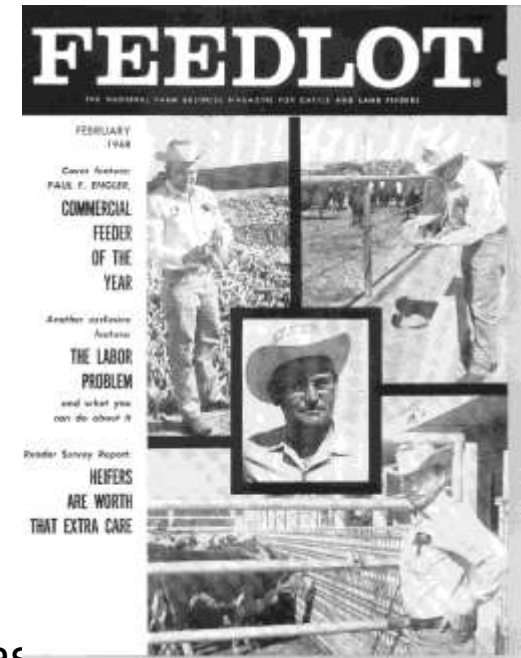
Chairman of the Board & CEO

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

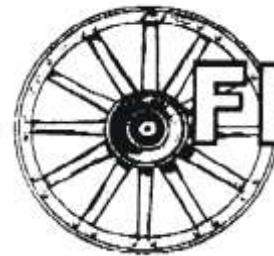
Acquired in 1975



Frontier Feedyard

Acquired 1977

Capacity 40,000



FRONTIER
FEEDYARDS, INC.

Stratford Feedyard

Acquired in 1979

Capacity 80,000



Wrangler Feedyard

Acquired in 1982

Capacity 55,000



**Wrangler
feedyards**

A Division of Cactus Feeders, Inc.



Southwest Feedyard

Acquired in 1993

Capacity 42,000

S **OUTHWES** **T**
FEEDYARD

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**



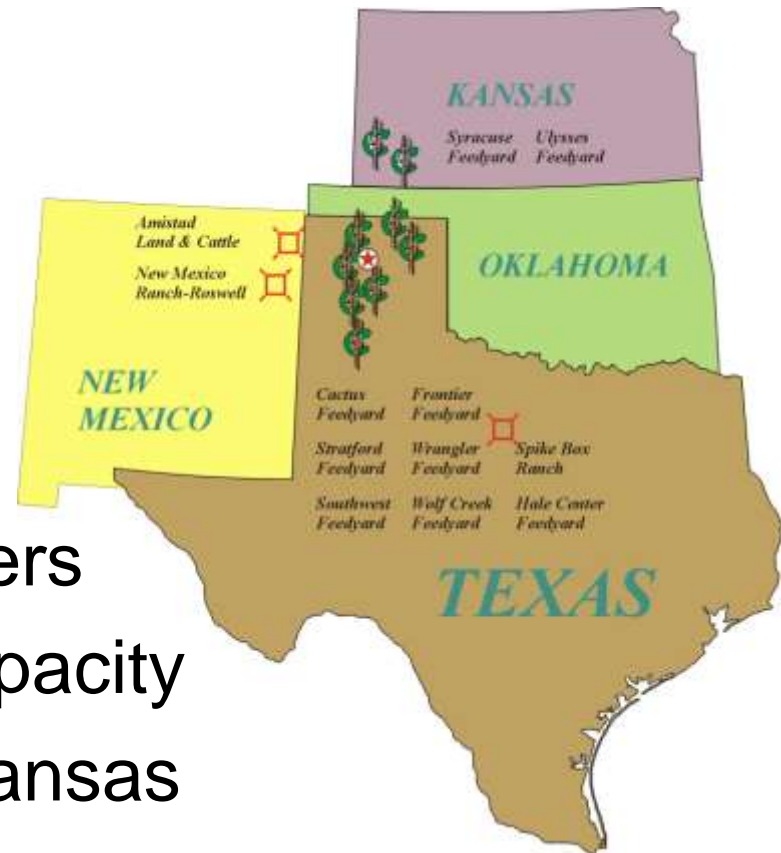


Spike Box Ranches



- ◆ 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



Winner 2000



Environmental
Stewardship



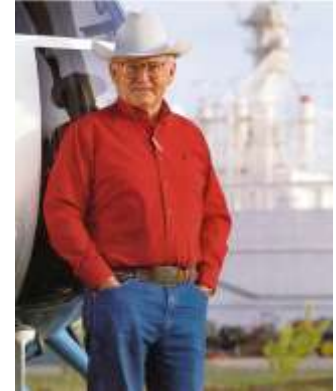
NCBA Cattle Business
Of the Century





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

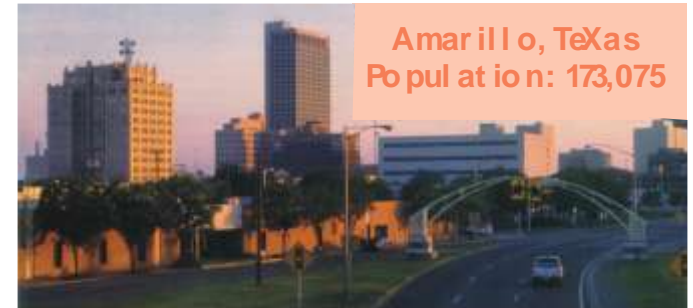


- ◆ 20,000 finished animals per week
- ◆ 10 Million lbs. red meat per week
- ◆ 1.89 Million tons of feed each year
- ◆ Milling 40.5 Million bushels of grain

**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



Customer Base



- ◆ 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 losses
- ◆ Mexico Ranch Program
- ◆ Individual Carcass Information
- ◆ Cresud / Argentina



Packer & Retail Alliances

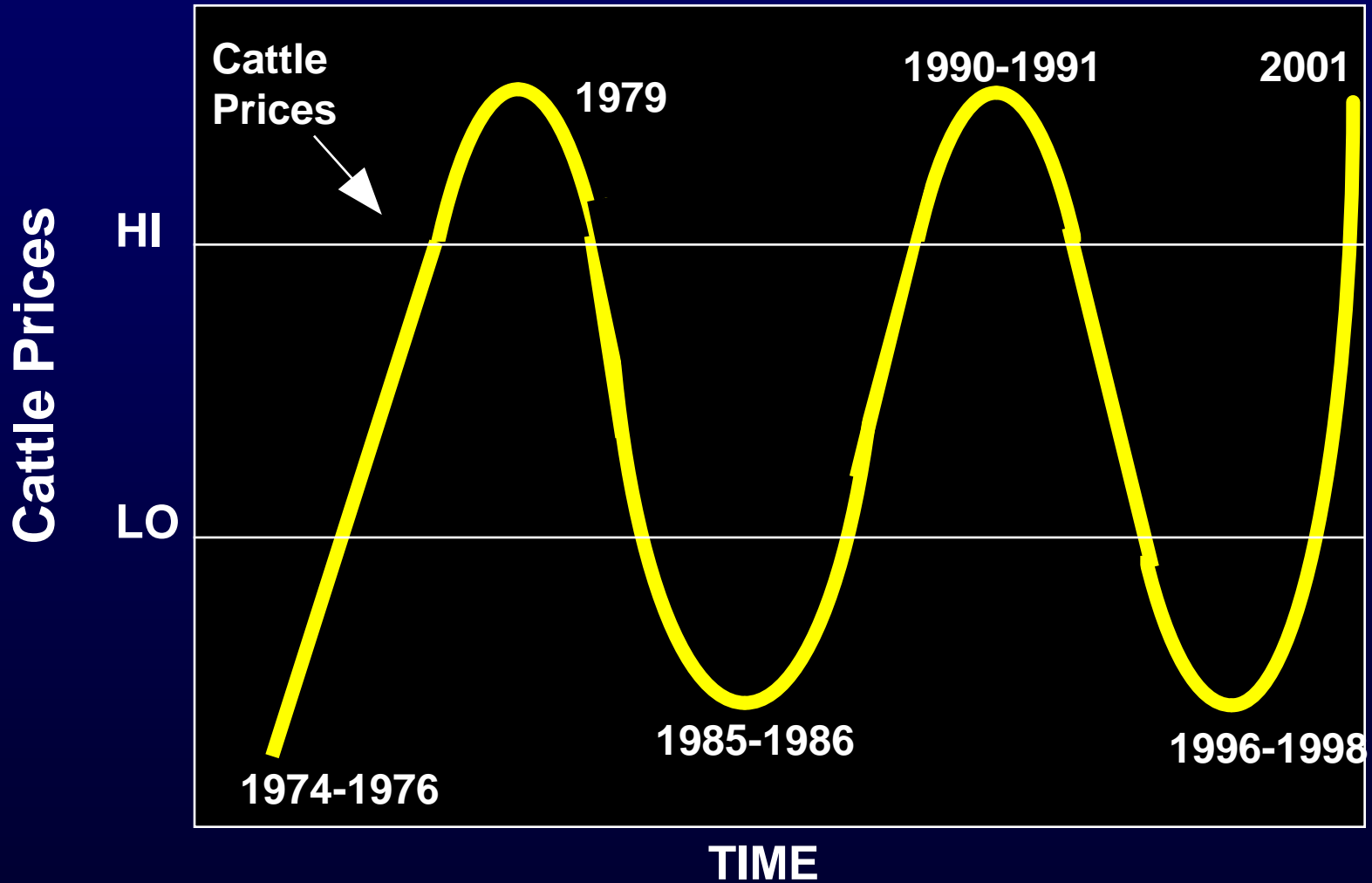


- ◆ 1988: Founded “Formula Pricing”
- ◆ 2000: 900,000 head marketed to IBP / Excel
- ◆ ~ 7,000,000 total head marketed

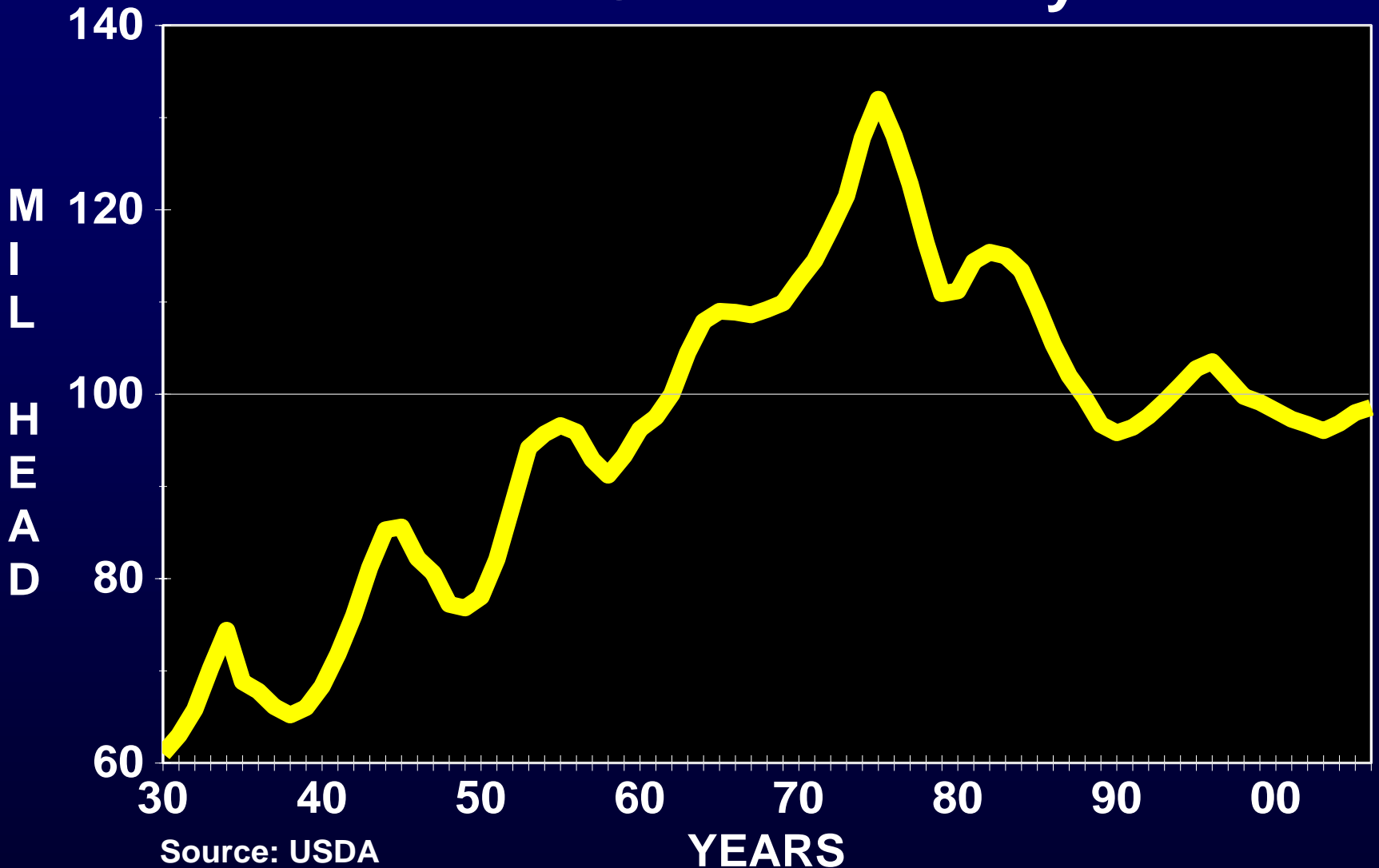


The Current State of the Beef Industry

The Cattle Cycle

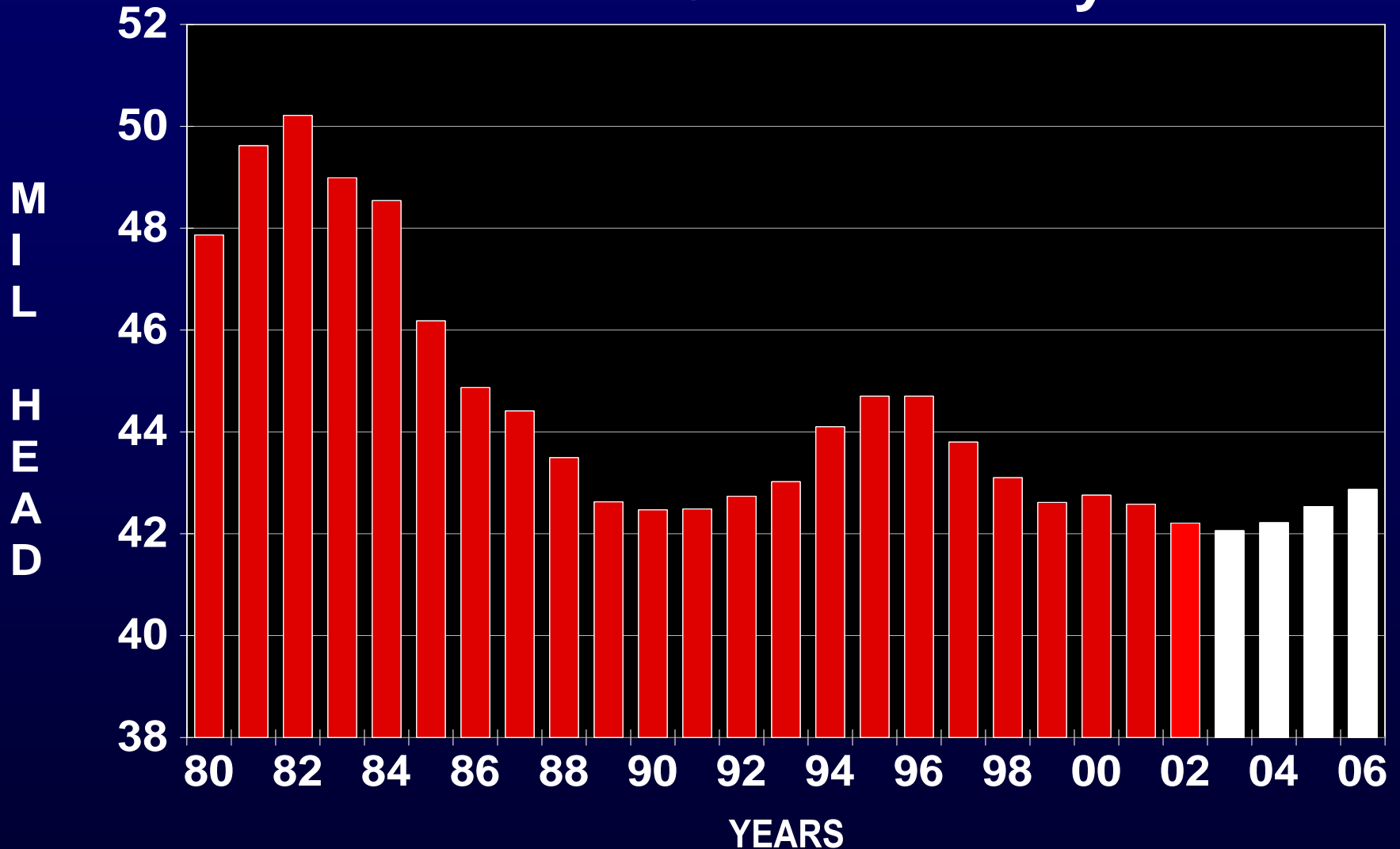


Total Cattle Inventory



Source: USDA
2003-2006 projected

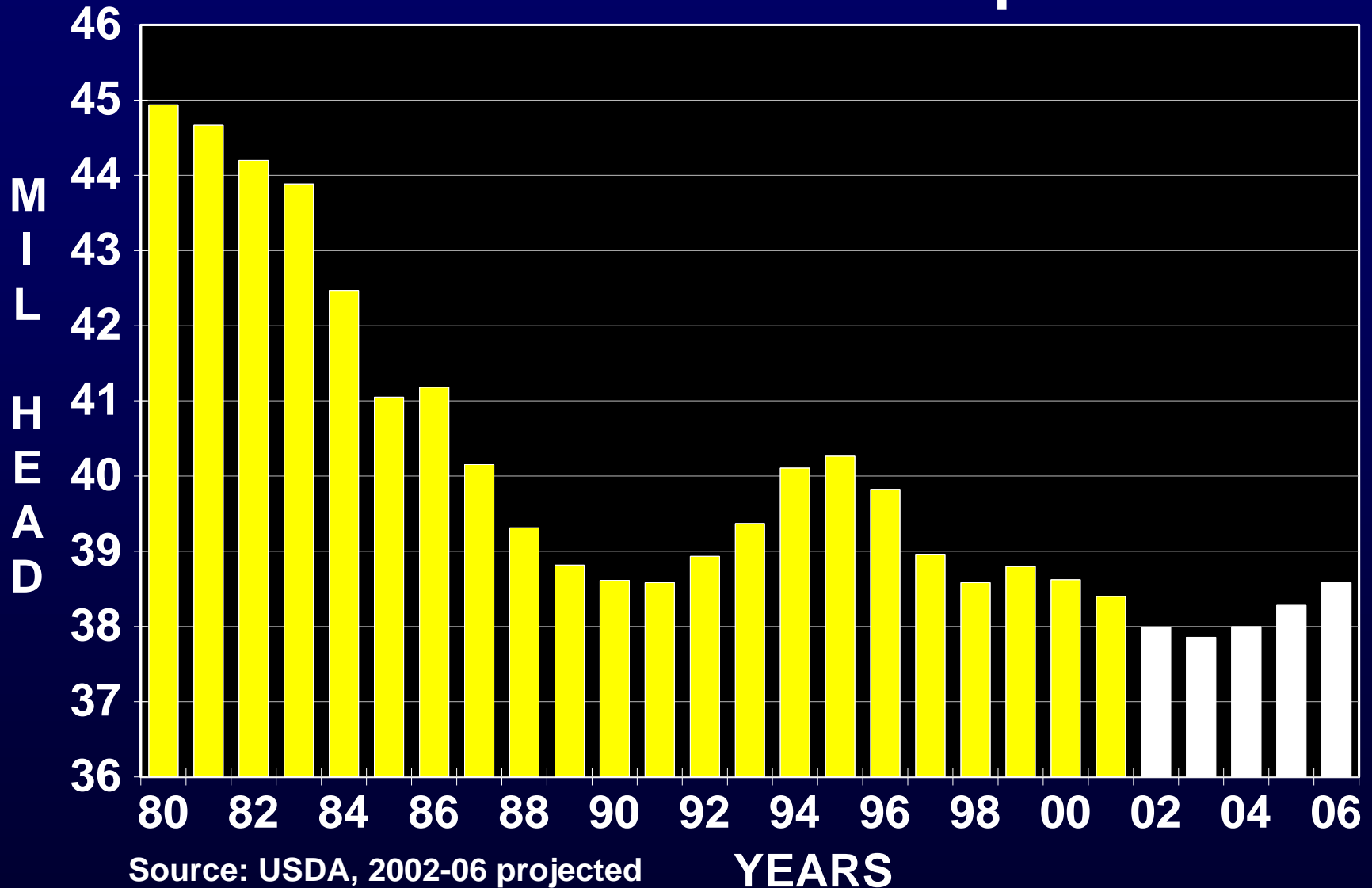
Total Cow Inventory



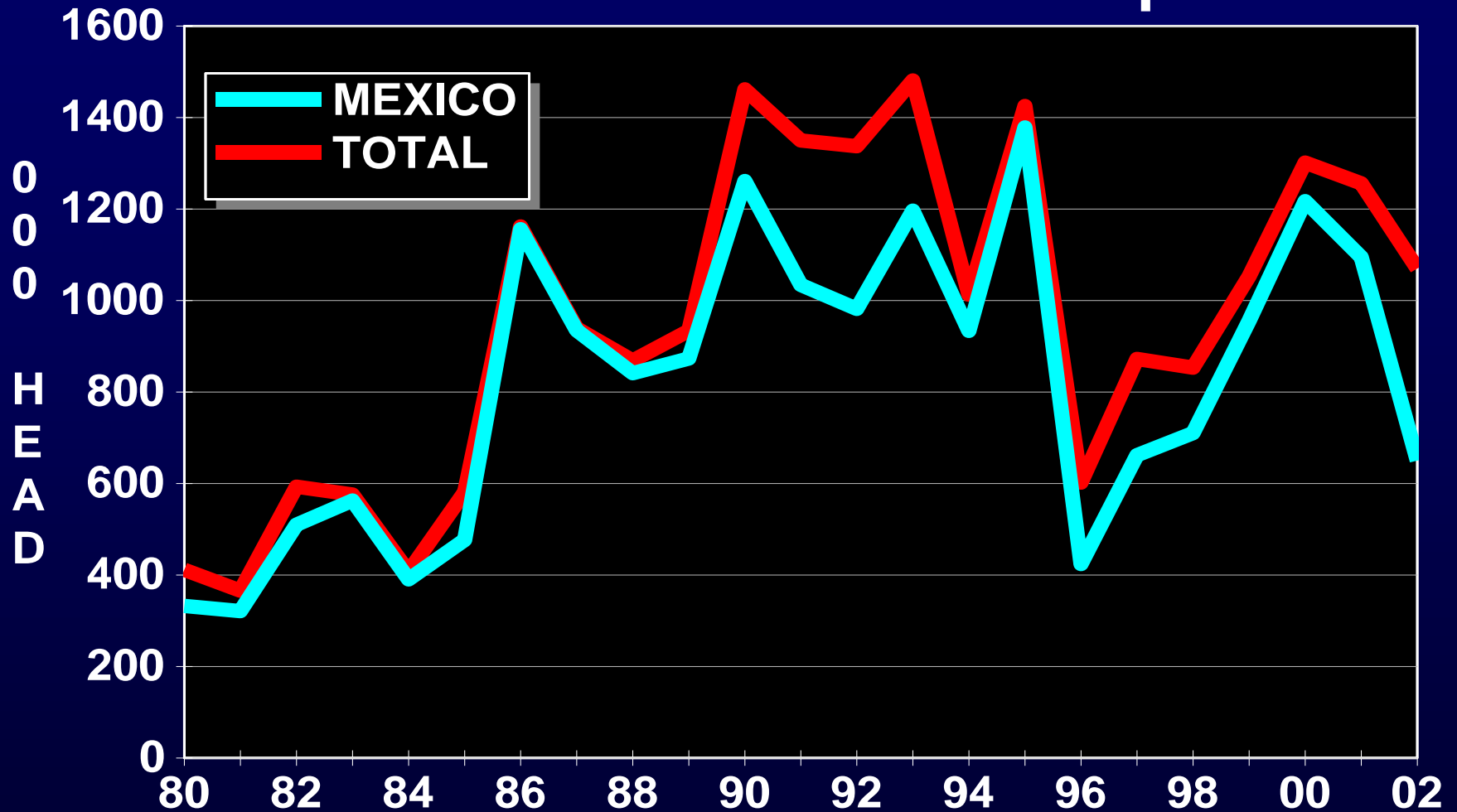
Cattle-Fax projection 2003-2006

Source: USDA & Cattle-Fax

Annual Calf Crop

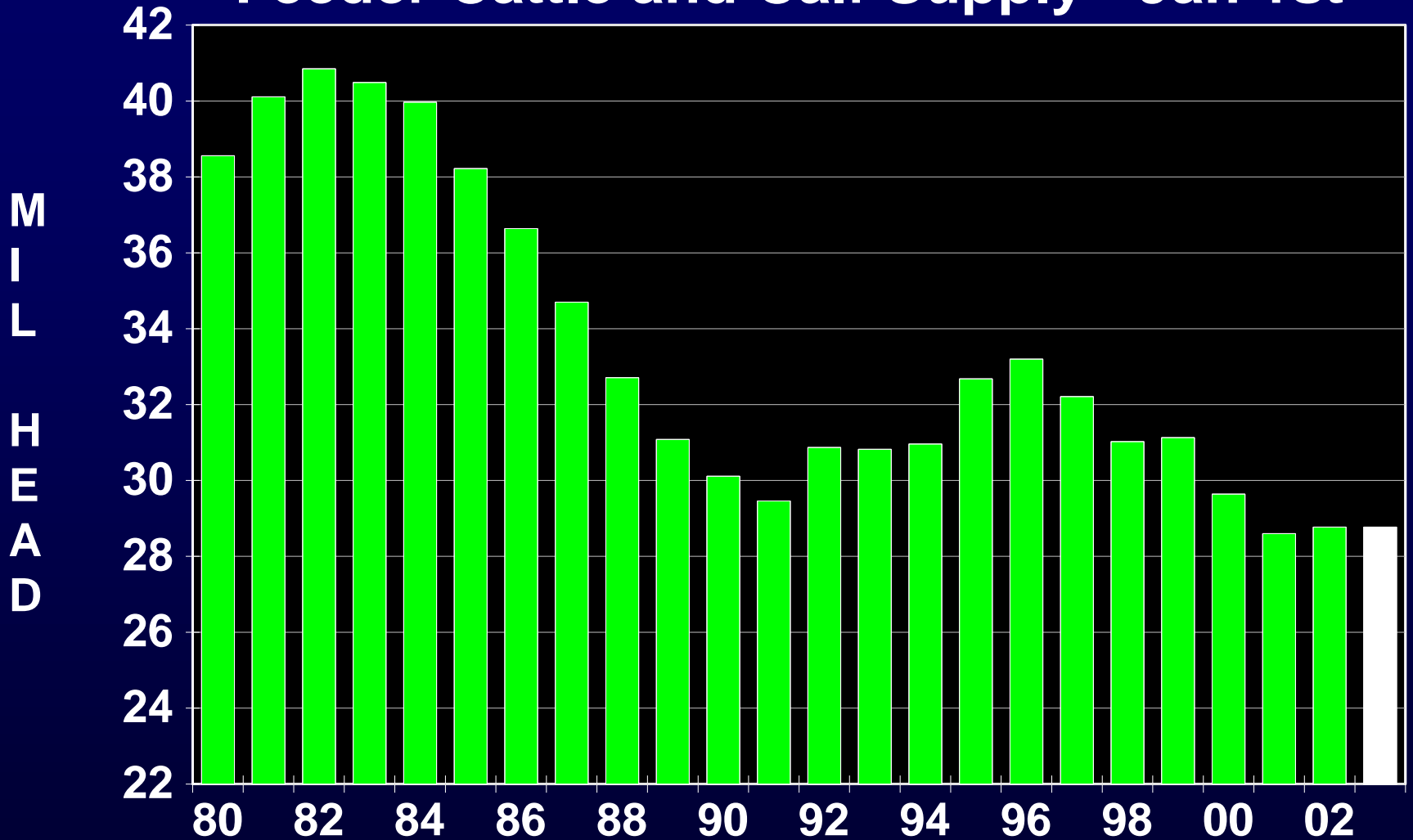


Feeder Cattle and Calf Imports



Source: Census Bureau & STATS Canada
2002 estimate

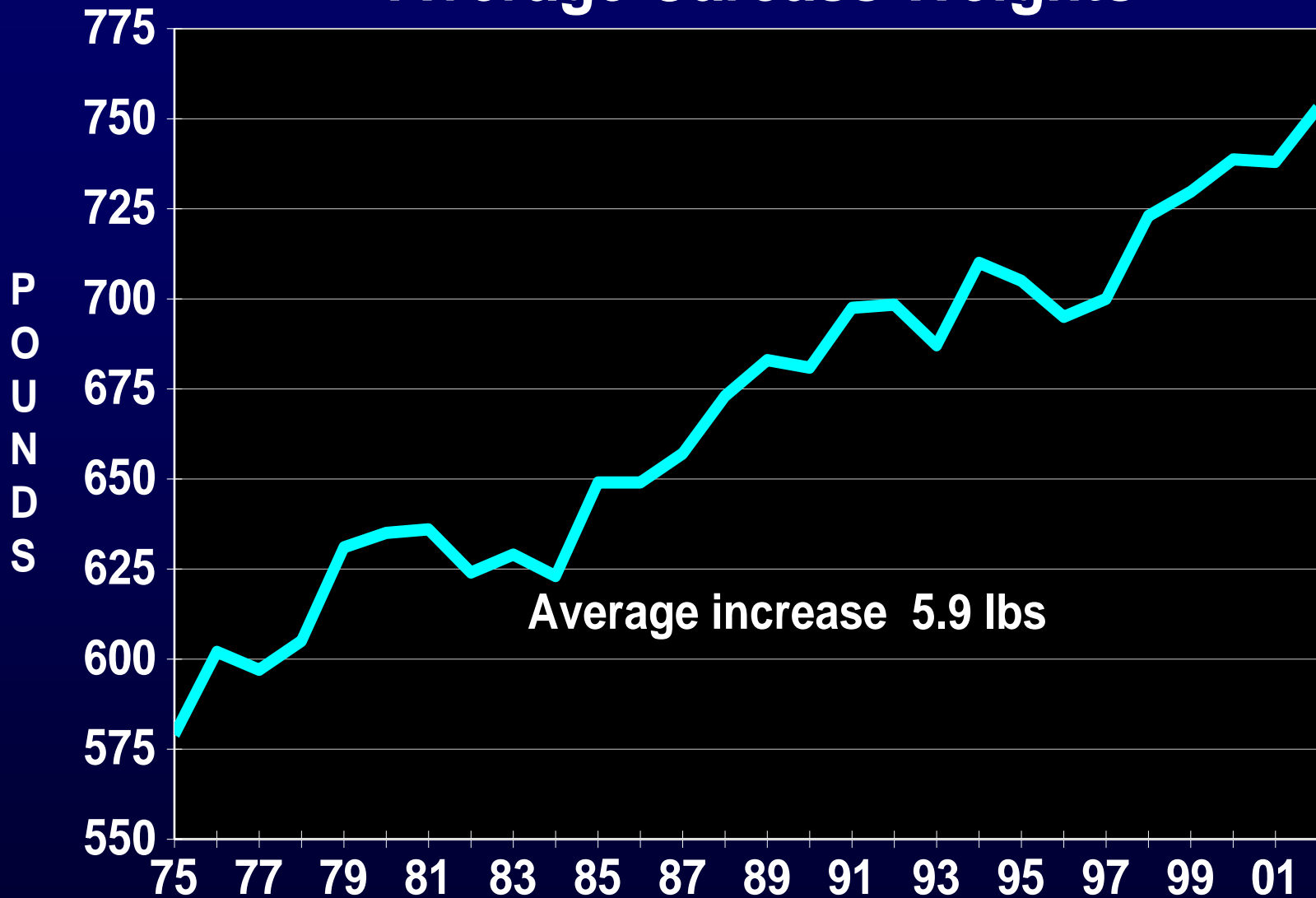
Feeder Cattle and Calf Supply - Jan 1st



Outside of feedyards, 2003 projected

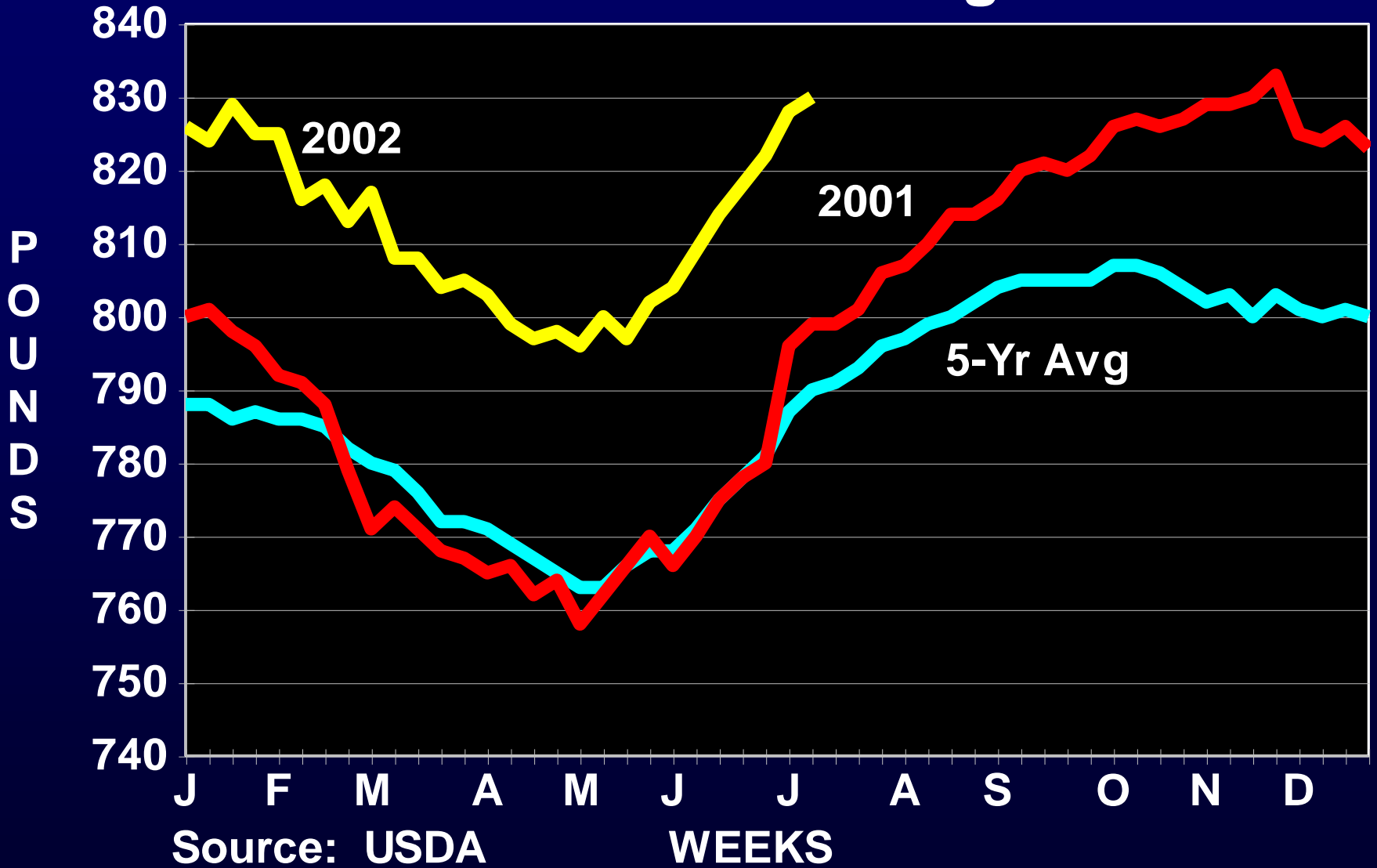
Source: USDA & Cattle-Fax

Average Carcass Weights



Source: USDA, 2002 Projected

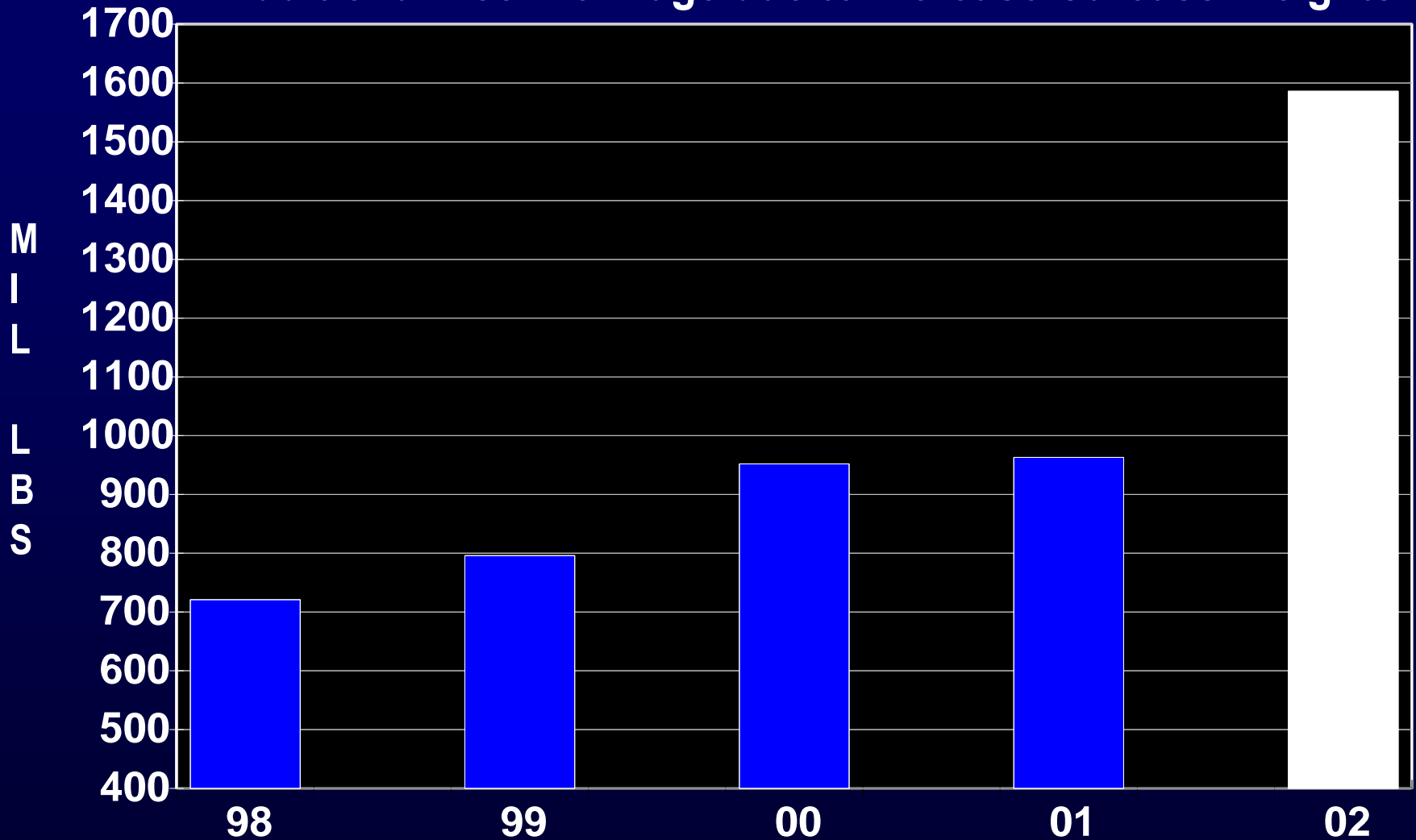
Steer Carcass Weights



Source: USDA

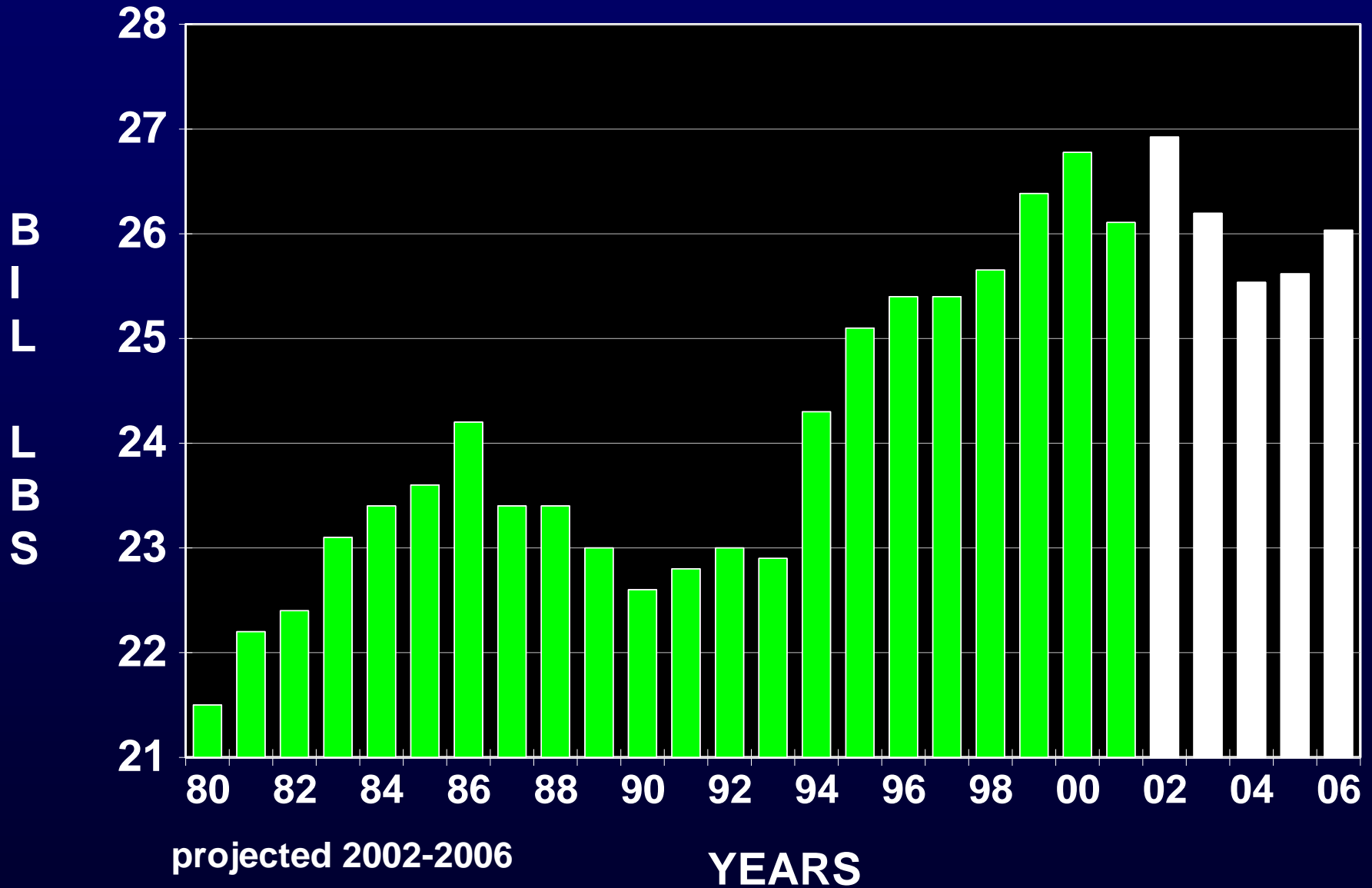
WEEKS

Additional Beef Tonnage due to Increase Carcass Weights



Source: USDA, compared to 1997 carcass weights
2002 estimate

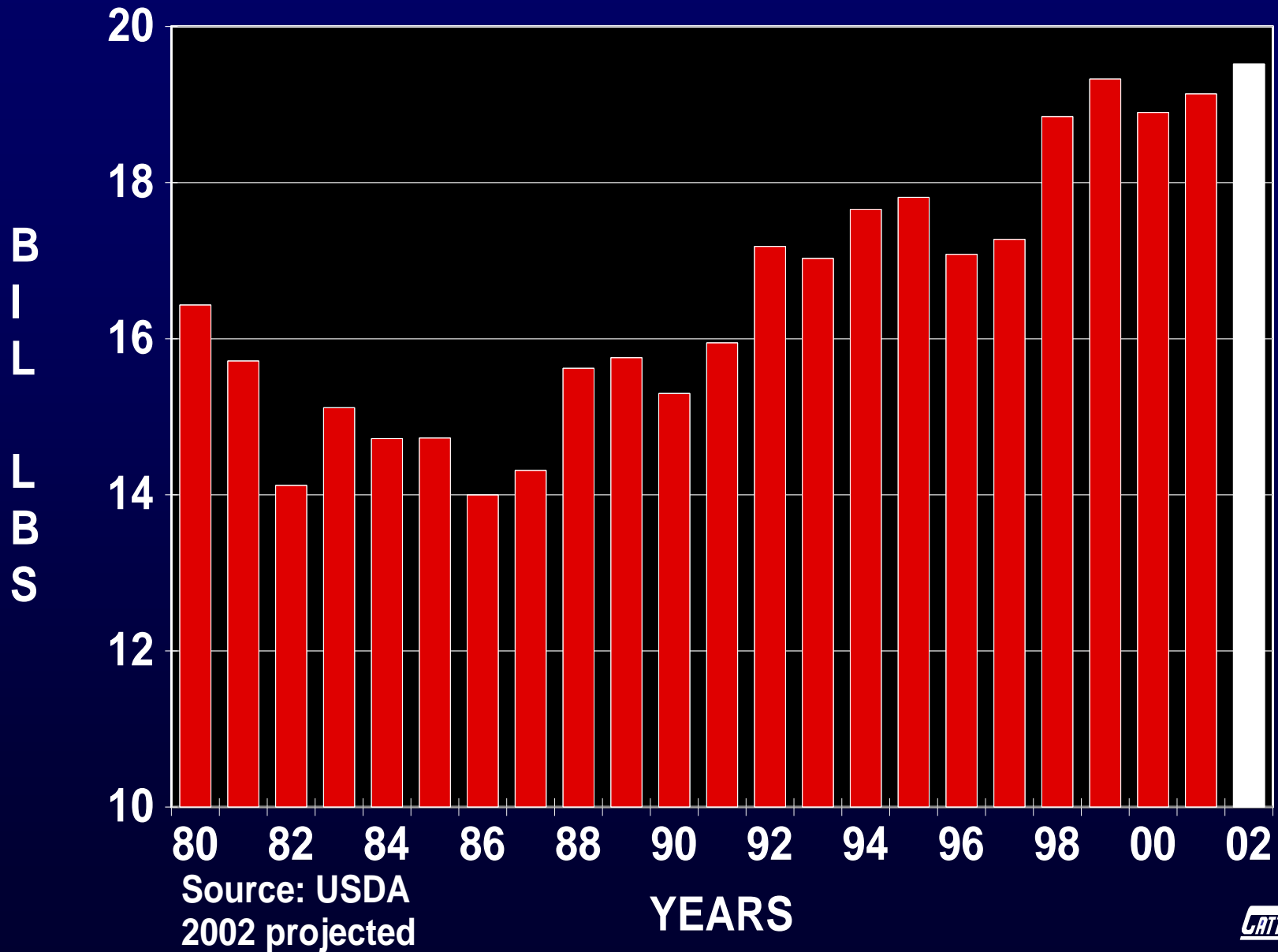
Beef Production



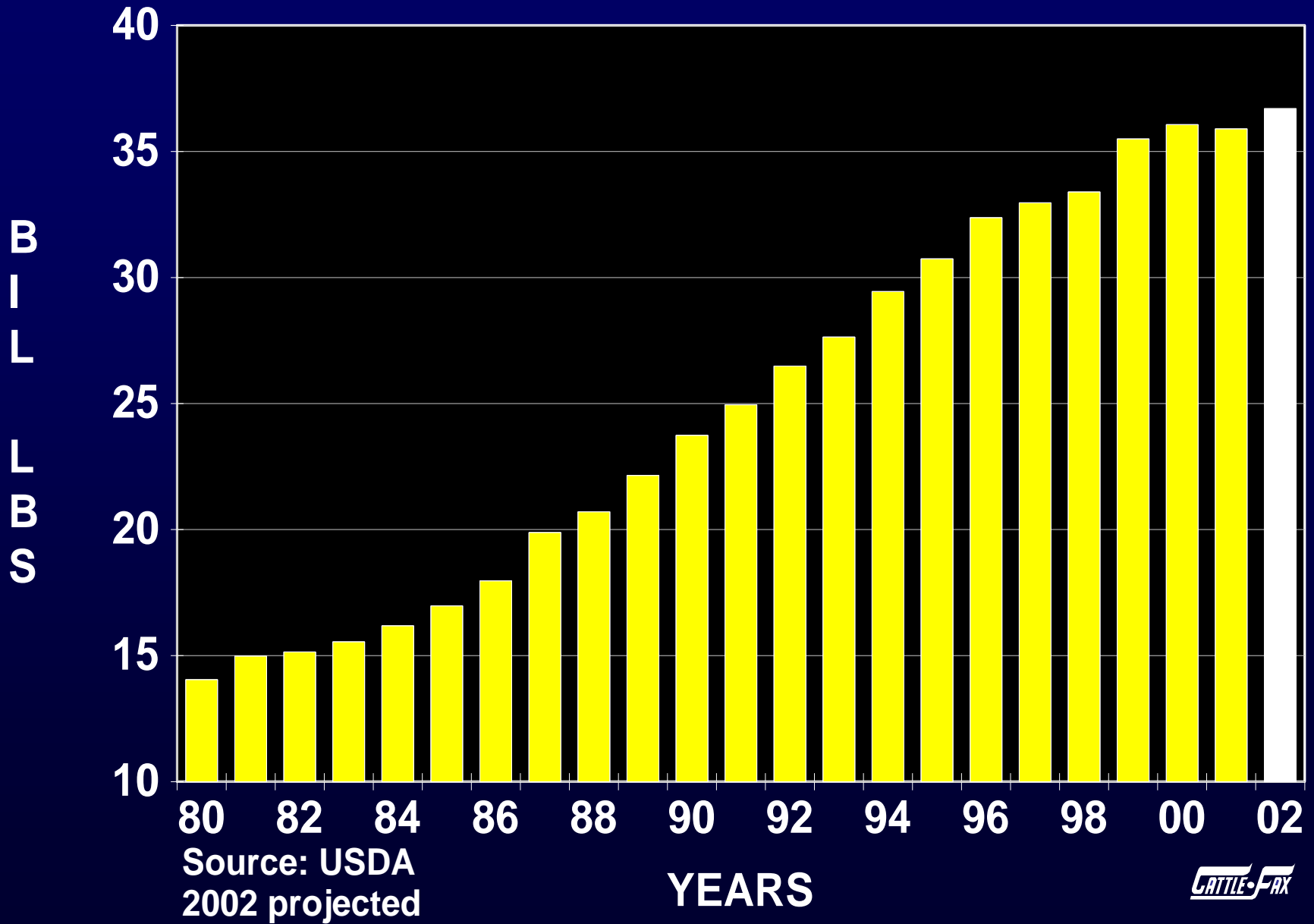
projected 2002-2006

Source: USDA & Cattle-Fax

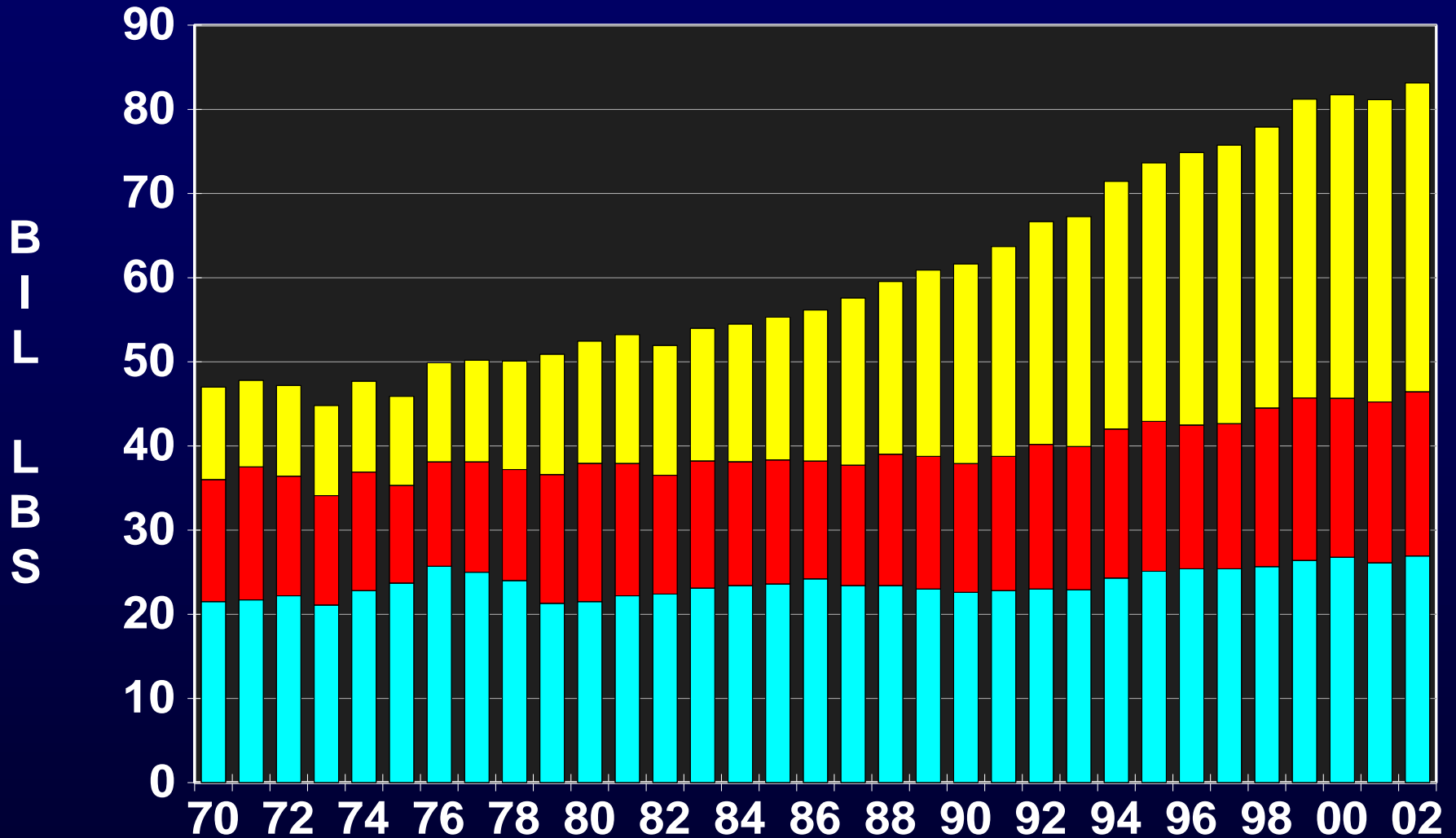
Pork Production



Poultry Production



Meat Production

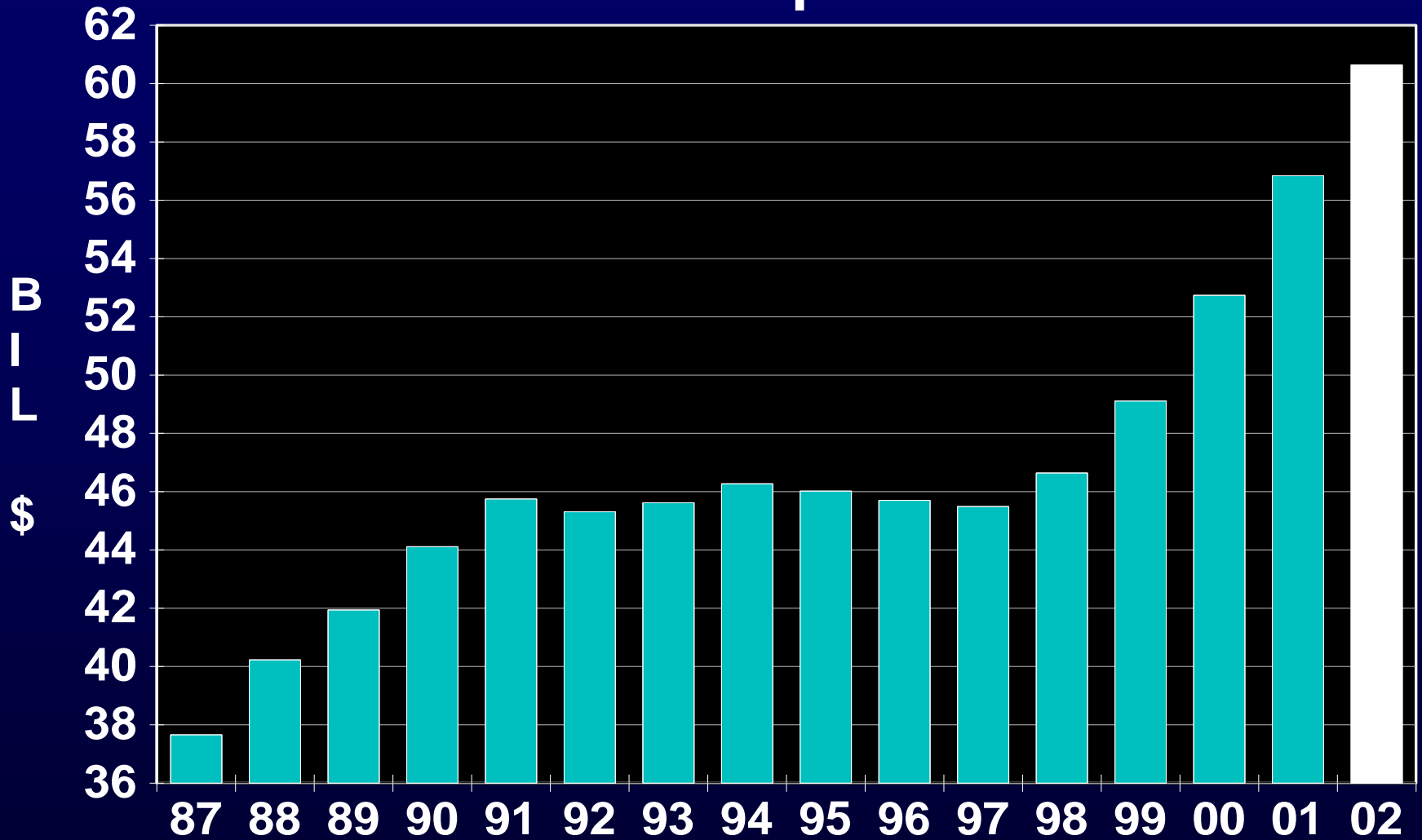


2002 Projected
Source USDA

 BEEF  PORK  POULTRY

*CATTLE-**FOX***

U.S. Consumer Expenditures on Beef



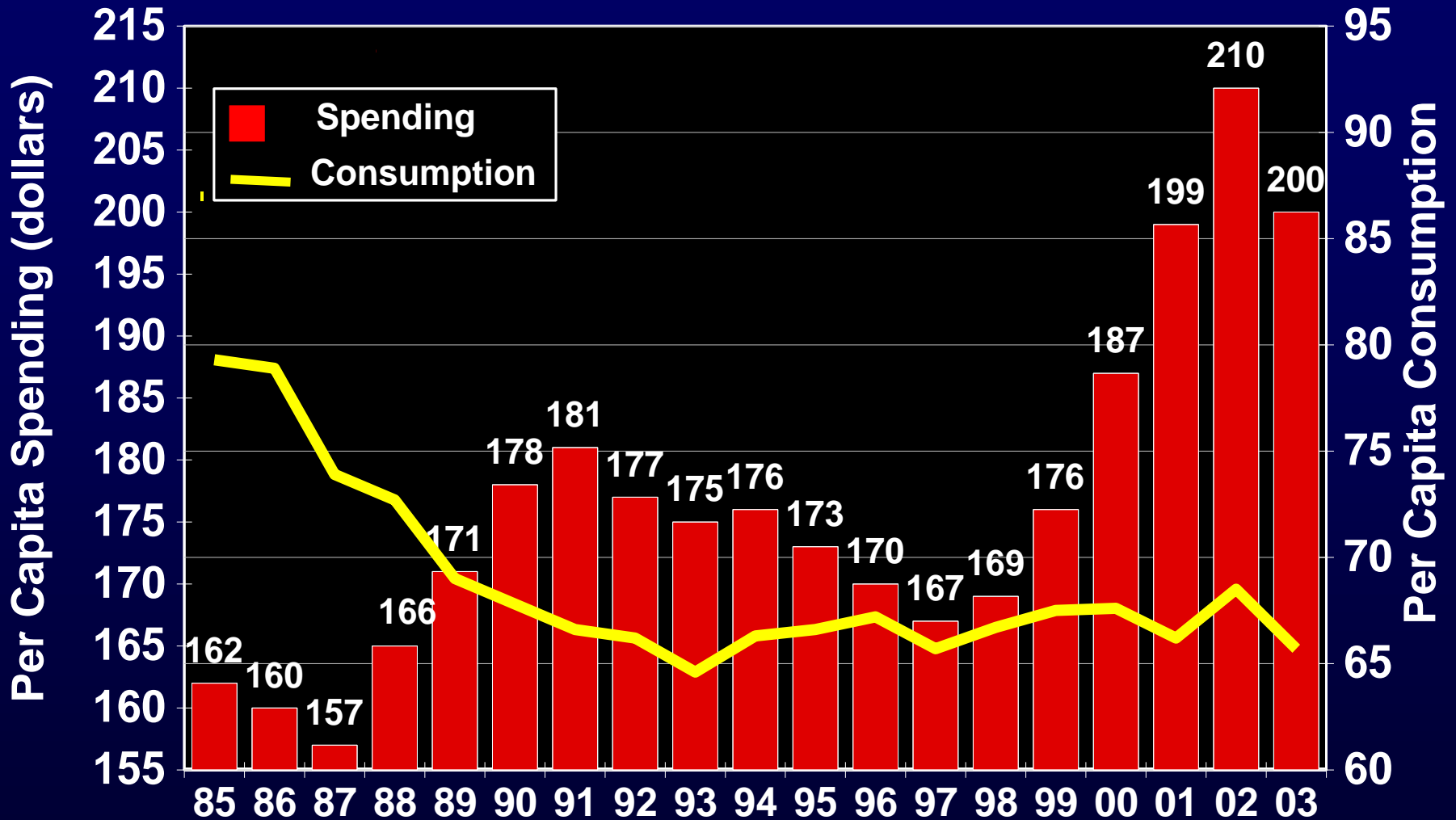
Source: USDA & Cattle-Fax

YEARS

Domestic disappearance valued at all-fresh retail price, 2002 projected

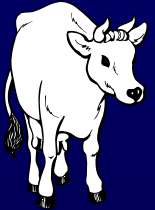
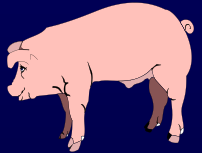




Per Capita Beef Spending and Consumption



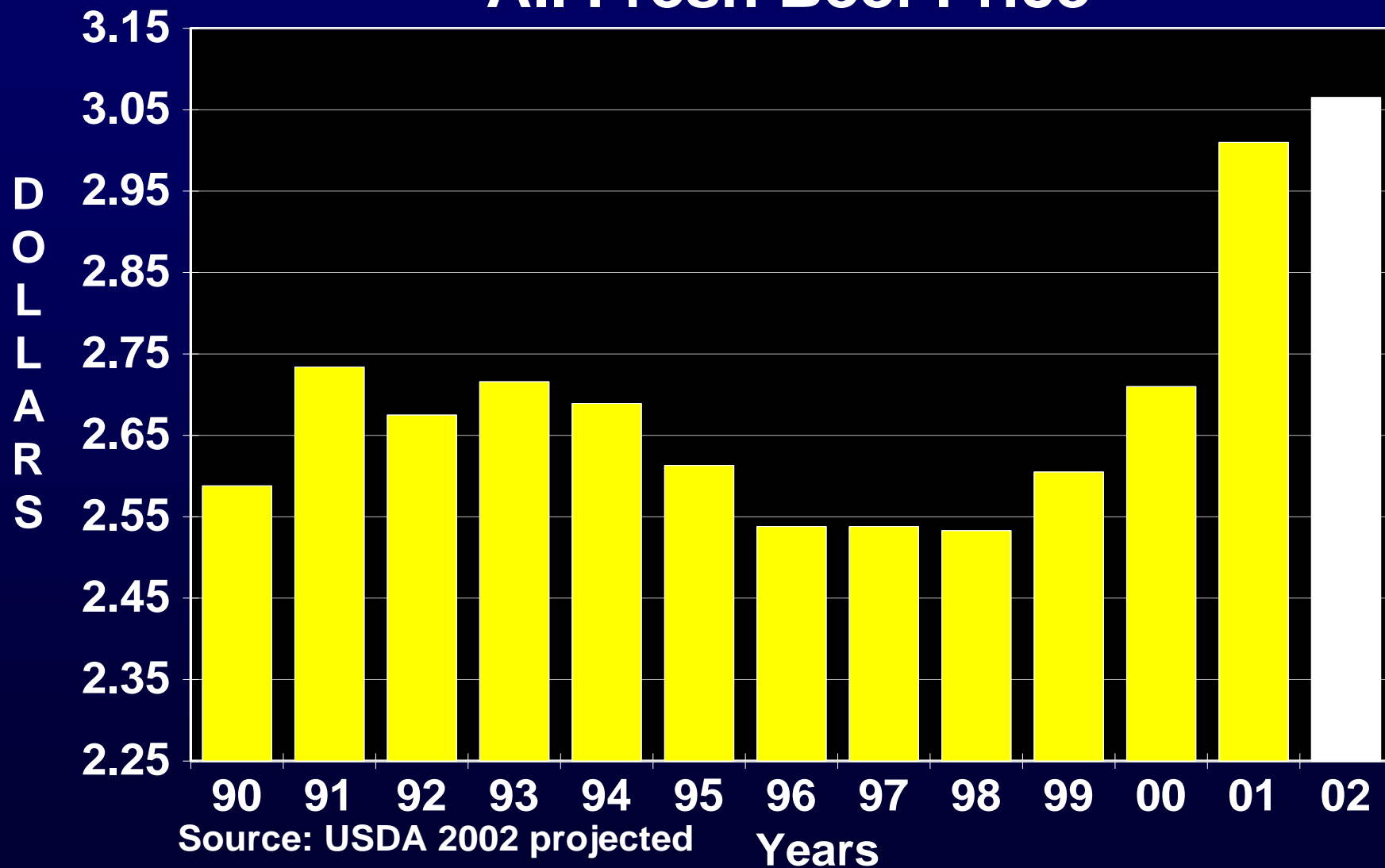
Source: USDA
2003 projected

Market Share of Meat Spending

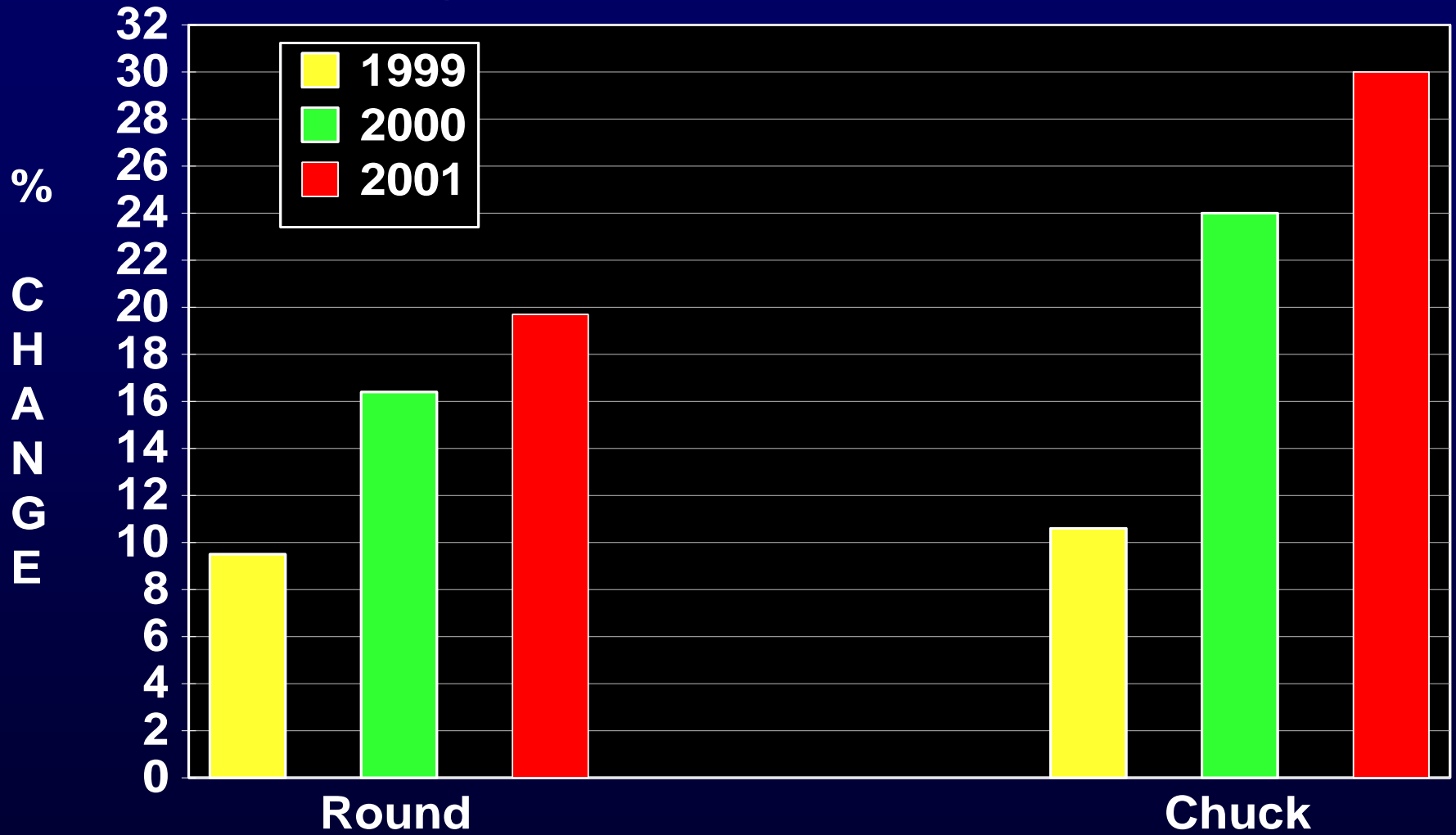
	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1998</u>	<u>2001</u>	<u>2002*</u>
	53.9	50.3	45.4	39.8	42.3	43.1
	26.9	26.2	27.0	29.5	28.8	28.3
	16.1	19.5	23.1	26.3	25.1	24.9
	3.1	4.0	4.5	4.4	3.9	3.7

*projected

All Fresh Beef Price

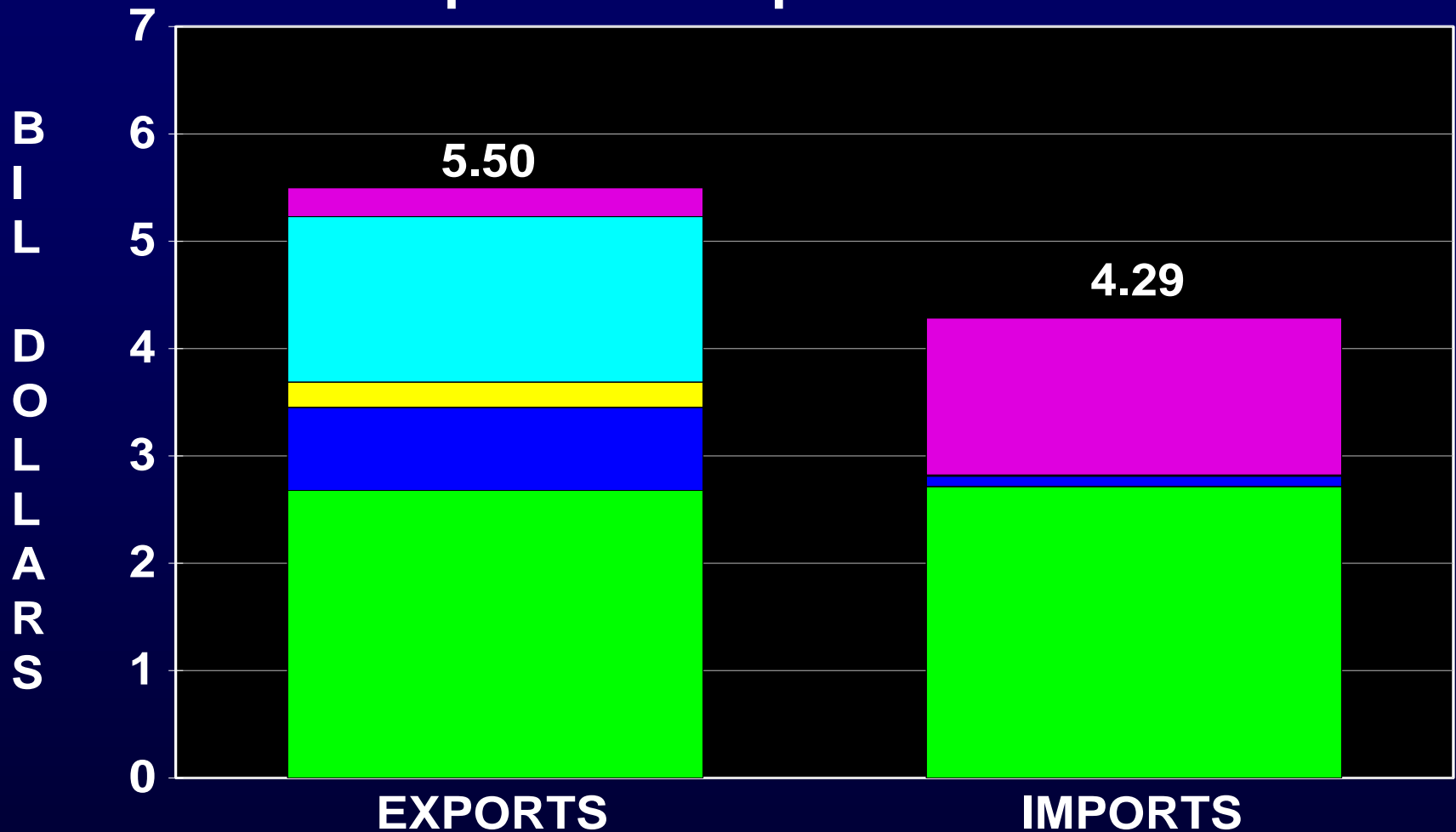


Change in Choice Beef Values vs. 1998



Source: USDA

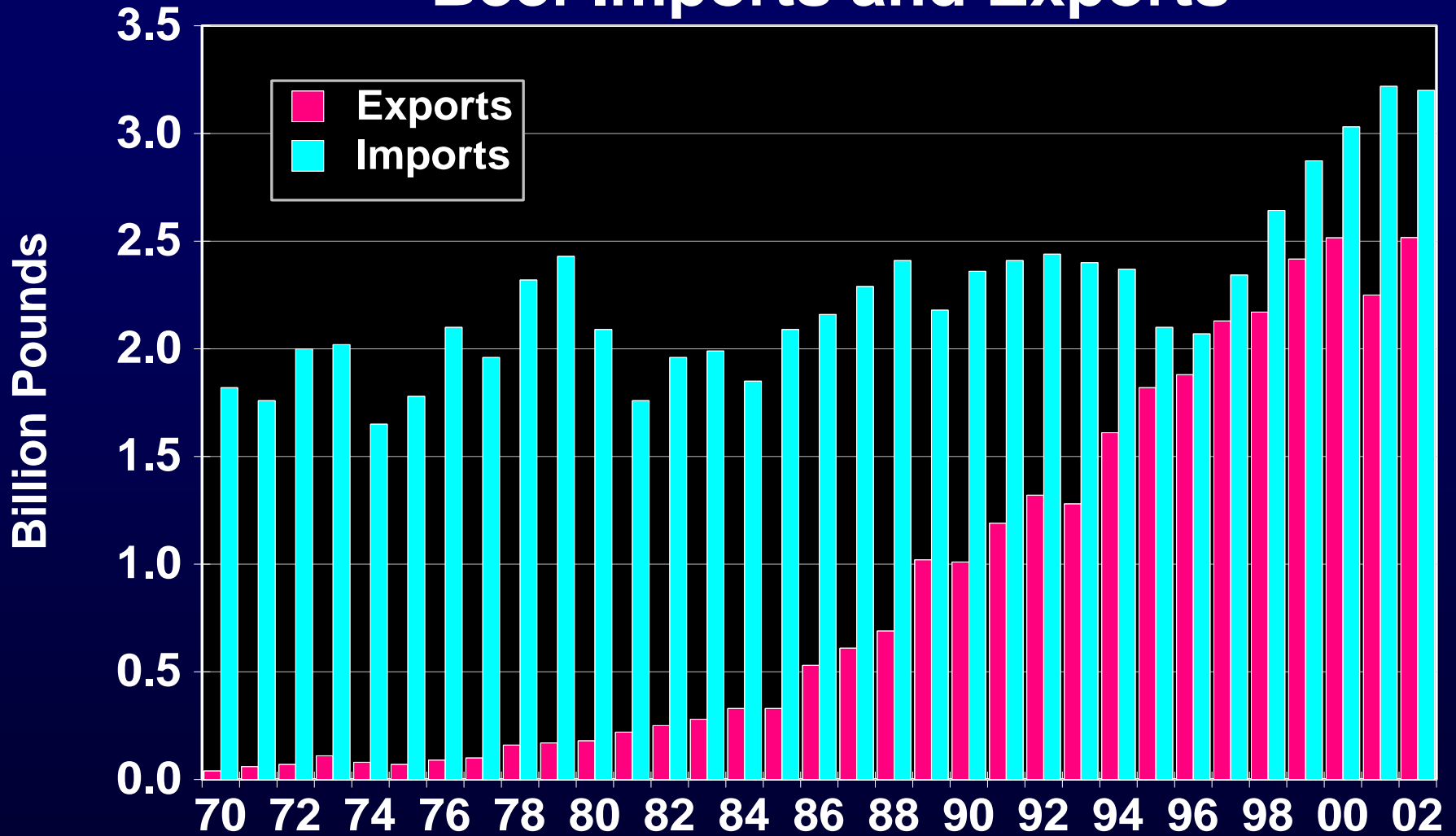
2001 Live Cattle, Beef, and Beef Product Exports vs. Imports Total Value



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



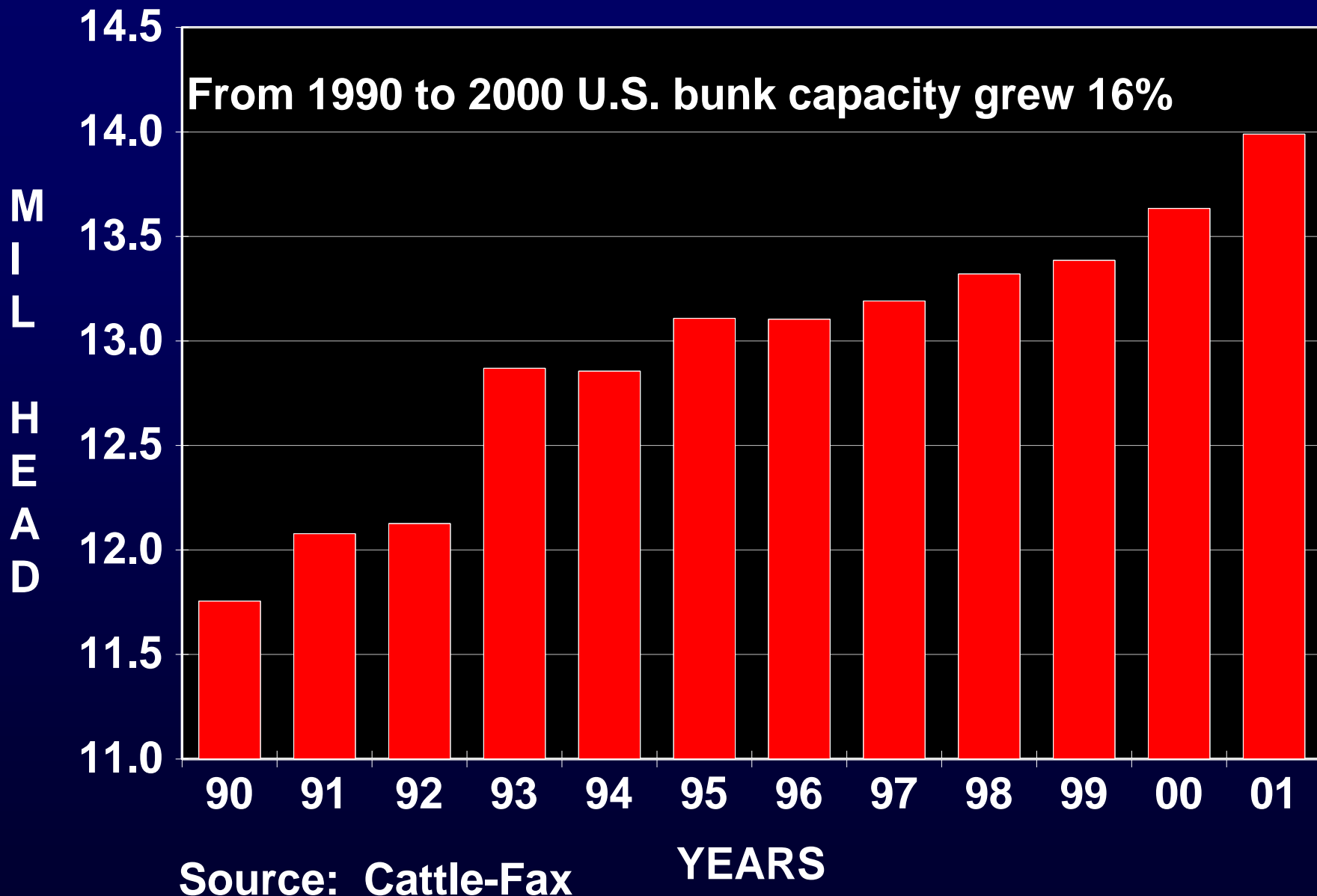
Source: Cattle-Fax
2002 projected

450 lb Steer Calf as Percent of Fed Steer



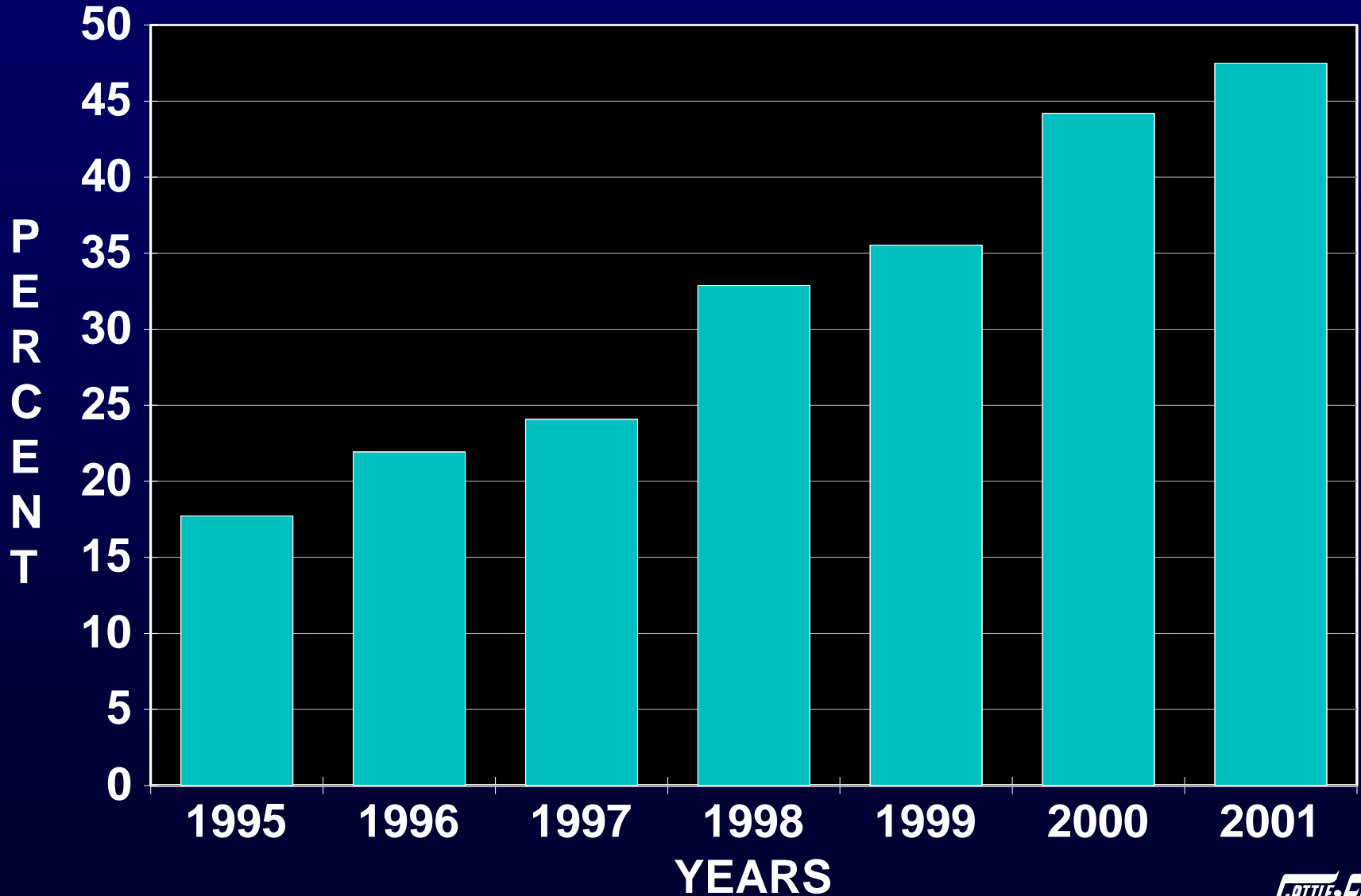
Source: Cattle-Fax

U.S. Bunk Capacity Estimate

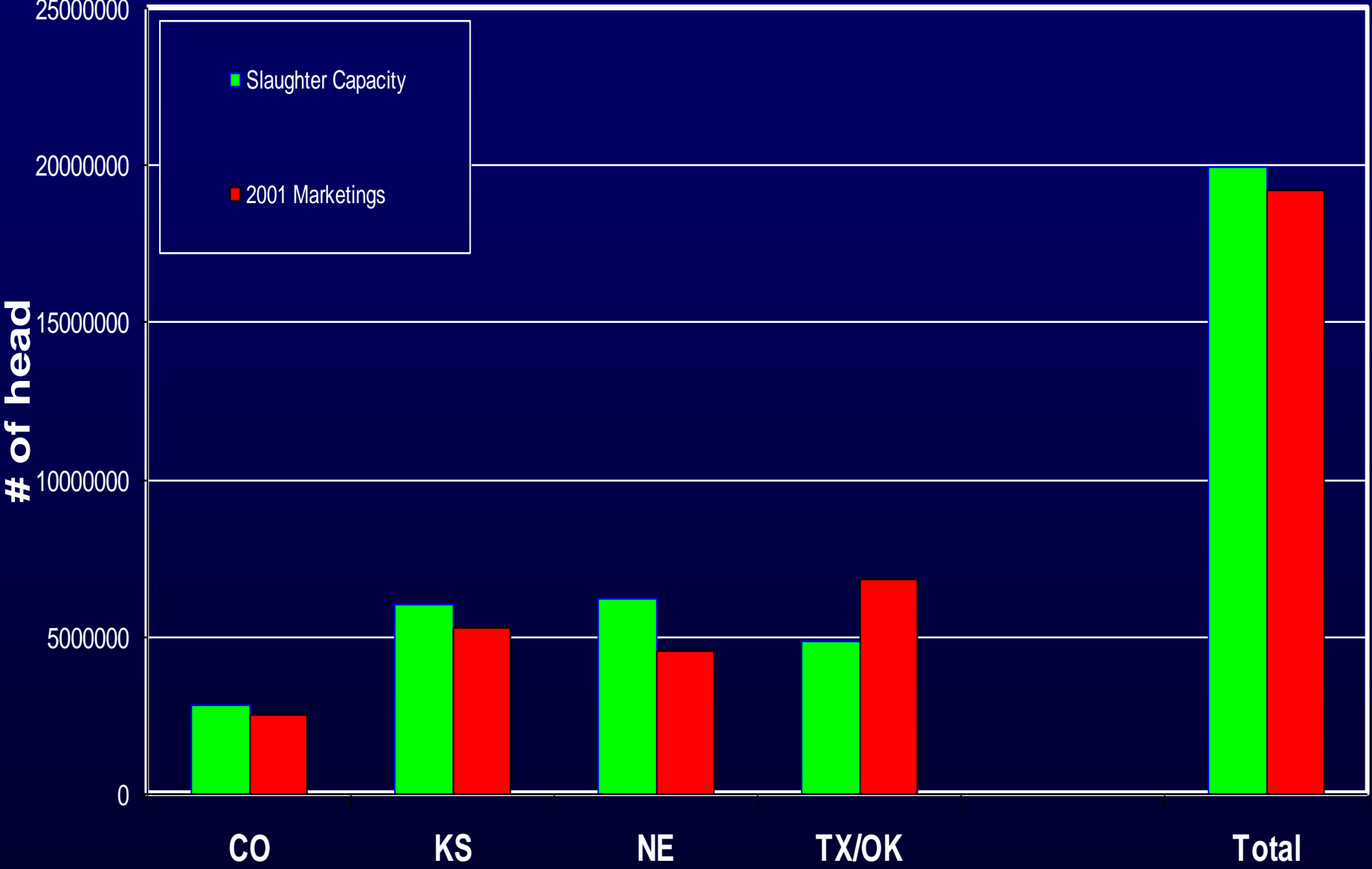


Source: Cattle-Fax

Percentage of Fed Cattle Movement from: Formula, Contract , Alliance & Packer Fed Cattle



Slaughter Capacity versus Marketings





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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

click & see

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

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"Oh, stop your frettin'."