

ALL IN



Backed against a wall, USPB founders committed to idea that changed the industry.

Story & photos by Miranda Reiman, senior associate editor

It was the mid-1990s. Beef demand was tanking. “Our product was bad, and nobody wanted it. We were losing market share at a record rate,” says Mark Gardiner, Ashland, Kan., Angus breeder.

At the aggressive speed with which demand was tailing off, beef would not be a viable protein within five years, warned Harlan Ritchie in his article “Five years to meltdown.”

Some scoffed; some heeded the Michigan animal scientist’s caution. Gardiner asked his dad, Henry, “Could that really happen?” The answer told him there was no time to lose.

“Fear is a pretty powerful motivator,” says Tracy Thomas, vice president of marketing for U.S. Premium Beef



Mark Gardiner

(USPB), a business model born of need that can now boast:

- ▶ 17 million head processed;
- ▶ individual data collection;
- ▶ \$625 million in grid premiums paid to cattlemen; and
- ▶ providing a model for grid marketing based on individual merit.

Its success Thomas credits to a number of individuals, with a collection of ideas, who became a team, faced the challenges and changed the beef industry for the better.

The challenge was real. Cattle feeders couldn’t get cattle sold. Each Monday they hoped the show list

had enough “fancy” cattle to use as a bargaining tool to sell the remaining finished animals on inventory. Commercial producers who invested in good bulls and vaccinations found their cattle selling for the same price as those from ranchers who didn’t.

Gardiner and wife Eva had twin toddler boys at home and a life’s dream to raise cattle where his great-grandfather had made his start. The need to survive was personal.

For their influence on the beef business, shifting toward quality and value-based marketing, USPB earned Certified Angus Beef’s (CAB’s) 2021 Progressive Partner Award.

Lunches and late nights

Kansas State University may

Above: “The USPB model has stood the test of time,” says Stan Linville, USPB CEO. “The program was set up for beef producers to hit specific targets with their cattle, and share in the earnings on the packing side of the business. We believe we’ve met the goals of our initial investors, and hopefully exceeded those expectations.”

have made them fraternity brothers, but the cattle market situation united many early players as champions of the quality beef movement. Steve Hunt and Mark Gardiner swapped ideas over a Pizza Hut lunch buffet, and more and more alums joined their cause during the next few months.

Commercial cattleman Roger Giles, Giles Ranch, Ashland, Kan., had been trying to figure out a way to make his investments in genetics and management make sense.

“We really bought into it because, at the time, we were losing a lot of money feeding cattle,” Giles says. The better cattle came with lower health cost and

gained better, but “you were just getting killed when you sold them.”

Near Scott City, Kan., cattle feeders gathered at hushed evening meetings to discuss “what ifs” that



Tracy Thomas

included everything from building their own plant to hiring a czar to sell their fat cattle.

“I’ve said it before, but the success of a rain dance has a lot to do with the timing,” says Joe Morgan, Poky Feeders, a founding USPB member.

His conference table was witness to many of the early discussions, not all of them tame.

“One night we all shook hands that we’re going to leave every night as friends, no matter how upset we got during the meeting,” Morgan says. “I think that was a real key.”

Competitors by day became allies by night.

Peddling blue sky

In late 1995, a formal group assembled and went out on what Gardiner refers to as the “Blue Sky Tour,” selling an idea. Soon enough, cattlemen from across the country were pledging support to the developing business model.

Common ground with Farmland Industries, an organization used to the cooperative model, led them to a letter of intent to purchase up to 50% of what was then Farmland National Beef Packing Co. (FNB). It was the fourth-largest beef processor in the United States.

The USPB stock offering went live in October 1997, and by December the new company was buying up to 10,000 head of cattle a week from its producer members. Each share carried the “right and obligation to deliver one head to your processing plant,” Thomas says, and the minimum point of entry was 100 shares.

Reality of the risk

“Looking back, I don’t know if I could do it again,” Morgan says,

noting many ventures came after and failed. “We were just so desperate, and young, and thought we could make it work.”



Roger Giles

Bankers across the country tried to talk their cattlemen customers out of writing the check.

“It was a very, very big investment, kind of rolling the

dice and throwing it all in one basket,” says John Fairleigh, Fairleigh Feedyard and fellow founding member. Today they still sell 100% of their cattle on the USPB grid.

“You had a bit of caution,” Giles says, “but overall it’s one of these deals, it’s like we really don’t have a choice.”

Gardiner’s brother Greg says, “Everything I did have, I threw in the middle of the table and gambled that it would turn out. As it has come to fruition, it kept our business afloat.”

Growing pains

The celebration of going live soon gave way to reality.

“We all thought when we started U.S. Premium Beef that our cattle were way better than our neighbors’ — and for sure better than the industry,” Fairleigh says.

Nationwide, less than half of fed beef was grading Choice, and USPB soon realized its harvest ran lower still.

“So it changed the way we bought

Businesses built on carcass value

U.S. Premium Beef provides information and market access. Both matter to cattlemen members.

“Being able to get back data and information and anything carcass-related is really important to us,” says Jenny Betschart of Giles Ranch near Ashland, Kan. “It’s like getting a report card, seeing how well we do each year.”

They’ve had recent loads reach 30% CAB Prime.

“Every time that we can increase value and do something that increases our bottom line, [it] allows us to grow and expand,” Betschart says. “Being able to do better with our carcass value helps us stay in business and helps us employ other people in our community.”

feeder cattle, who we bought cattle from and what type of cattle we bought,” Fairleigh says.

For some feeders, it cost them their customers.

“It was very difficult for us the first few years for people to accept that they needed to make genetic change,” Morgan says.



Greg Gardiner

An initial grace period with FNB

guaranteed them at least the market average each week, and with individual carcass data in hand and a grid target to hit, cattlemen got to work.

It’s been more than two decades since the USPB grid was introduced, and now every major packer has marketing options to sell cattle on individual carcass merit.

In 1997 some 40% of all USPB cattle graded Choice, and fewer than 10% qualified for the CAB brand. Last year, USPB cattle averaged 89% Choice and Prime — a record high — and annual CAB percentage has averaged 28% the past five years, with an additional 3% CAB Prime.

“We had seamless information to guide our guesses as to what consumers wanted,” Fairleigh says.

The cattle changed from the “rainbow coalition,” Gardiner says, to a more solid set of uniform cattle. The Angus breed led the improvement.

Return on investment

“We have created a tremendous product now and got consumer confidence, consumer acceptability and we’ve got the demand now,” Morgan says.

USPB members have collectively earned \$2.1 billion in payments, grid premiums and cash distributions from ownership in processing. Today, USPB has more than 2,900 members and associates in 38 different states, and an approximate 15% ownership interest in National Beef Packing Co.

The advantage of remaining vested in the packing sector was especially evident in 2020.

“They were able to get their finished cattle into the processing plant when it was difficult to almost impossible in other places,” Thomas says.

The USPB mission includes increasing both the quality of beef and long-term profitability for cattle producers.

“We all love this



John Fairleigh

business, but every cow is connected to a human. So, if we make sure the humans can be prosperous and survive, that’s what sustainability is,” Gardiner says. “That is the opportunity that USPB gave our family and thousands more all across the United States.”

Beef demand is up more than 30% on the year.

“We’ve only just begun,” he says. |

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Joe Morgan

Below: Clipping of ad from Norton (KS) Daily Telegram, Nov. 21, 1996.

