

McVEAN

TRADING & INVESTMENTS, LLC



received
6-18-03 ESS

Via fedex

June 17, 2003

Ms. Tess Butler
GIPSA, USDA
1400 Independence Avenue, SW
Room 1647-S
Washington, DC 20250-3604

Re: Federal Register-May 30, 2003 pg 32455

Dear Ms. Butler:

The USDA / GIPSA plans to study livestock marketing from farm to retail. If properly conducted, this study should lead to changes which would dramatically improve the well being of the average American consumer. The important role played by retail grocers in the process of setting prices for consumers and producers has long been underestimated and/or overlooked by students of the marketing meat products.

We believe your proposed study offers the opportunity to expose major abuses in the retailing of meat items. In this regard, please consider the included presentation prepared by Friends For Fairness In Fresh Foods Pricing.

Thank you very much.

Sincerely,

Charles D. McVean
Chairman

Enclosed (2):
Friends For Fairness In Fresh Foods Pricing
A Graphic Look At The Pricing Of Perishable Foods By The U.S. Retail Grocery Industry

Past Performance Is Not Necessarily Indicative Of Future Results.

EXPANDING YOUR INVESTMENT HORIZONS

850 RIDGE LAKE BOULEVARD • SUITE ONE • MEMPHIS, TENNESSEE 38120 • (901)761-8400

**Friends For Fairness
In
Fresh Foods Pricing**

**The Alliance of
Urban Consumers &
Agrarian Producers**

E-Mail Address: friends@friendsforfairness.org

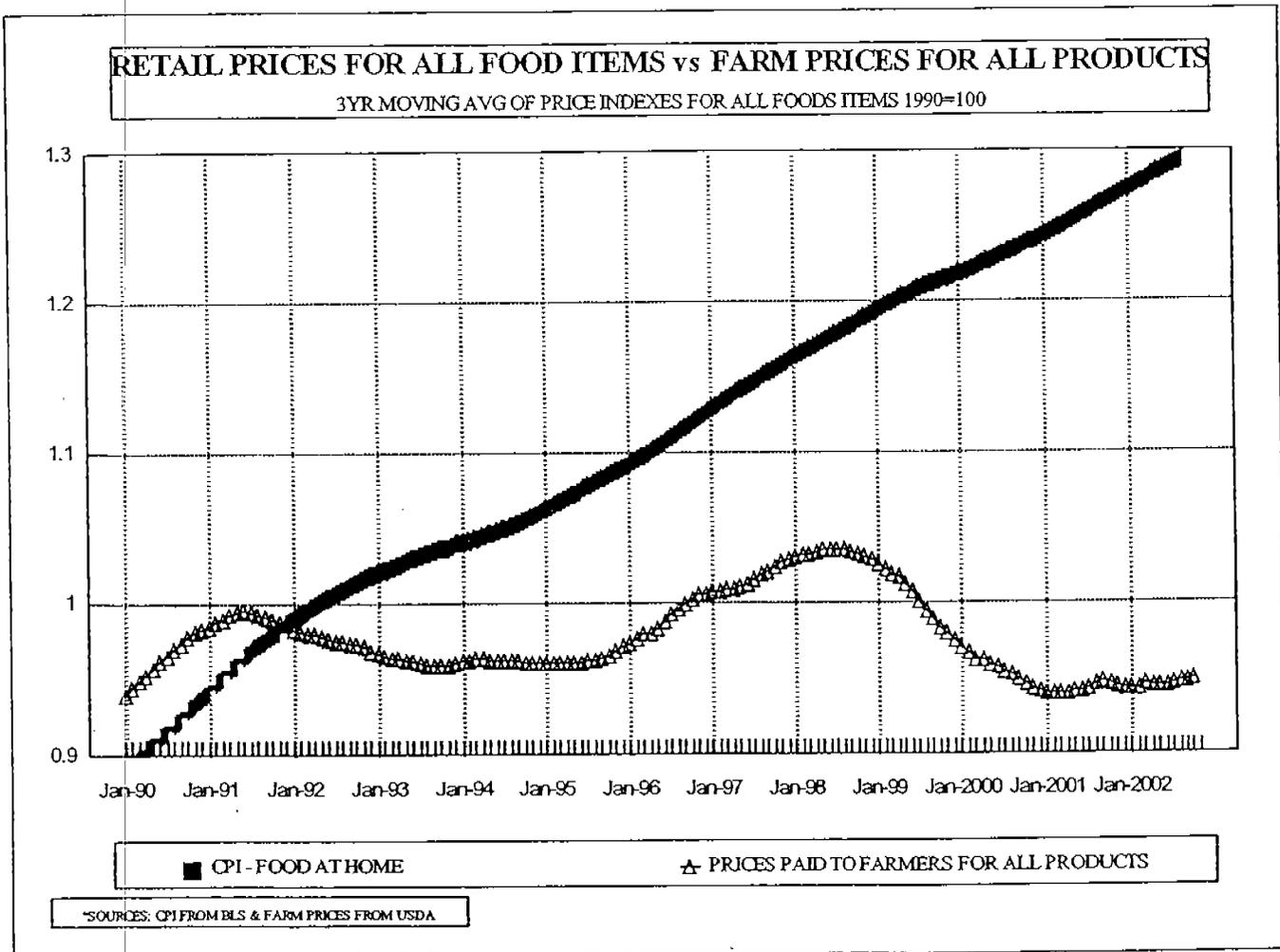
Website: www.friendsforfairness.org

Bringing the Retail Grocery Industry into the Information Age

Food sold by retail grocers in the U.S. is a half-trillion dollar industry that represents 7.2% of total consumer spending. In size, it ranks second only to housing. Modest and lower income families spend 15% or more of their paycheck at the food store.

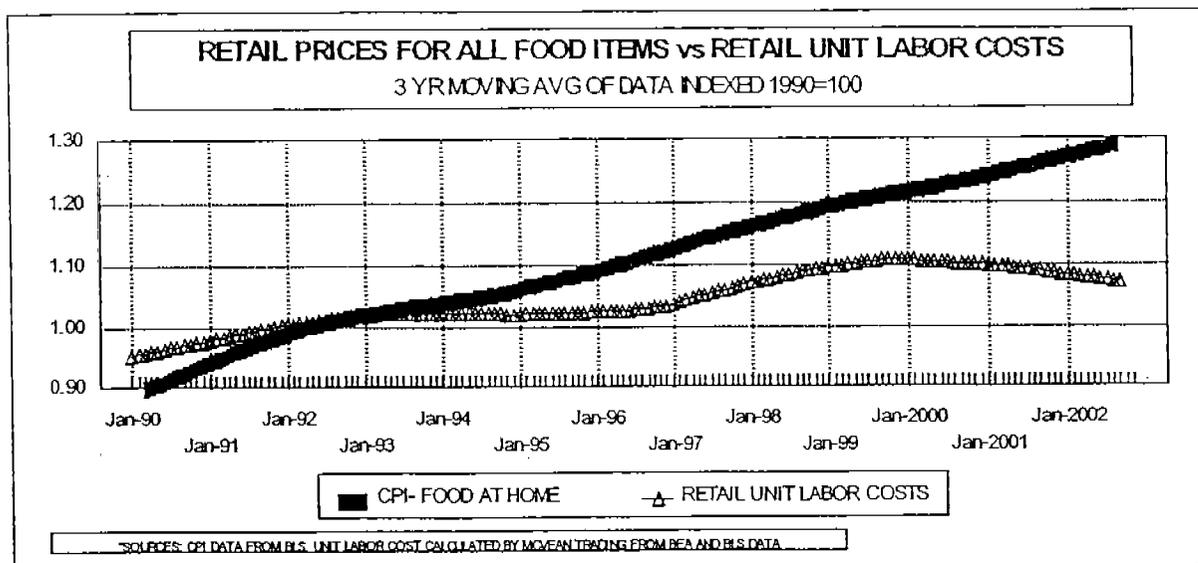
Obviously, competition and fairness in retail food pricing should be a carefully guarded right of our nation's citizens. Unfortunately, at the moment, the retail food market is arguably the most inefficient and unfair retail marketplace in the United States. Look at the shocking increase in retail food prices relative to prices paid to farmers for the same items.

Chart 1



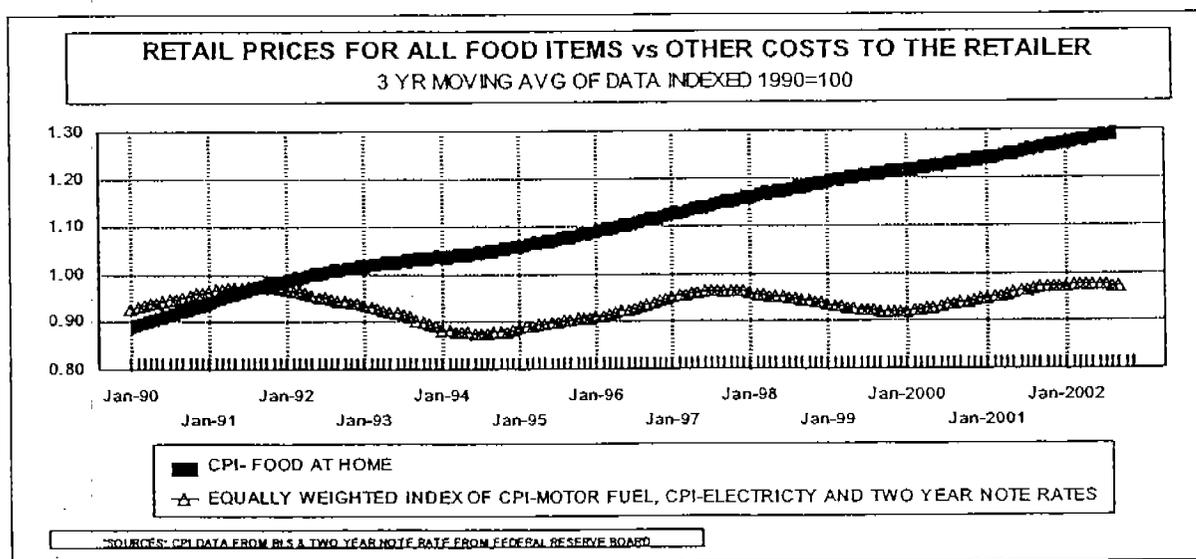
Unit labor costs in retailing have been declining in recent years, even as retail food prices continue to rise.

Chart 2



An index of other key operating costs for distribution and retailing has been flat for years.

Chart 3



Retail prices have increased 38% relative to farm prices over the course of a single decade. There is no cost-side explanation for this development. Instead, a careful examination of this industry reveals miserable inefficiencies carefully hidden behind entrenched barriers to free and open flows of price information to consumers. The quantity and quality of price information available to buyers is, of course, a primary gauge of competitive conditions in any given marketplace.

No more than 5% of perishable products are mentioned in media promotions. Therefore, prior to actually entering an American supermarket, a shopper has no way to know the price of 95% of the perishable foods offered by that store or by any of its competitors. We ask, "Is this fair to a working mother who badly needs to shop smart to stay within a limited food budget"? For that matter, should any American consumer be so disadvantaged? **This gap, or "black hole", in our nation's marquee system of free and open price discovery helps explain why food marketing is the most inefficient major sector of the entire U.S. economy.**

In addition to their price information blackout, the retailers further press their advantage with their time honored and proven scheme of "high-low" pricing. The "high-low" pricing scheme, as practiced by many major retail chains, is designed to push average retail food prices structurally higher, while driving farm level prices structurally lower. This scheme is most effective for perishable items. We'll use chuck roasts as an example. The chains aggressively raise and lower chuck prices, by large amounts, on a week-to-week basis. This is called either "featuring" (selling at a reasonable price) or "not featuring" (selling at an obscenely high price). For example, in the fall of 2002, in Memphis, Tennessee, a three-blade chuck was typically offered at \$1.59 on feature. When not featured, this same item typically sold for \$2.29, a 44% increase. This means a shopper looking for a chuck roast, and not finding it advertised in the paper, is no doubt, going to pay dearly for it.

The "high-low" price cycle can be divided into two distinct prongs of a carefully orchestrated and micro-managed pincher movement: A) The "high-price" cycle ("the gathering of the low hanging fruit") and B) the "low-price" cycle ("beware the dangers of over-ripening fruit").

In the "high-price" cycle, the chuck prices are typically 40% or so above feature prices. They are, by definition, unmentioned in the media so they can be discovered only by actually entering the store. Once in the store, a typical shopper is entrapped. He or she is not going to drive across town to shop the competitor, even if stricken by sticker shock. Furthermore, he or she has no way of knowing in advance the price for the desired item at the competitor's store.

Only the retailers know the price elasticity of demand for chucks and they guard that data very carefully. We will assume that a 40% increase in the retail price of chucks will cause a 40% decrease in the quantity demanded. (We think this is a pretty good guess). The few buyers on the "high-price" cycle, who are "the low hanging fruit", are largely upper-income buyers who have plenty of money, or others hosting special events. These shoppers are easily "picked off" by the retailer even at inordinately high prices. For example, consider a child's birthday party in a middle or lower income family where the child wants roast beef for dinner. Mom will get the roast; the family will have to give up something else. From any operational perspective, the volume gyrations caused by the "high-price" cycle are disruptive and breed inefficiencies. The high prices are very proficient, however, in setting up the "low-price" cycle.

The loss of volume sold in the "high-price" cycle backs up chucks at the packing house level and in distribution channels. As the chucks begin to age and approach their "must sell by" dates the "push lists" for the chucks begin to build up. The economic value of a fruit approaching over-ripeness, or a perishable product which is approaching its "must sell by" date, declines rapidly. For it is at that point that the never mentioned, but always implied, threat to "sell it or smell it" comes into play. Holding inventory of older dated product, the packer's bargaining position is weakened. He usually must discount his prices to move the backlog of product. Once again, the packer has been forced by the retailer to bludgeon the cattle feeder in an effort to preserve operating margins; he will bid even lower for his next round of cattle. This vicious cycle has played out countless times in the last decade over the entire spectrum of perishable food products. The aggregate net worth of our nation's producers of perishable foods has been devastated in the process. The retailer's "high-low" pricing scheme, and the near void of other price information, are the primary causes of this horrific calamity.¹

The retailers have successfully used information technology to hone their pricing schemes to a razor's sharpness. They have modeled out demand elasticities to precisely anticipate changes in volumes sold. They can now micro-manage inventories down to hours rather than days. Thereby, retailers can assure themselves that the last, or marginal, quantities of the various food products usually remain in inventory to subsequently suppress prices, rather than clearing the market to set up possible price increases. In fact, they have gone so far down this high tech road, that they have finally gone too far period!

Democracies generally will allow the few to abuse the many for only so long. In this case, the victims are all consumers and all producers of perishable food products in the United States. The perpetrators are a large handful of corporate giants. "Friends for Fairness" envisions "The Alliance" of consumer groups working hand-in-hand with producer groups, toward the enactment of legislation to remedy these inequities. Our plan would utilize mostly existing information technology infrastructure. We believe that one dramatic innovation would permanently level the playing field for fresh foods pricing. For the benefit of consumers and producers alike, let us strive to "Bring the Retail Grocery Industry into the Information Age":

WE PROPOSE THAT THE USDA PROVIDE ONLINE, REAL TIME, CITY-BY-CITY, NEIGHBORHOOD-BY-NEIGHBORHOOD, STORE-BY-STORE, ITEM-BY-ITEM, PRICE AND AVAILABILITY INFORMATION ON ALL PERISHABLE FOOD ITEMS.

This website might be named "www.usda.gov/freshfoods". This "fresh foods" website would be provided as a free consumer service by the USDA. The cost would be minimal as it would be totally automated and utilize mostly existing equipment.

¹ Please see attached Appendix.

Overnight, a typical consumer would go from having almost perfectly imperfect market information on perishable food products, to almost perfectly perfect information. Immediately, buyers would go to the best deals in the market, and avoid the worst deals like the plague. Average retail prices would fall like a stone. High price sellers would suffer debilitating losses of business, not only on perishables, but also across their entire product lines. The media would be quick to jump into the fray, glorifying the competitive sellers and demonizing the others. Private sector software would soon follow to allow shoppers to quickly price entire shopping lists for store selection purposes.

The retailer's "high-low" pricing schemes would be history. One of two conditions must be in place for the "high-low" strategy to work. Either A) there must be a nearly total lack of price information available to shoppers or B) the retailers must be acting in concert in the raising or lowering of their prices. In either case, the introduction of "www.usda.gov/freshfoods" would kill the retailer's "high-low" strategy. Lets assume there are two dominant retailers in a market, as there normally are. If retailer #1 goes high price on chucks, but #2 goes low price and a large number of consumers find out through the Internet, then obviously #1 would lose a massive amount of business, not only for chucks, but for all other items as well to #2. Store #1 probably would not try that too many more times. Or, lets say #1 and #2 just happen to go on the "high-price" cycle for chucks at the same time. If this occurs more than just a couple of times, someone in Washington is going to want to know why. We do not believe chuck prices move up and down by 40% or more, over the course of a week's time, due to some mysterious, yet to be discovered, law of microeconomics.

Retailers are also notorious for taking very similar products and presenting them under a number of different names and prices. For example, chuck roasts are presented in Memphis, TN in the fall of 2002, as three blade chucks, two-way chucks, three-way chucks, chuck rolls, clods, scotch tenders, boneless chucks and ground chuck. Prices are all over the map. We intend a second level of on-line service to eliminate this charade. A retailer will be allowed to use any name he likes, but he will be required to register that name with the USDA, along with specifications and instructions for the preparation of these products. The computer would then instantly tell the consumer, at a touch of a button, which item is a better buy.² We would name this service for meats "Uncle Sam's Expert Butcher Man."

After an initial two phase adjustment process, the net effect of the "fresh foods" website would be to lower average retail prices by about 10% and, at the same time, increase farm prices by about 10% (given the same level of aggregate supplies of perishable goods). In most markets where they are involved, Wal-Mart sells meats, for example, about 20% below the conventional retailers. It would not be unreasonable to expect an initial fall in conventional retailer average prices toward that level. Do not

² In the fall of 2002, in Memphis, Tennessee, the price spreads for two-way chucks ranged from \$1.69 to \$2.29 and ground chuck was priced between \$.79 and \$1.59.

forget, knocking out the high balls for picking off "the low hanging fruit" would single-handedly reduce average prices significantly.

Remember now, it is the final price offered at the retail level that determines the quantity demanded by consumers at the cash register. This is the single most powerful price in the system. It drives the whole system. At the new lower retail prices, the quantity demanded from producers would surge. The ensuing structural shift upwards in farm prices might drive retail prices back up to a level some 10% below where they were in the first place. At that point, we would have a roughly 20% decline in the farm / retail spread. Even so, this would represent only a 50% retracement of the 40% widening of the farm / retail spread we saw back on page 1.

And so, at the end of the day, the "fresh foods" website might reappportion our players as follows:

- A. Consumers would save about 10% on perishable food items. They would have money left over for discretionary spending and/or savings or investments.
- B. Perishable foods producers would benefit from both a 10% increase in farm level prices and also a substantial increase in the quantities of their products demanded. They would earn a decent return on their investment and effort for the first time in nearly a decade.
- C. Old-line retailers would learn for sure one lesson and perhaps a second for good measure. For sure they would re-learn why people come to a grocery store in the first place. They come to get their money's worth in quality perishable foods. They did not walk in the door for the in-house pharmacy, the in-house bank, or the in-house florist. If old-line retailers do plan to stay in business, they will have to get back to minding the main store, the food store, in a very competitive way. Secondly, some will be fortunate enough to learn what Wal-Mart has already been trying to teach them. This second lesson is that in our massive consumer driven economy, sustainable profit growth is better targeted through productivity led unit growth, rather than out-moded, pre-information era, pricing trickery.

We think "www.usda.gov/freshfoods" might make the greatest contribution to the public good, per tax dollar spent, of any investment ever made by the USDA. Furthermore, in terms of benefits to the consumer sector, this "fresh foods" website might rank second only to the development of the Internet itself in terms of the greatest investment ever made by the government of the United States of America. Certainly this will be the case if it brings about a substantial narrowing of the farm / retail spread. Retailers who are doing a good job of providing value to the public should applaud this initiative as an extraordinary promotion of their business, compliments of the USDA. Others will be less pleased with the concept.

The U.S. economy is faced with growing pressure from lower cost producers around the world. Profit margins are being eroded and American jobs lost overseas due to the global glut of low cost labor. To maintain and improve our current standard of living the U.S. must rely on its technological prowess to constantly improve productivity. Improvements in efficiency are particularly rewarding when they come in large-scale service sectors, like medical care. In such cases, international competition is unable to quickly shift the benefits of American invention offshore. Increasing efficiencies in the pricing and distribution of perishable foodstuffs presents precisely such a substantial opportunity. Without massive long-lasting productivity gains, the U.S. is faced with a ballooning federal deficit and a blowout in the trade gap; or a return to the failed policies of trade barriers. The inflationary consequences and geopolitical repercussions of trade barriers are well documented. Given these alternatives, it is clear the U.S. must strive to nurture greater productivity wherever possible. Identifying opportunities for and implementing large-scale applications of Information Technology Systems to previously unconsidered areas should be a top national priority. We believe a restructuring of competitive conditions in the retail food market should be at the very top of this agenda. Like Jack Welch said recently, "We have got to innovate, innovate, and innovate some more -- we really don't have any other choice".

This report was submitted by Charles D. McVean on November 26, 2002

Appendix Attached.

APPENDIX

1. The role played by the restaurant trade in the pricing of perishable foods.

In the short run of any given several month period, the restaurant trade is a price taker, not a price maker. This is because the restaurants are committed to running items on their menus at specified prices over extended periods of time. It is these final prices to consumers that largely determine how much beef will be sold in a given period of time. Having committed to printed menu prices, a restaurant is obligated to purchase a fairly fixed quantity of beef. It then must pay the going price in the market to secure that beef supply. In the short run, the restaurants, because of their fixed quantity demanded, are price takers, not price makers.

2. Fundamental laws of microeconomics imply that:

If prices stay so low for so long that they begin to structurally destroy an industry, then either there is no need for the industry in the first place, or there is something structurally wrong with the pricing mechanisms within that industry.

The following is a graphic anthology in demonstration of the horrific economic plight of our nation's producers of perishable food products. Their aggregate net worth has been devastated by the pricing inequities discussed in this report. Many have not survived the ordeal, and many more will not be in business this time next year.

3. Index of Charts (Pages 9 – 11)

Chart 1 - KANSAS SLAUGHTER STEER PRICE - 60 MO EMA

Chart 2 - INFLATION ADJUSTED KANSAS SLAUGHTER STEER PRICE - 60 MO EMA

Chart 3 - INTERIOR IOWA HOG PRICE - 60 MO EMA

Chart 4 - INFLATION ADJUSTED INTERIOR IOWA HOG PRICE - 60 MO EMA

Chart 5 - INFLATION ADJUSTED FRUITS, NUTS AND COMMERCIAL VEGETABLE PRICES PAID TO FARMERS – 60 MO EMA

Chart 6 - FEEDER CALVES TO PICKUP TRUCK RATIO

Chart 1

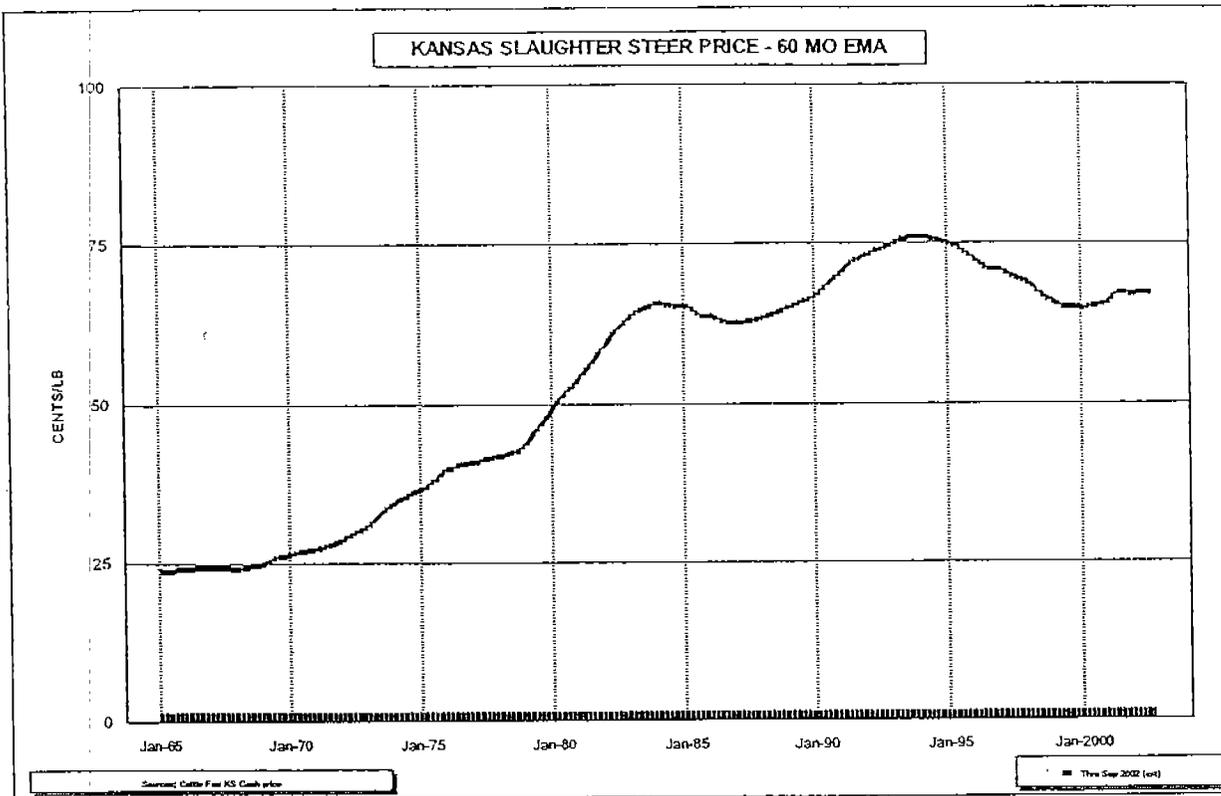


Chart 2

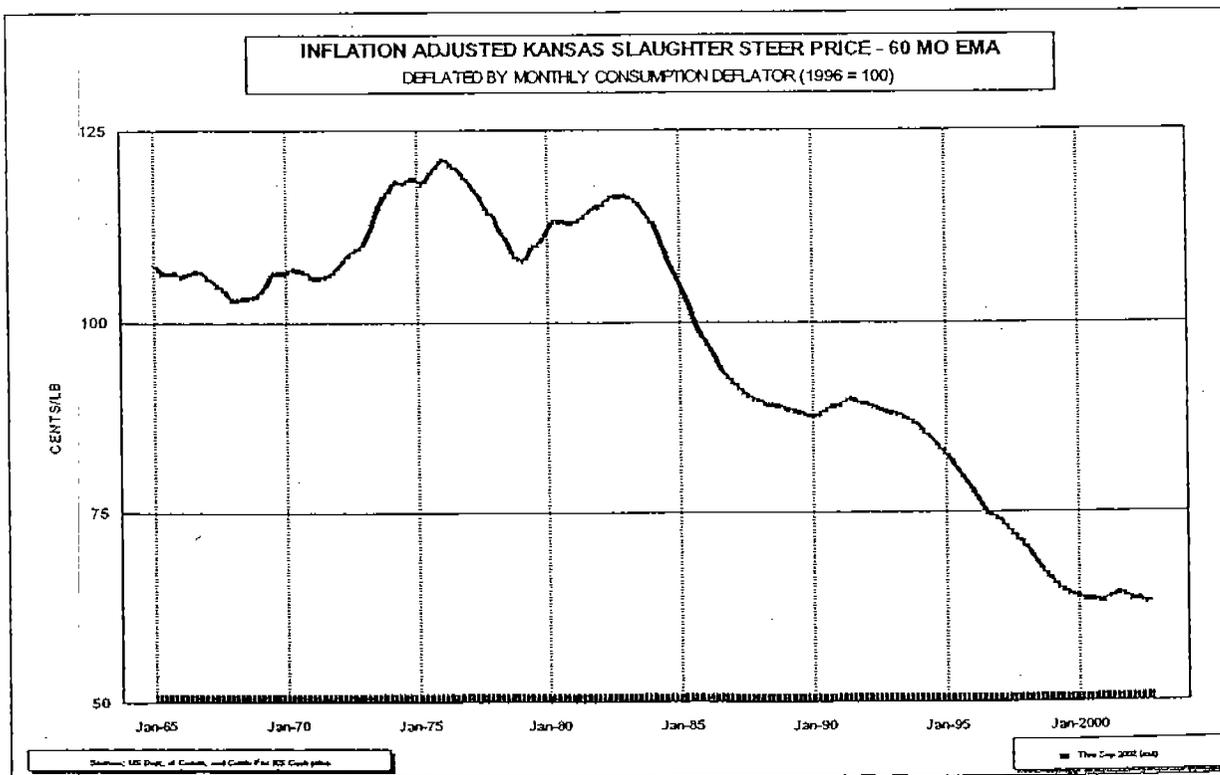


Chart 3

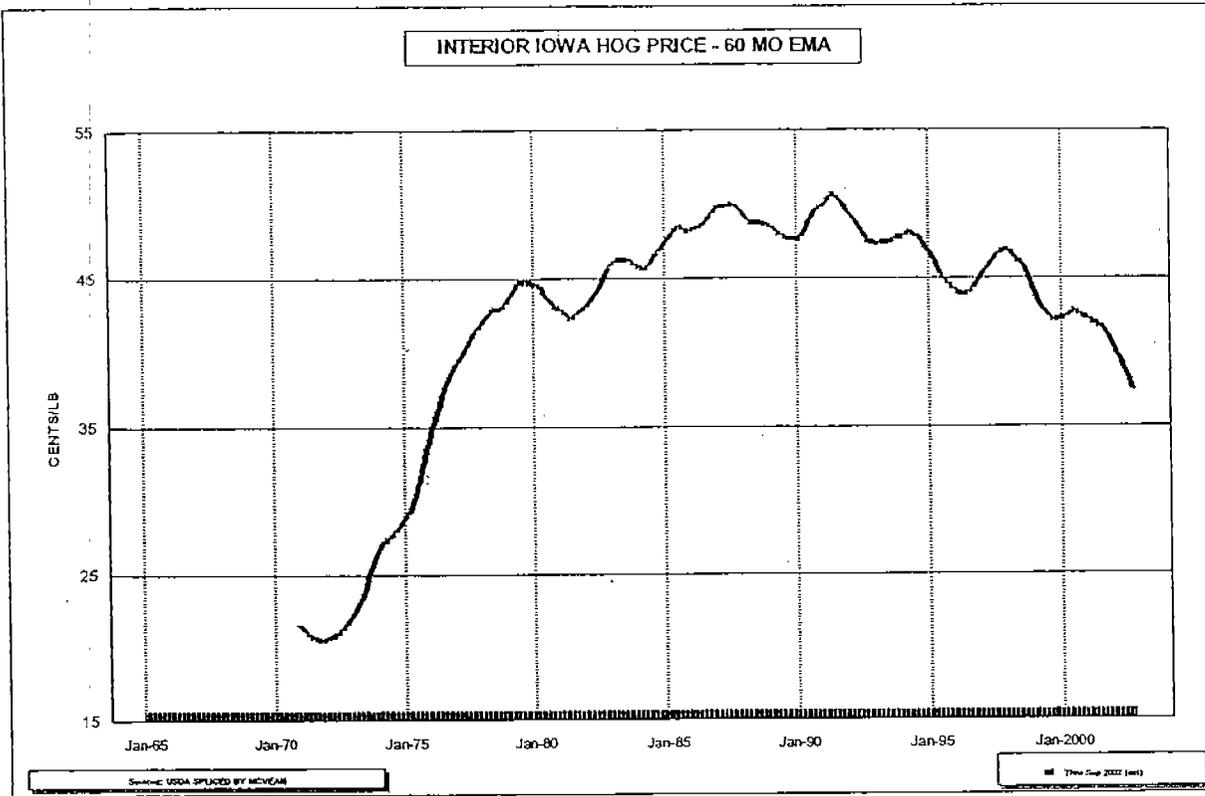


Chart 4

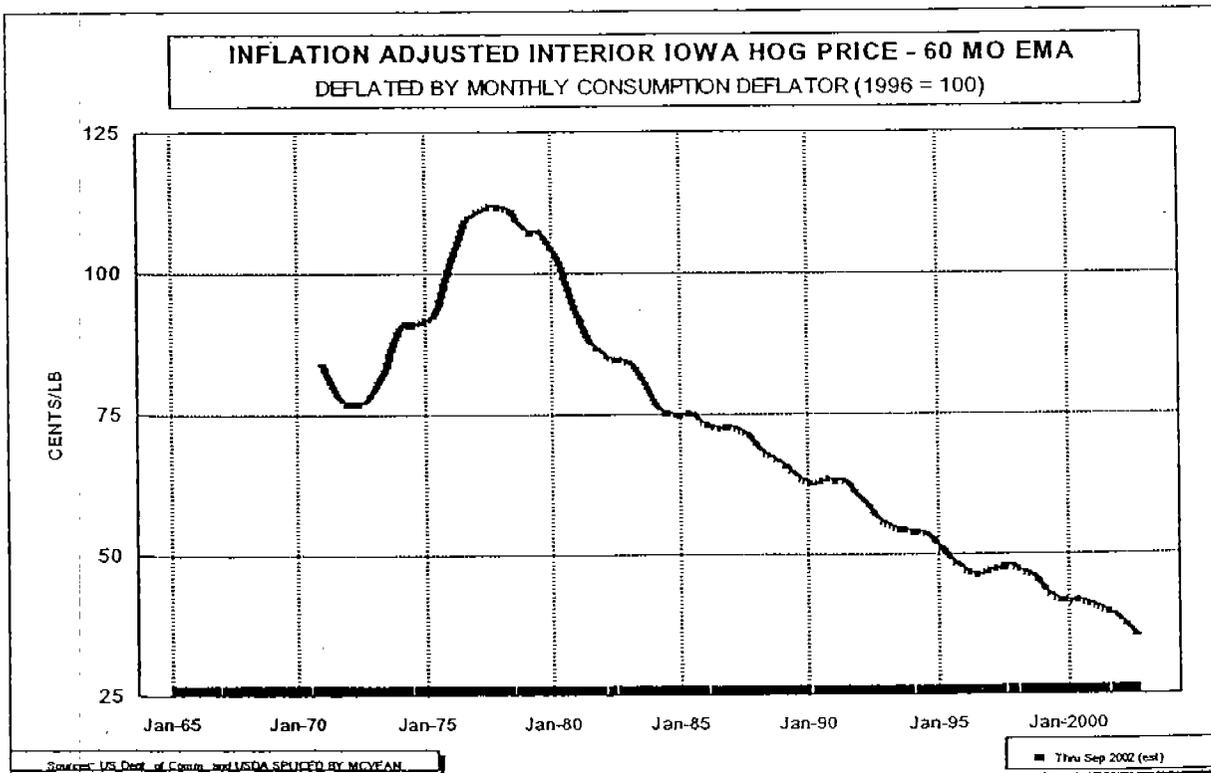


Chart 5

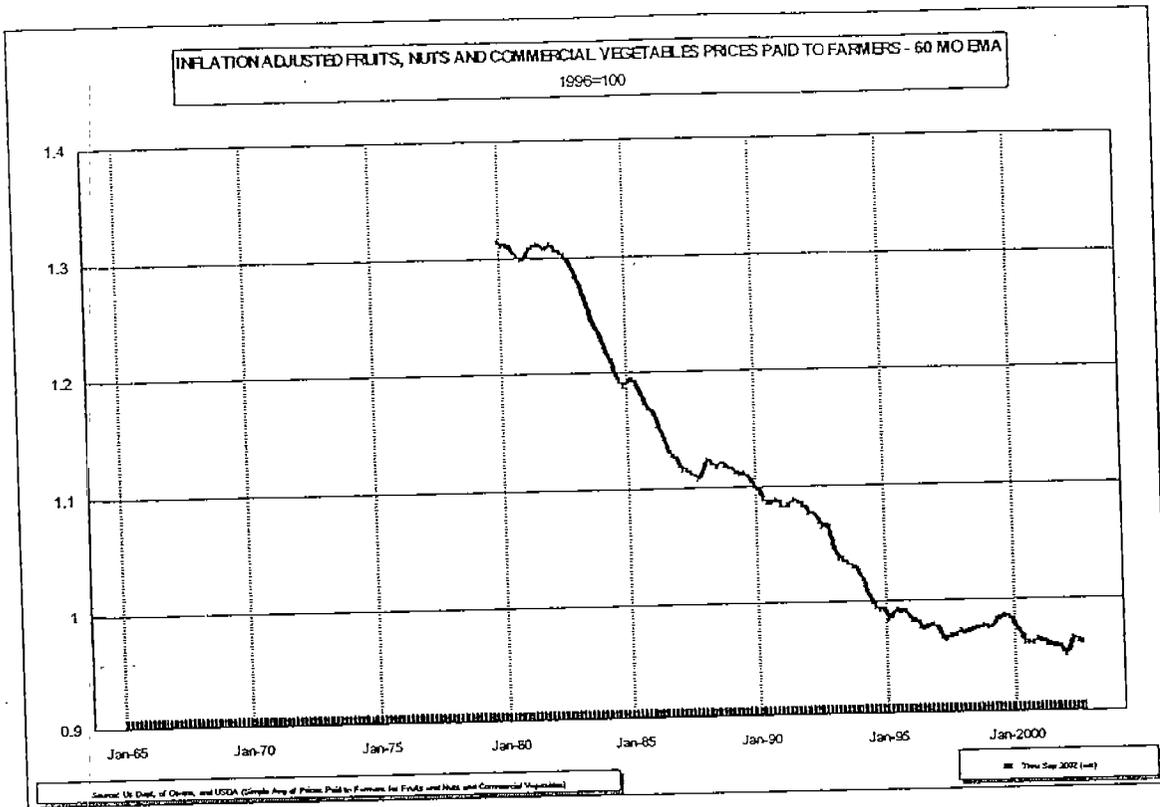
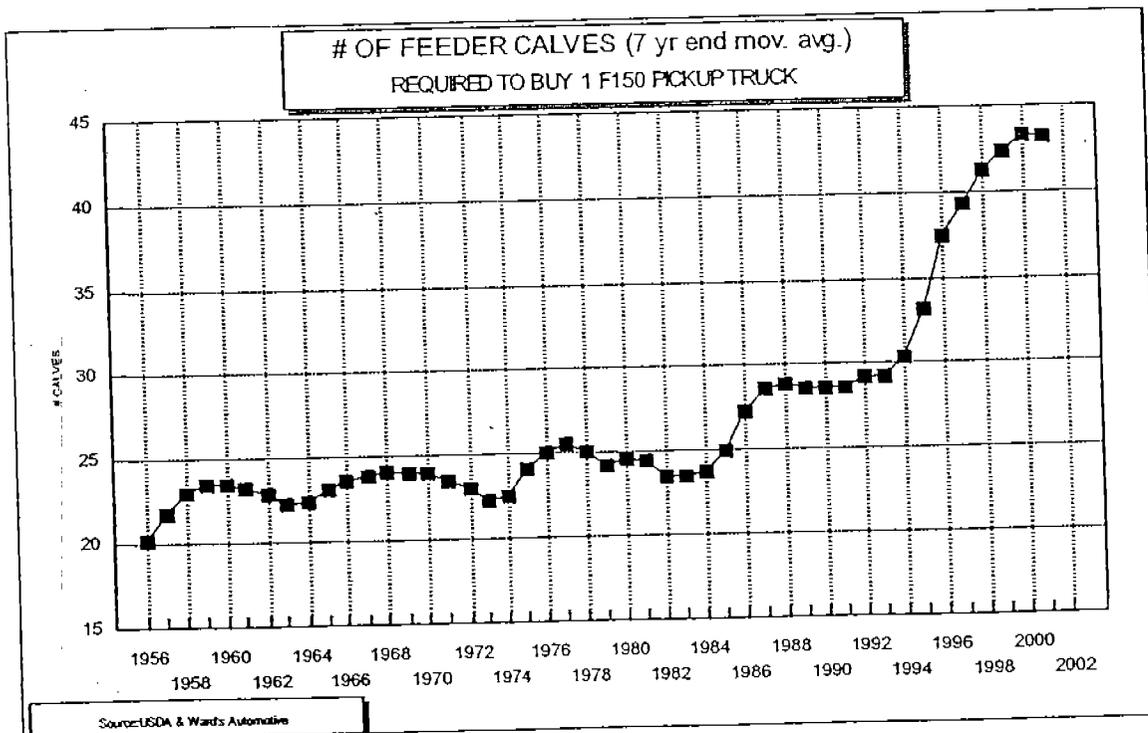


Chart 6



A GRAPHIC LOOK AT THE PRICING OF PERISHABLE FOODS BY THE U.S. RETAIL GROCERY INDUSTRY

**CHART 1: RETAIL FOOD PRICES HAVE RISEN RELENTLESSLY
RELATIVE TO FARM PRICES OVER THE PAST DECADE.**

**CHART 2: AT THE SAME TIME NON-LABOR COSTS TO THE RETAILER
HAVE NOT INCREASED APPRECIABLY.**

**CHART 3: NEITHER HAVE UNIT LABOR COSTS RISEN SIGNIFICANTLY.
APPARENTLY THERE IS NO COST SIDE BASIS FOR THE EXPLOSION IN
THE FARM RETAIL PRICE SPREAD.**

**CHART 4: U.S. RETAILERS ARE GENERALLY LIVING IN AN ERA OF
MARGIN COMPRESSION. WHY IS THE RETAIL GROCERY BUSINESS
DIFFERENT? ONE BIG REASON IS THE TOTAL LACK OF PRICE
INFORMATION AVAILABLE TO CONSUMERS REGARDING PERISHABLE
FOODS.**

**CHART 5: A LOOK AT RETAIL MARGINS IN SEVERAL OTHER
INDUSTRIES.**

**CHART 6 – 8: A SECOND MAJOR PROBLEM IS THE INCREASING
MARKET SHARE HELD BY SMALL NUMBERS OF LARGE RETAILERS.
THIS PROCESS HAS INCREASED PRICING POWER AND WIDENED
MARGINS.**

**CHART 9: FURTHERMORE, DUE TO COMPLEX DEALS BETWEEN THE
MAJOR GROCERY CHAINS AND THE LARGE FOOD MANUFACTURERS,
MARGINS HAVE BEEN PUSHED INTO THE PERISHABLES AND HELD
DOWN FOR NON- PERISHABLES. (THE LATER BEING LARGELY
CORPORATE PRODUCTS.) INDEPENDENT FARMERS AND RANCHERS
ARE CLEARLY THE VICTIMS OF THIS CORPORATE COZYNESS.**

CHART 10: INTENSE COMPETITION BETWEEN THE GROCERY CHAINS AND THE PHARMACY CHAINS HAS COMPRESSED RETAIL MARGINS FOR PRESCRIPTION AND NON-PRESCRIPTION DRUGS. THE GROCERY CHAINS WANT A LARGER SHARE OF THE DRUG MARKET. WIDE MARGINS IN PERISHABLES ARE AT LEAST PARTIALLY FUNDING THIS EFFORT.

CHART 11 – 14: FARM RETAIL SPREADS FOR SEVERAL PERISHABLE FOOD SECTORS.

PAGE 15: THE FARMERS SHARE OF THE RETAIL BEEF DOLLAR HAS COLLAPSED.

CHART 16: THE DISCREPANCY BETWEEN THE BUREAU OF LABOR STATISTICS AND USDA RETAIL PRICE SERIES FOR BEEF. INTERESTING POINT: THE USDA HAS NO INDEPENDENT PRICE DATA FOR MEATS, THEY ARE JUST JOCKEYING AROUND THE BLS DATA.

CHARTS 17 – 19: THE HIGH/LOW PRICING SCHEME FOR MEATS AS PRACTICED IN MEMPHIS, TENNESSEE. NO OTHER INDUSTRY IN THIS COUNTRY DOES BUSINESS IN THIS ERRATIC FASHION. WHAT IS GOING ON HERE ANYWAY? PLEASE SEE ATTACHED TEXT, IT'S NOT A PRETTY PICTURE.

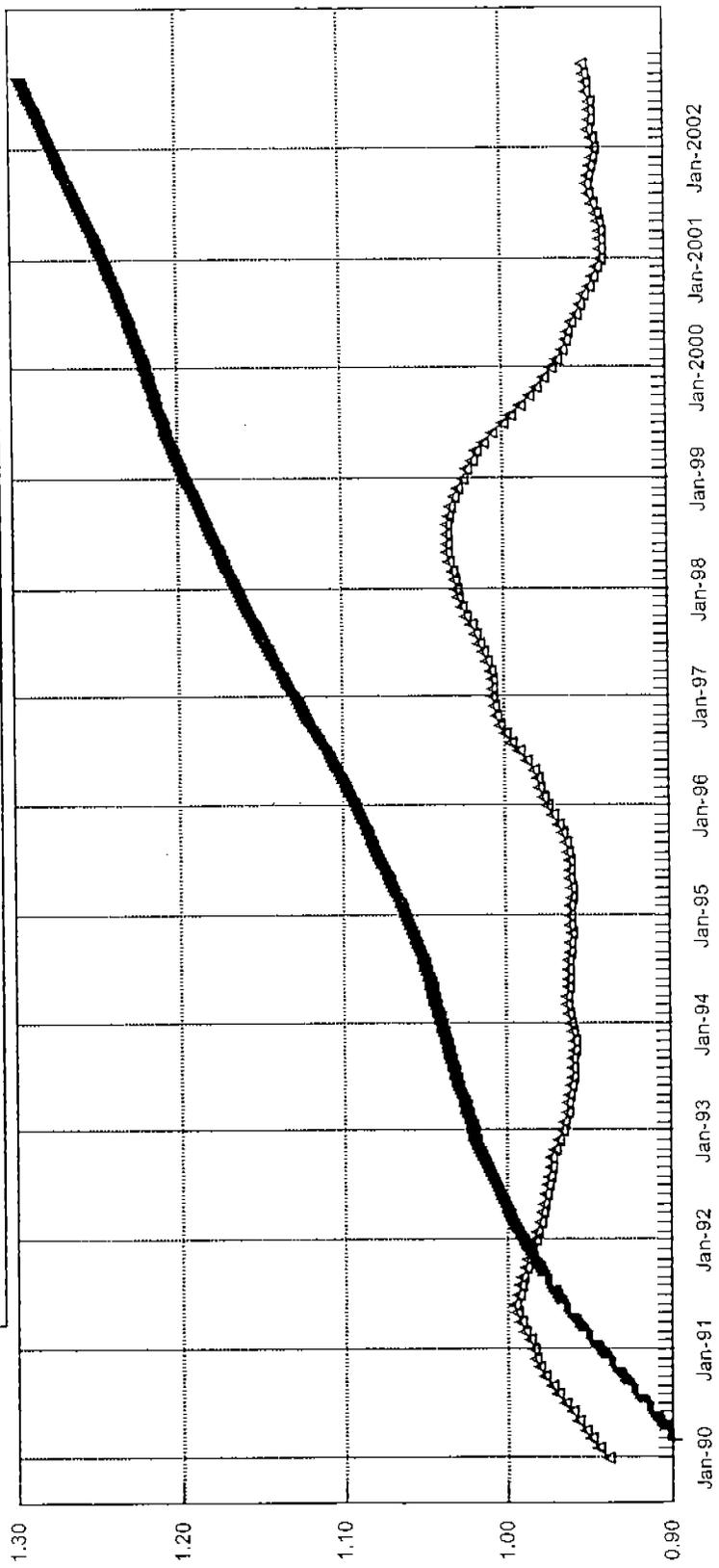
CHART 20: THE NUMBER OF CALVES A RANCHER MUST SELL TO BUY A PICK UP TRUCK. . . SOMETIMES A PICTURE IS WORTH A THOUSAND WORDS.

CHART 21: THE PURCHASING POWER OF A COW CALF PRODUCER. ANY WONDER THAT VERY FEW OF THE KIDS WANT ANY PART OF THIS DEAL? THEY'RE ALL LEAVING OR HAVE LEFT FOR AUSTIN OR ATLANTA.

**CHARTS AND TABLES PREPARED BY
MCVEAN TRADING & INVESTMENTS, LLC**

RETAIL FOOD PRICES VS. FARM PRICES

3YR MOVING AVG OF PRICE INDEXES FOR ALL FOODS ITEMS 1990=100

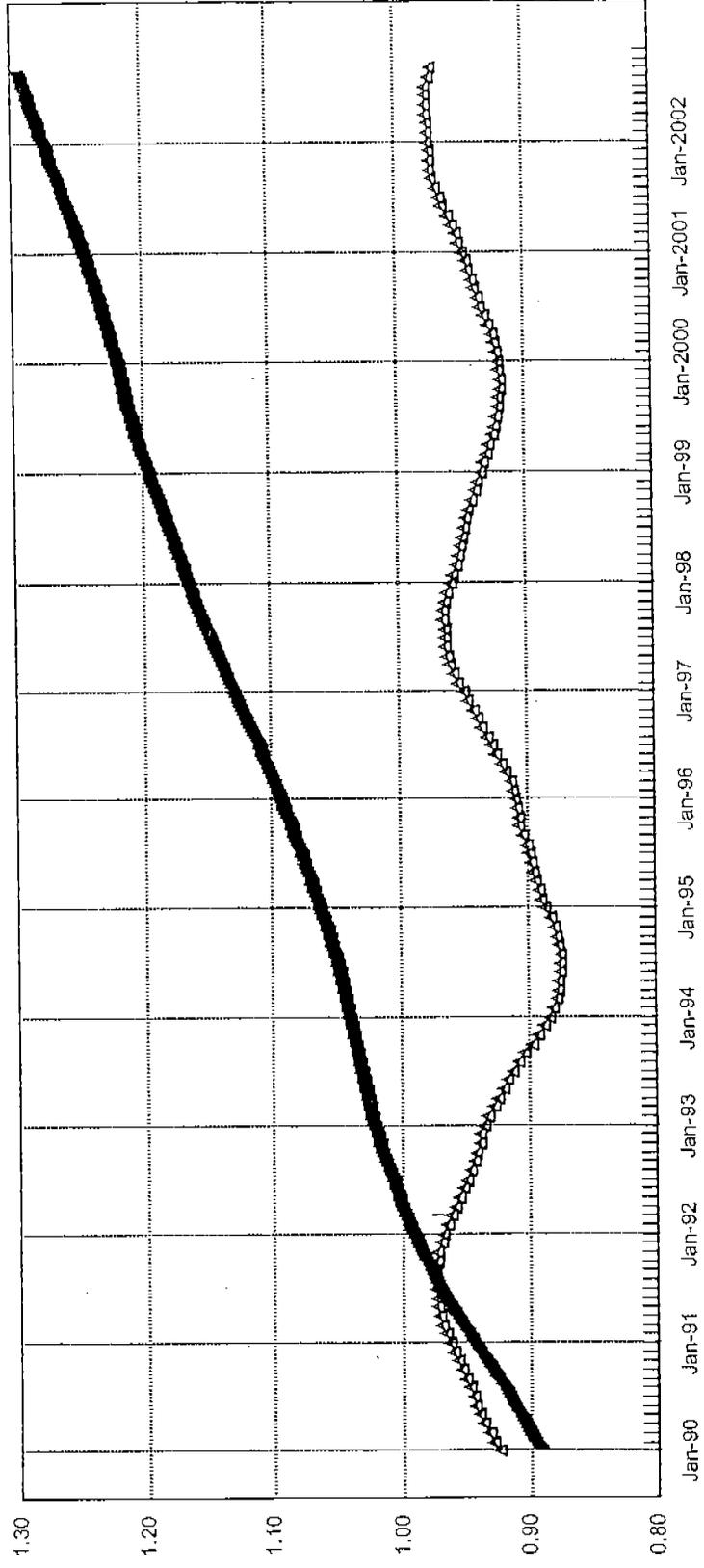


■ CPI FOR FOOD CONSUMED AT HOME ▲ PRICES PAID TO FARMERS FOR ALL PRODUCTS

*SOURCES: CPI FROM BLS & FARM PRICES FROM USDA

RETAIL FOOD PRICES VS. OTHER COSTS TO THE RETAILER

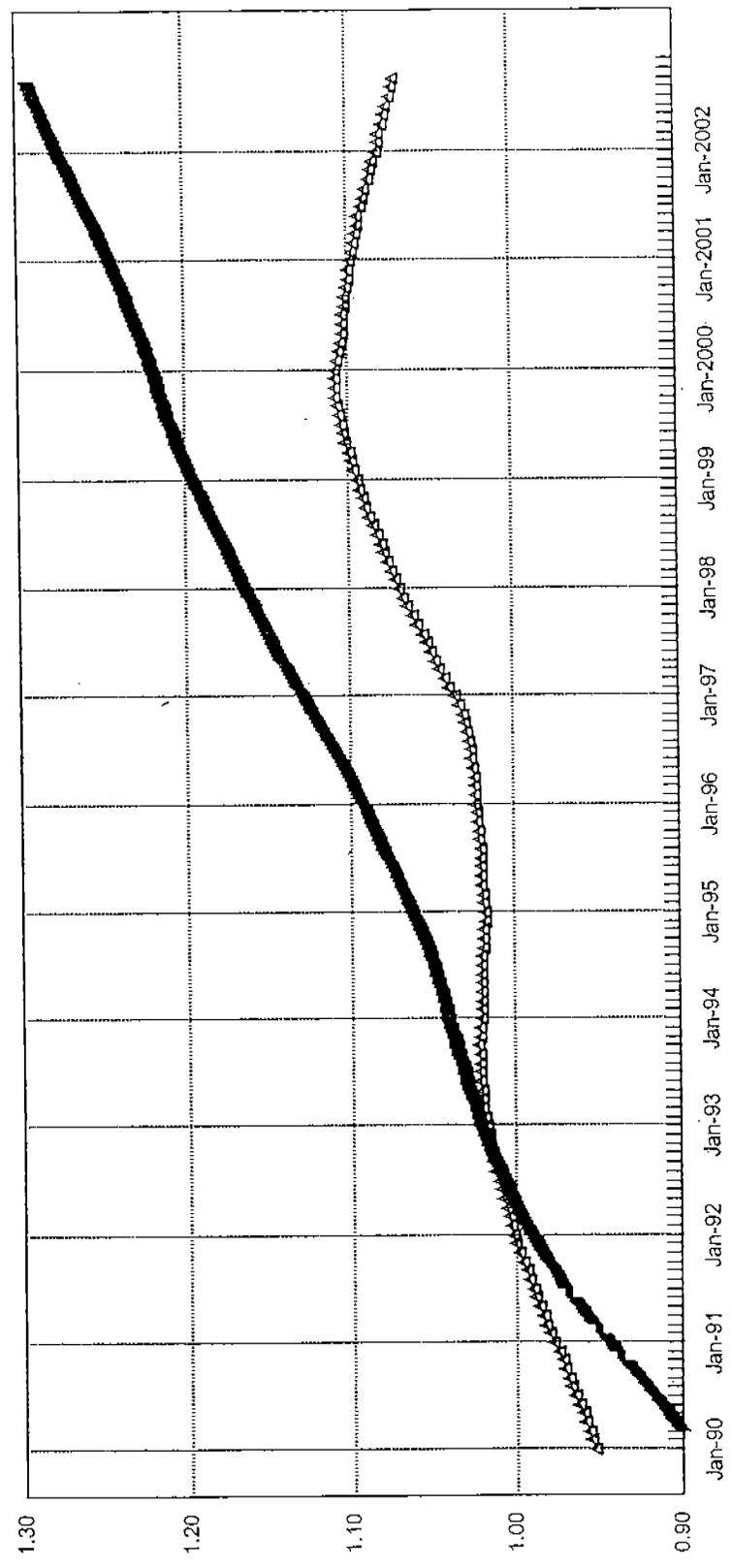
3 YR MOVING AVG OF DATA INDEXED 1990=100



■ CPI FOR FOOD CONSUMED AT HOME
▲ EQUALLY WEIGHTED INDEX OF CPI-MOTOR FUEL, CP-ELECTRICITY AND TWO YEAR NOTE RATES

*SOURCES: CPI DATA FROM BLS & TWO YEAR NOTE RATE FROM FEDERAL RESERVE BOARD

RETAIL FOOD PRICES VS. RETAIL LABOR COSTS
 3 YR MOVING AVG OF DATA INDEXED 1990=100

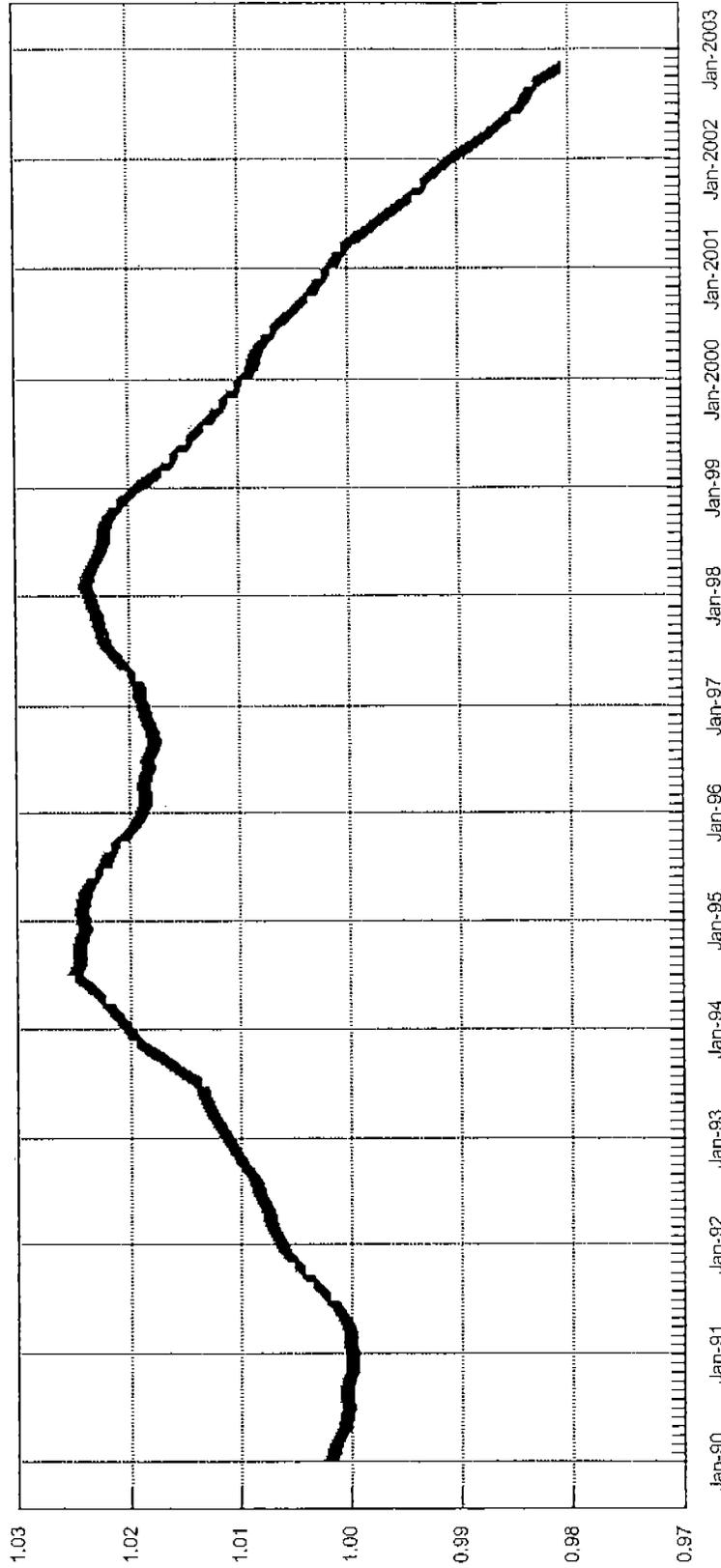


■ CPI FOR FOOD CONSUMED AT HOME ▲ RETAIL UNIT LABOR COSTS

*SOURCES: CPI DATA FROM BLS, UNIT LABOR COST CALCULATED BY MCVAN TRADING FROM BEA AND BLS DATA

AVERAGE RETAIL MARGIN FOR GOODS EXCLUDING FOOD AND ENERGY

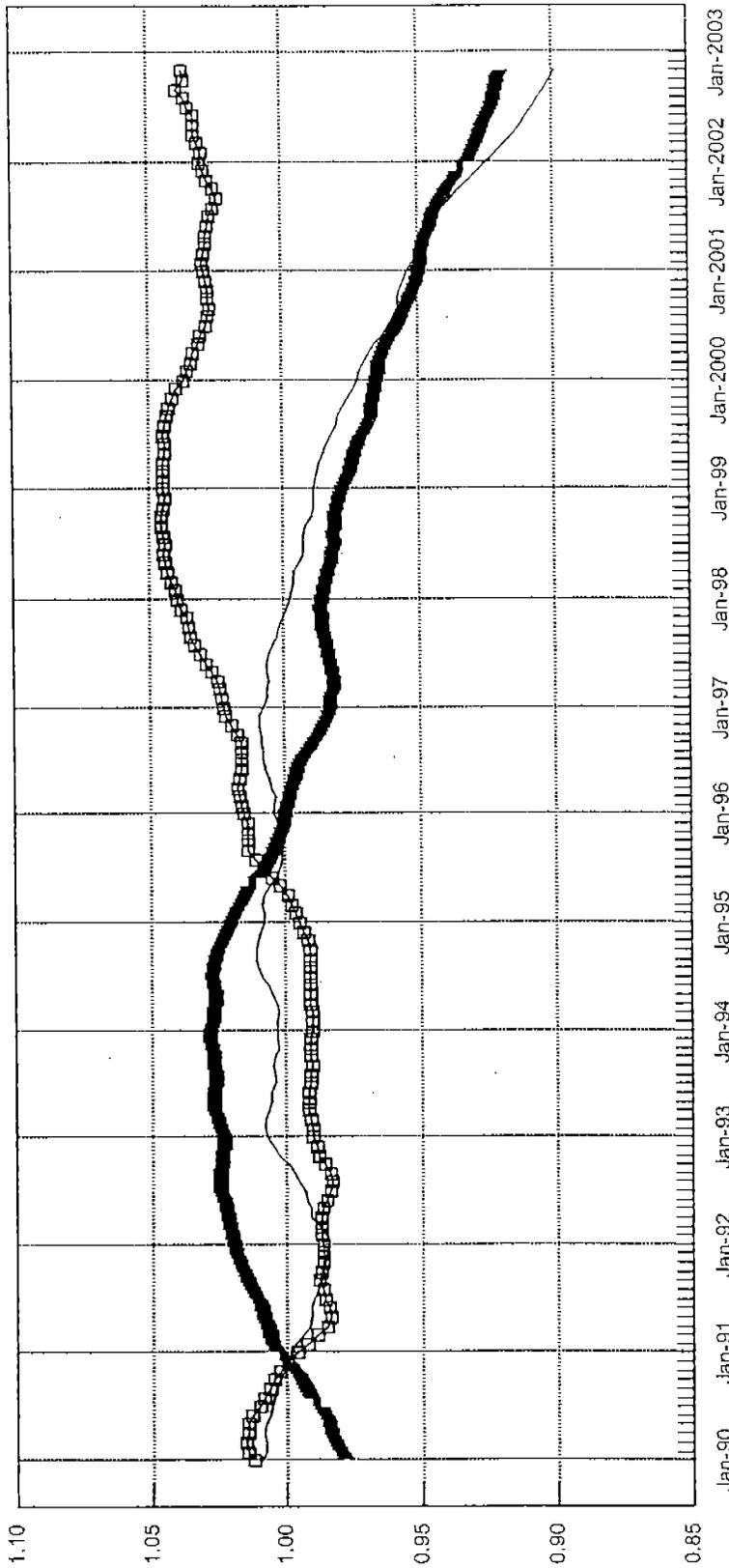
12 MONTH AVERAGE INDEXED 1990=100



■ CPI-COMMODITIES EX FOOD & ENERGY / PR-FINISHED GOODS EX FOOD AND ENERGY COMMODITIES

SOURCE: BLS

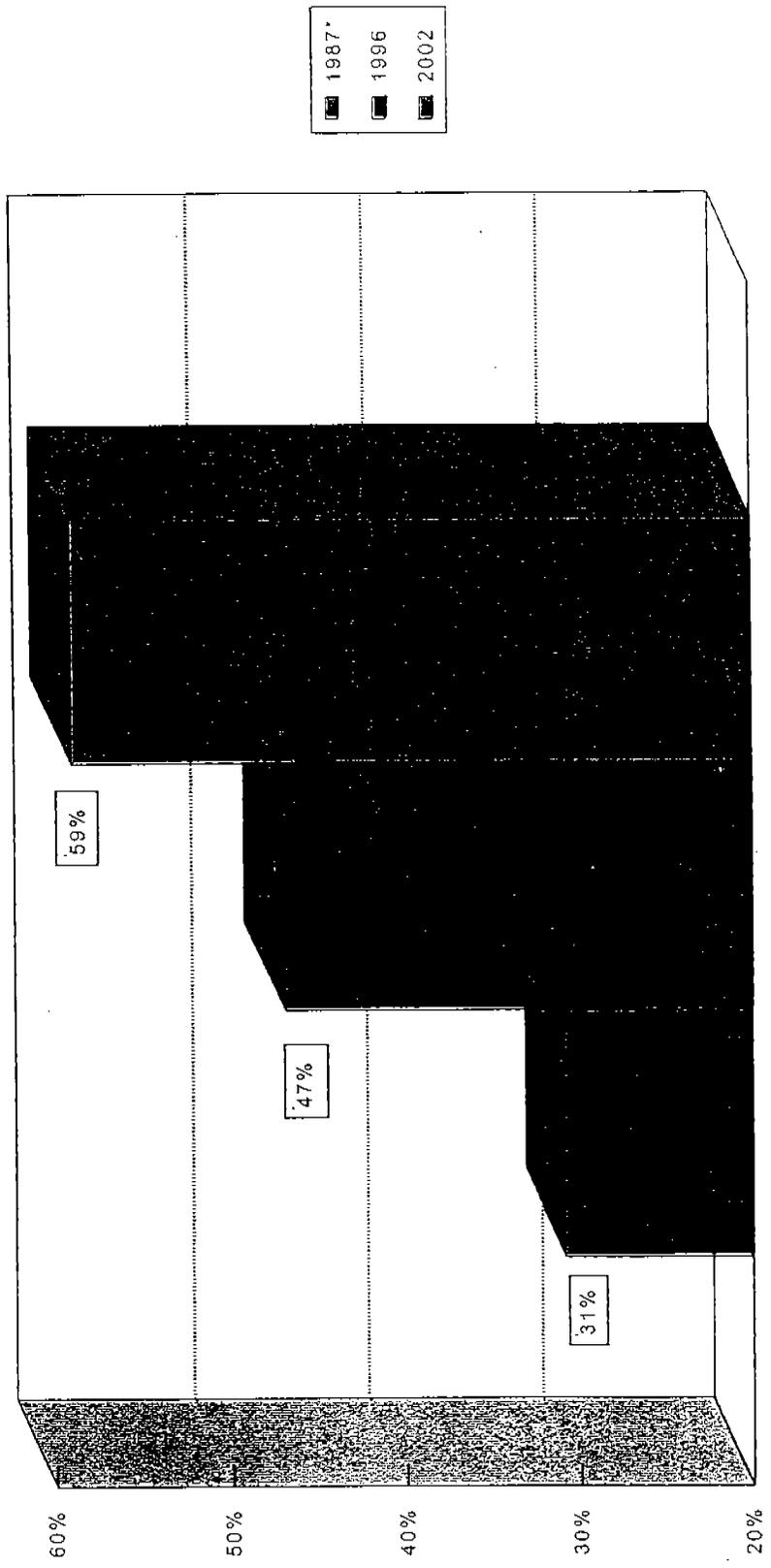
RETAIL MARGINS FOR SELECTED INDUSTRIES
 12 MONTH AVERAGE OF INDUSTRY CPI / PPI INDEXED 1990 = 100



■ APPAREL □ PASSENGER CARS — FURNITURE

SOURCE: BLS

**MARKET CONCENTRATION OF TOP FOUR RETAIL FOOD CHAINS
IN THE 100 LARGEST US CITIES**

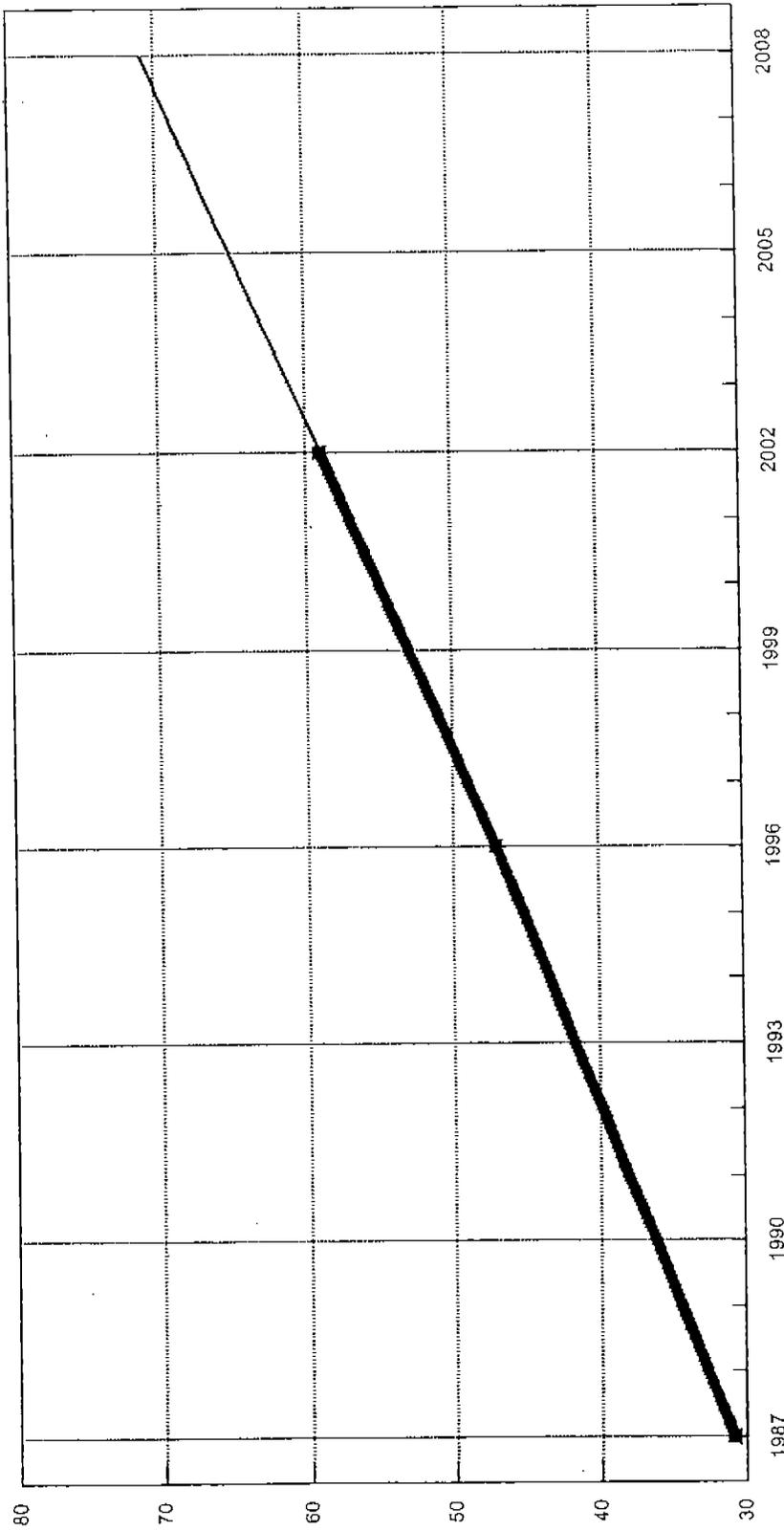


>70% MARKET CONCENTRATION

SOURCE: TRADE DIMENSIONS MARKET SCOPE
94 LARGEST MSAS

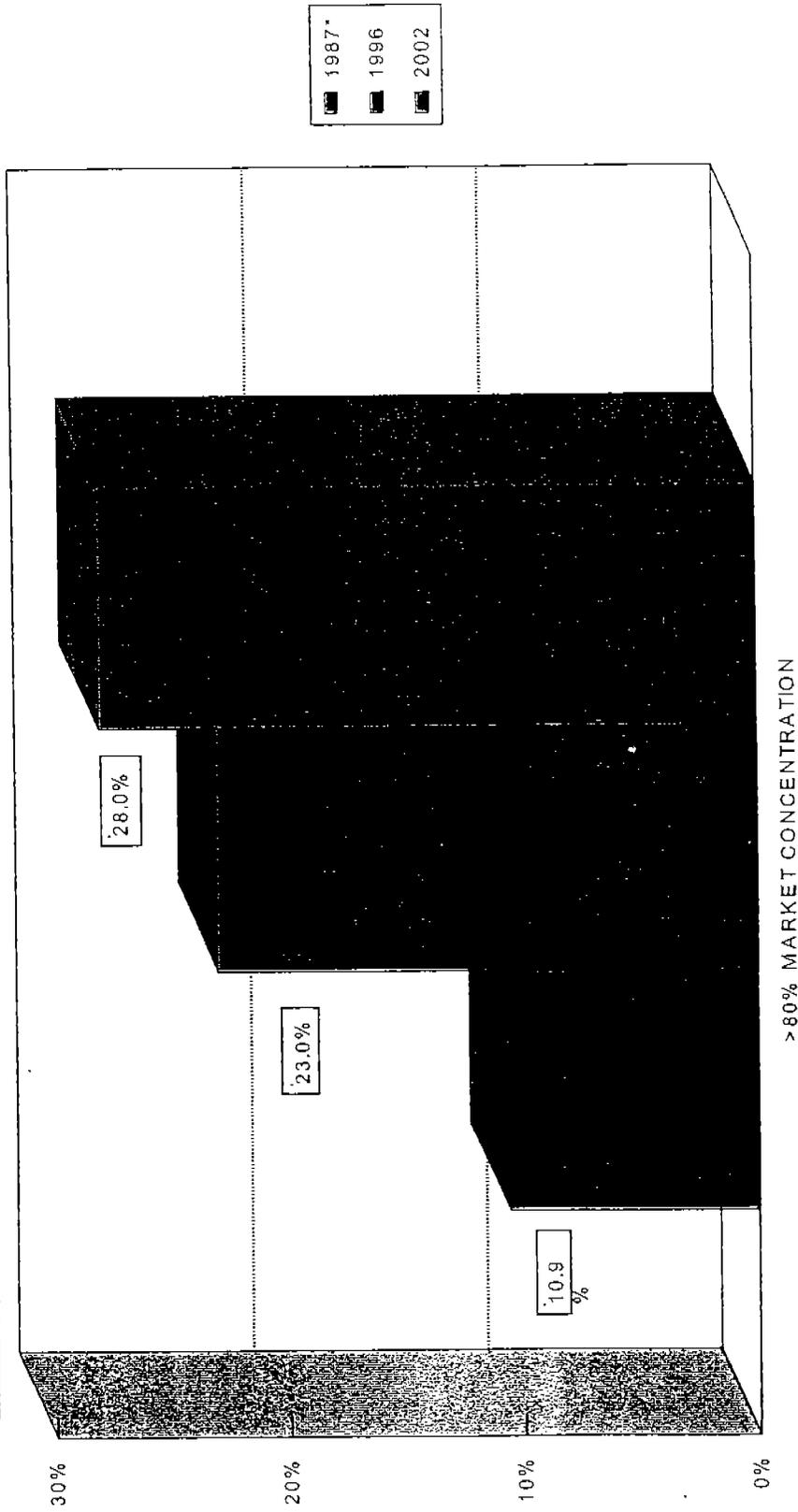
TREND IN RETAIL MARKET CONCENTRATION

PERCENT OF TOP 100 CITIES WITH FOUR STORE CONCENTRATION OVER 70%



SOURCE: MARKET SCOPE, MCVEAN TRADING CALCULATIONS

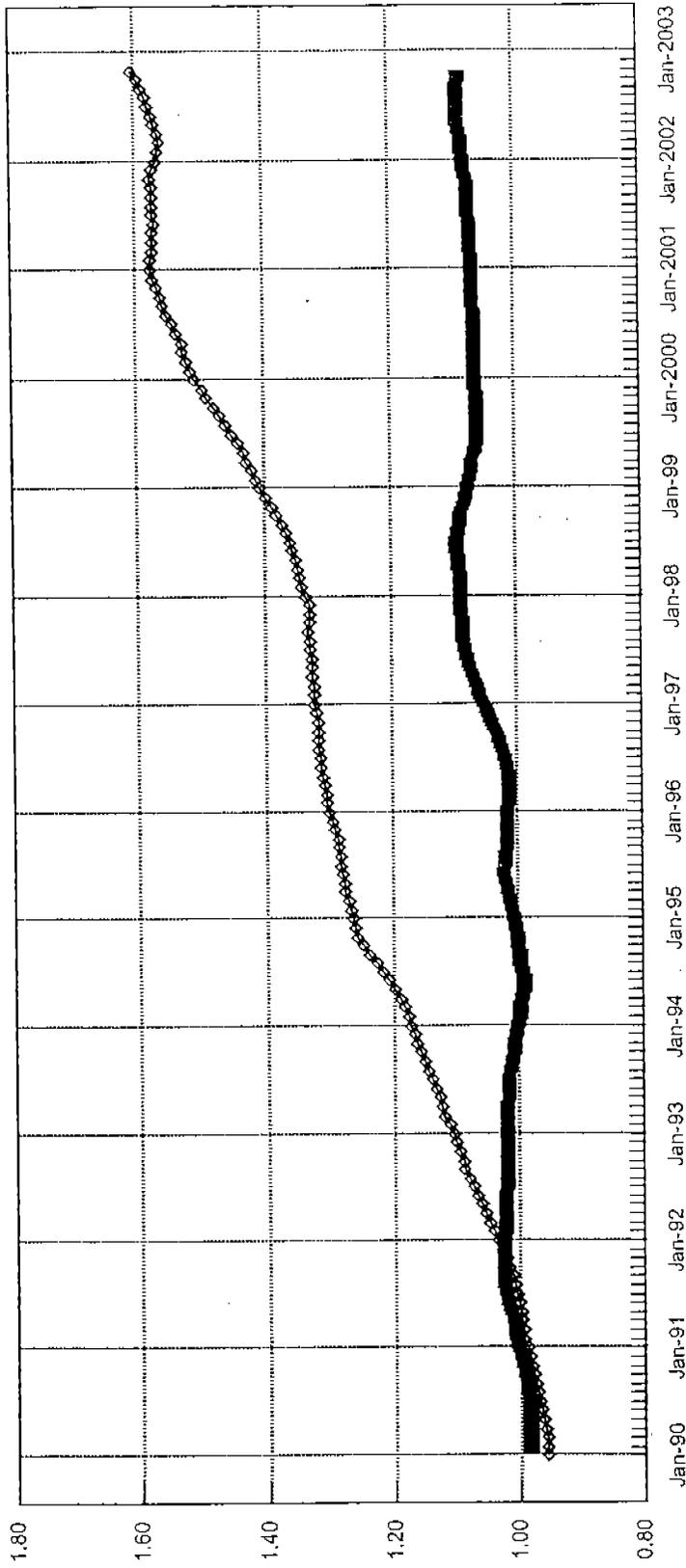
**MARKET CONCENTRATION OF TOP FOUR RETAIL FOOD CHAINS
IN THE 100 LARGEST US CITIES**



SOURCE: TRADE DIMENSIONS MARKET SCOPE
* 94 LARGEST MSAS

RETAIL MARGINS FOR SELECTED PERISHABLE & NONPERISHABLE FOODS*

12 MONTH AVERAGE INDEXED 1990=100

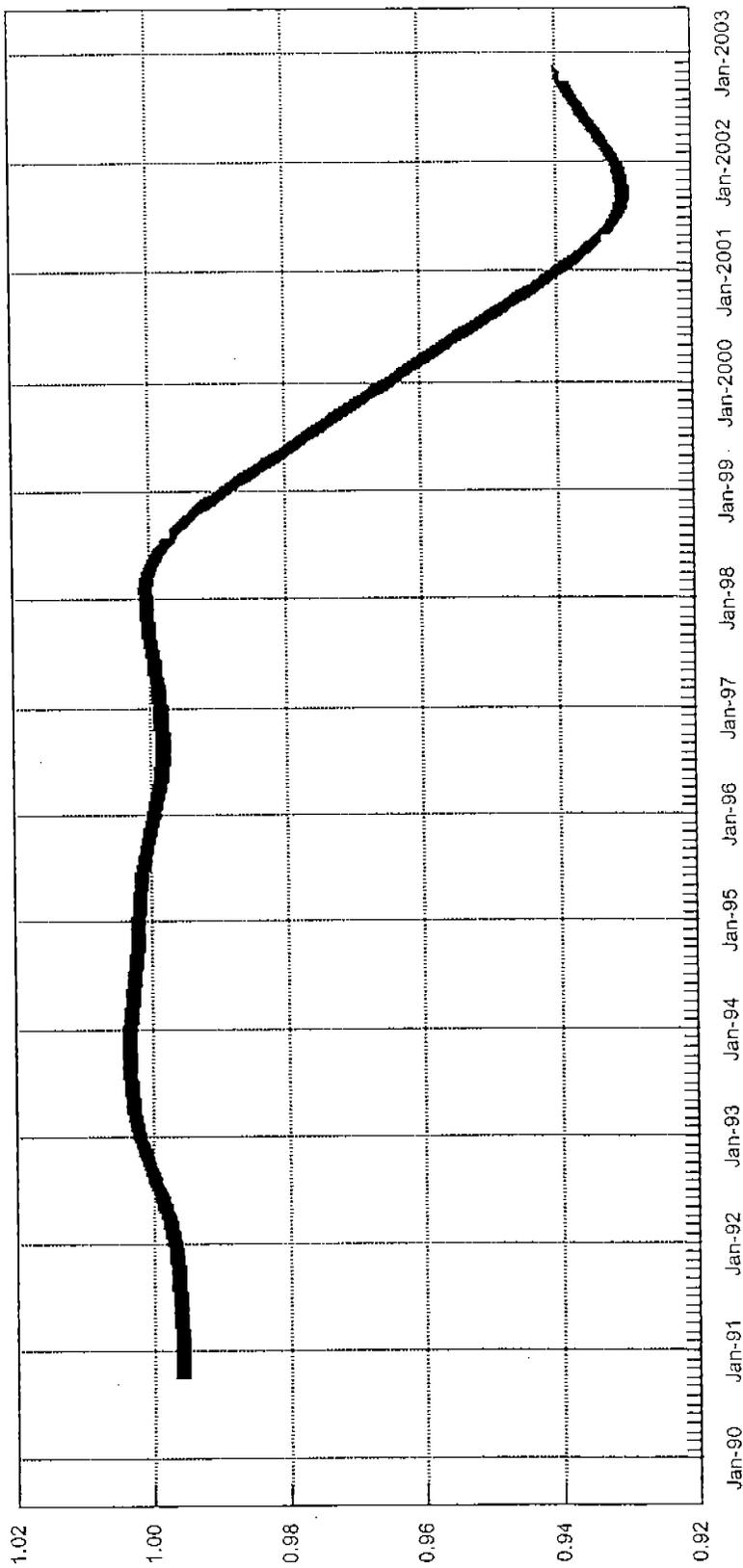


AVERAGE RETAIL MARGIN FOR MARGARINE, CEREALS, ICE CREAM, AND FLOUR
 AVERAGE RETAIL MARGIN FOR FRUITS, VEGETABLES, PORK, BEEF & VEAL

*CPI/PPI FOR ALL NONPERISHABLES AND FRUITS AND VEGETABLES. CPI/FARM PRICE FOR PORK AND BEEF & VEAL
SOURCE: BLS

RETAIL MARGIN FOR DRUGS

3 YR SMOOTHING OF 12 MONTH AVERAGE INDEXED 1990 = 100

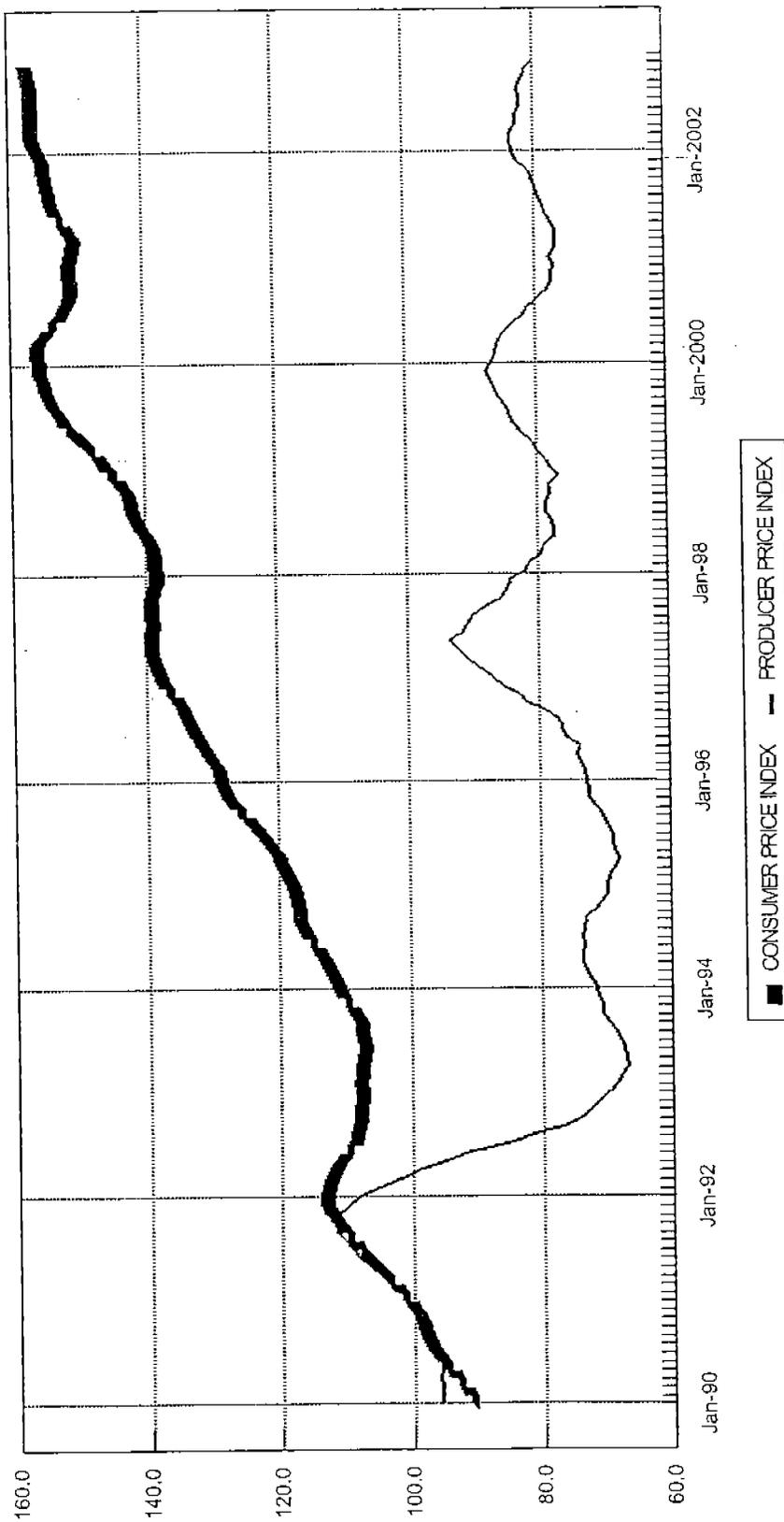


■ CPI FOR DRUGS & PHARMACEUTICALS / AVERAGE CPI FOR PHARMACEUTICALS AND NONPHARMACEUTICAL DRUGS

SOURCE: BLS

RETAIL AND PRODUCER PRICES FOR FRESH FRUITS

12 MONTH AVERAGE BASED 1990 = 100

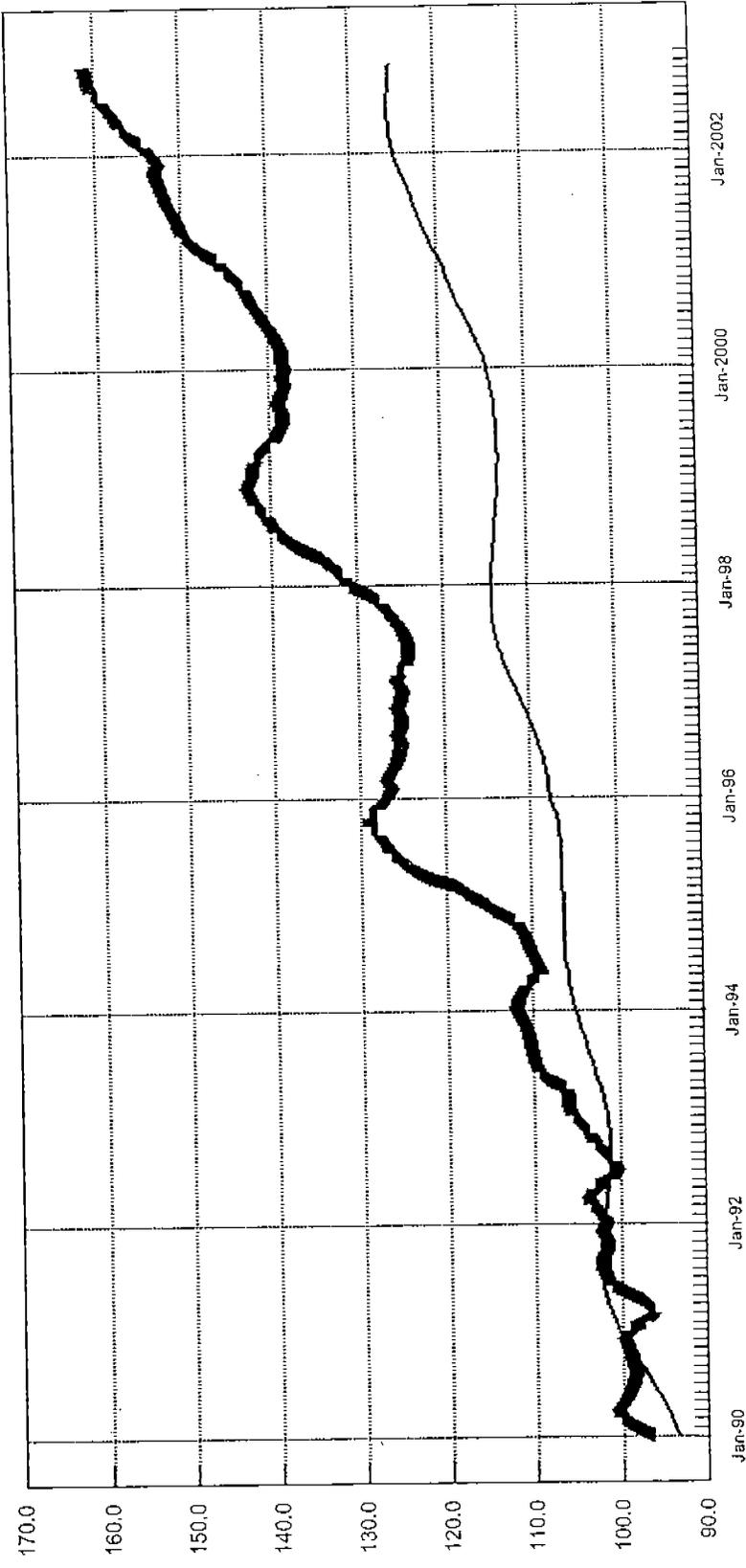


■ CONSUMER PRICE INDEX — PRODUCER PRICE INDEX

SOURCE: BLS

RETAIL & PRODUCER PRICES FOR FRESH VEGETABLES

12 MONTH AVERAGE BASED 1990 = 100

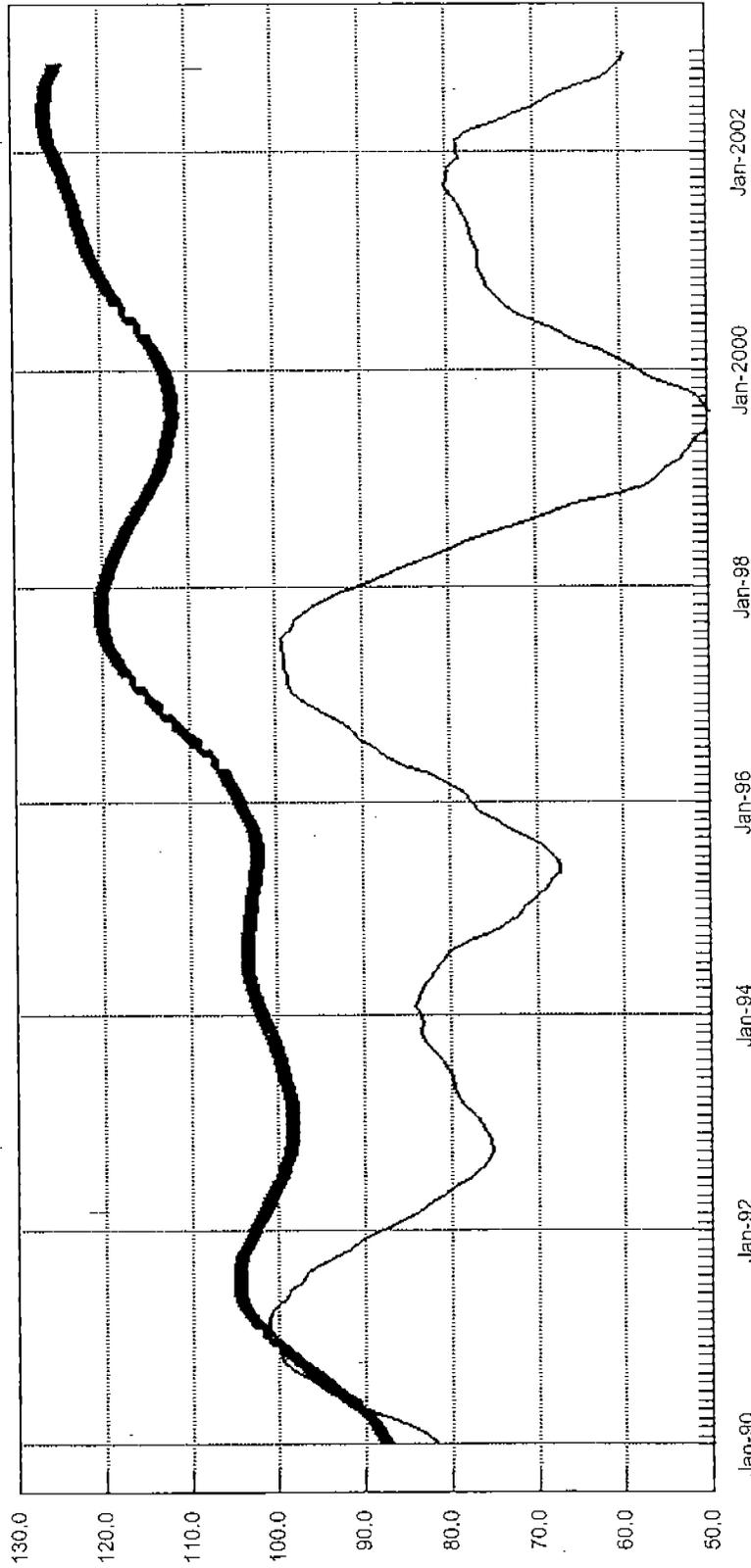


■ CONSUMER PRICE INDEX — PRODUCER PRICE INDEX

SOURCE: BLS

RETAIL & FARM PRICES FOR PORK

12 MONTH AVERAGE BASED 1990 = 100

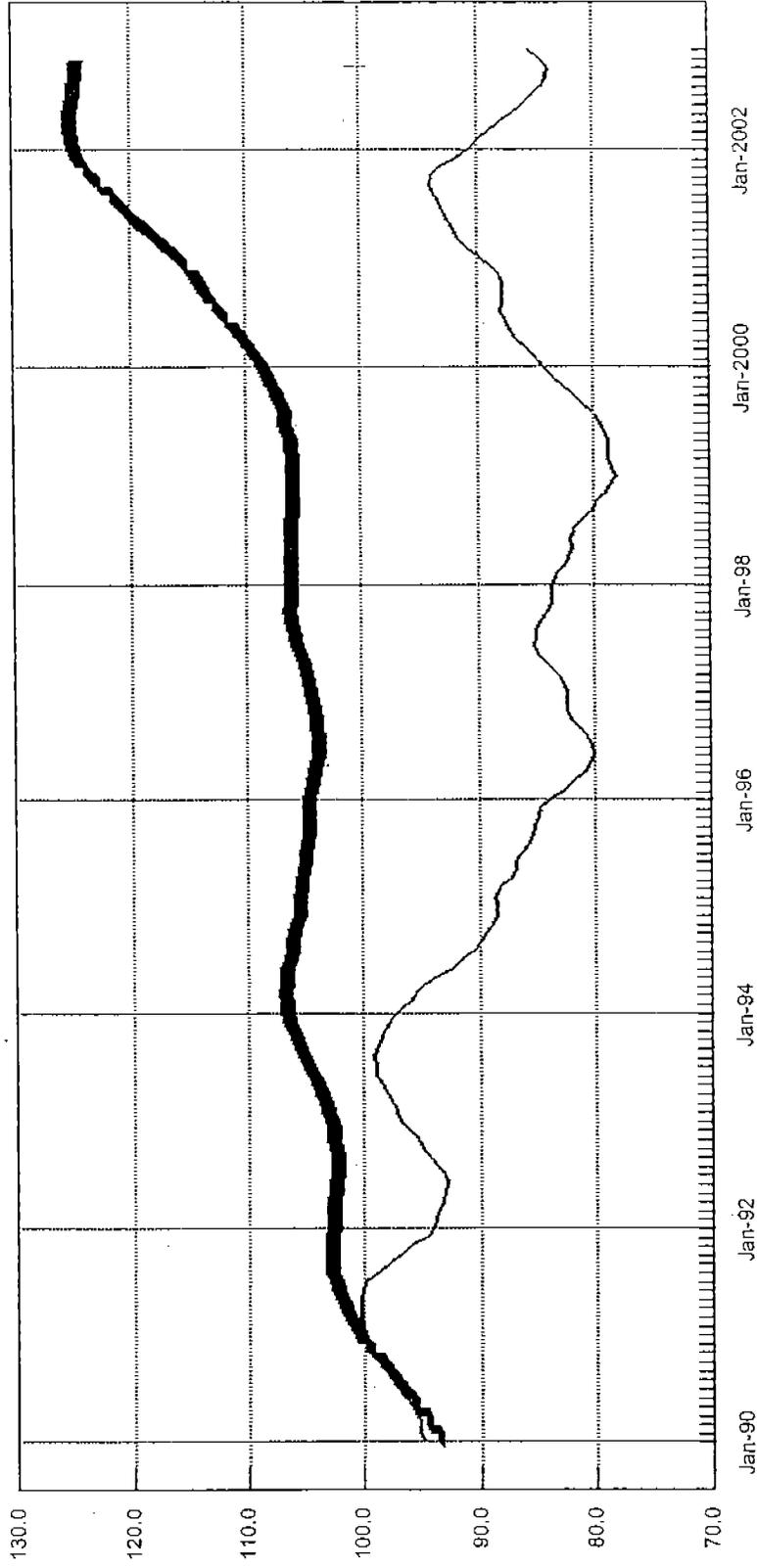


■ CPI FOR PORK — IOWA LIVE HOG PRICES INDEXED

SOURCE: BLS

RETAIL & FARM PRICES FOR BEEF & VEAL

12 MONTH AVERAGE BASED 1990 = 100



■ CPI FOR BEEF & VEAL — KANSAS LIVE STEER PRICES INDEXED

SOURCE: BLS

CHANGES IN THE FARM AND RETAIL VALUES FROM 1990 TO 2002

	LIVE WEIGHT* (LBS/HEAD)	KANSAS LIVE STEER (CENTS/LB)	LIVE VALUE (\$/ HEAD)
1990	1106	78.72	870.92
2002	1175	67.47	792.90
% Change	6.2%	-14.3%	-9.0%

	RETAIL WEIGHT* (LBS/HEAD)	CPI RETAIL BEEF** (CENTS/LB)	RETAIL VALUE (\$/ HEAD)
1990	488	262.50	1280.74
2002	531	328.13	1741.03
% Change	8.8%	25.0%	35.9%

DISTRIBUTION OF RETAIL REVENUES FROM BEEF PRODUCTS

	1990	2002	CHANGE
RETAIL VALUE	1280.74	1741.03	460.29
LIVE VALUE	870.92	792.90	-78.01
FARM TO RETAIL SPREAD	409.82	948.13	538.31
PACKER MARGIN***	80.00	130.00	50.00
RETAIL MARGIN	329.82	818.13	488.31

* 1990 USDA Carcass weight=697 lbs., carcass yield =63.0%, retail yield = 70%

2002 USDA Carcass weight = 758 lbs., carcass yield=64.5%, retail yield = 70%

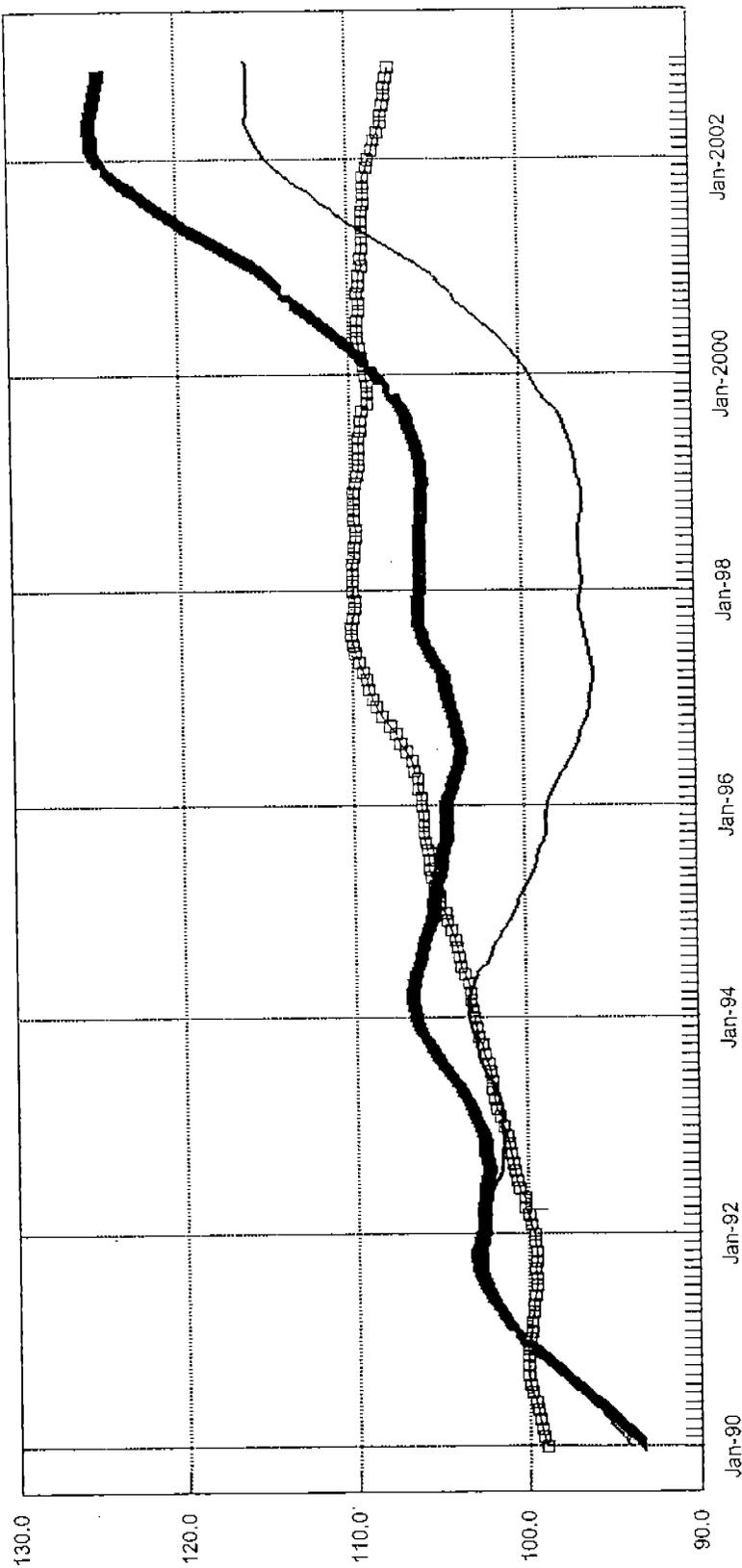
** CPI index converted to \$ price in 1990 using USDA All Fresh Beef Retail Price

*** Sparks Companies, Inc. Gross Packer Margins

McVean Trading & Investments, LLC

RETAIL PRICES FOR BEEF

12 MONTH AVERAGE BASED 1990 = 100

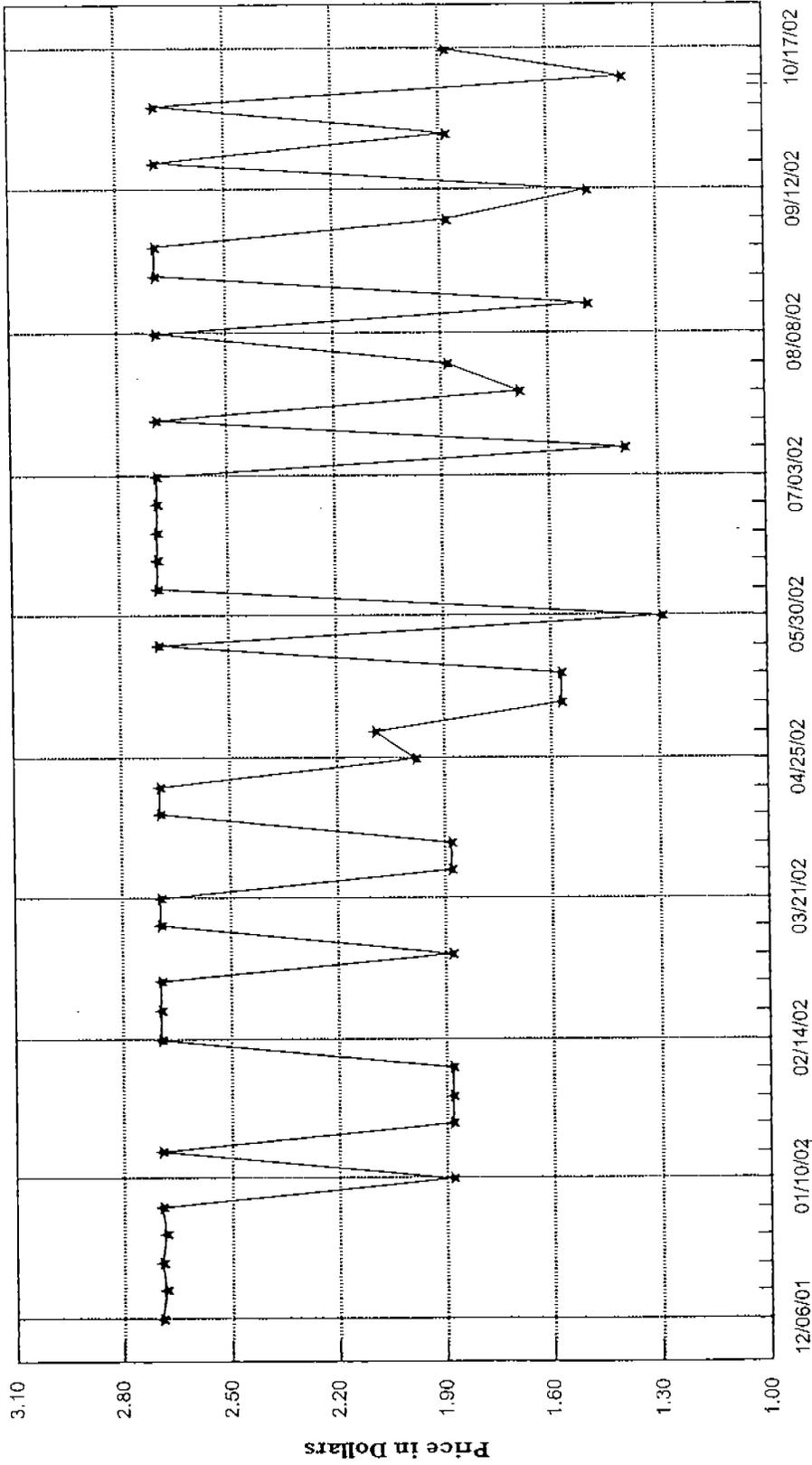


■ CRI FOR BEEF & VEAL — USDA RETAIL PRICE - DIFFERENCE

SOURCE: BLS & USDA

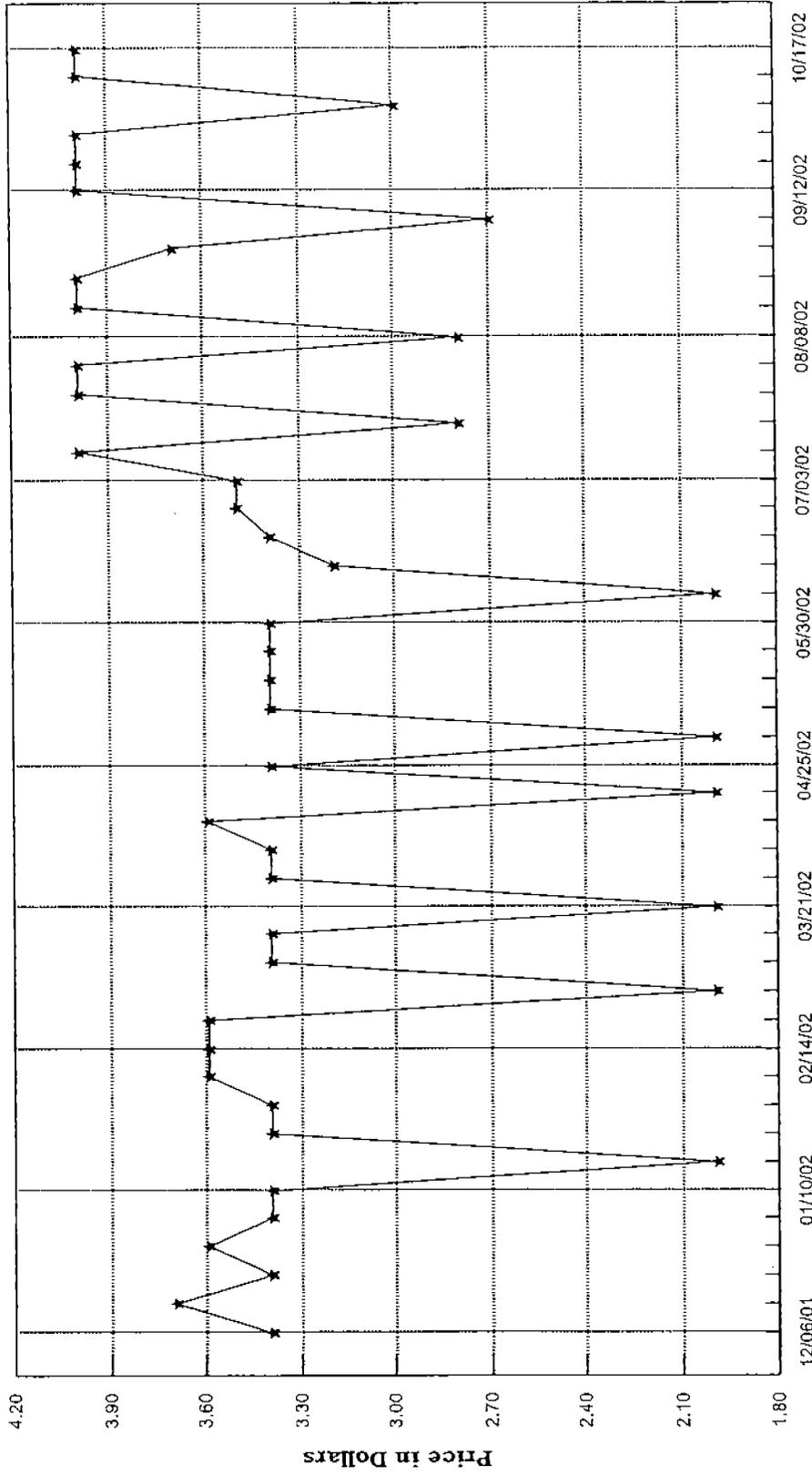
3 Bladed Chuck Roast

Major Memphis Retailer



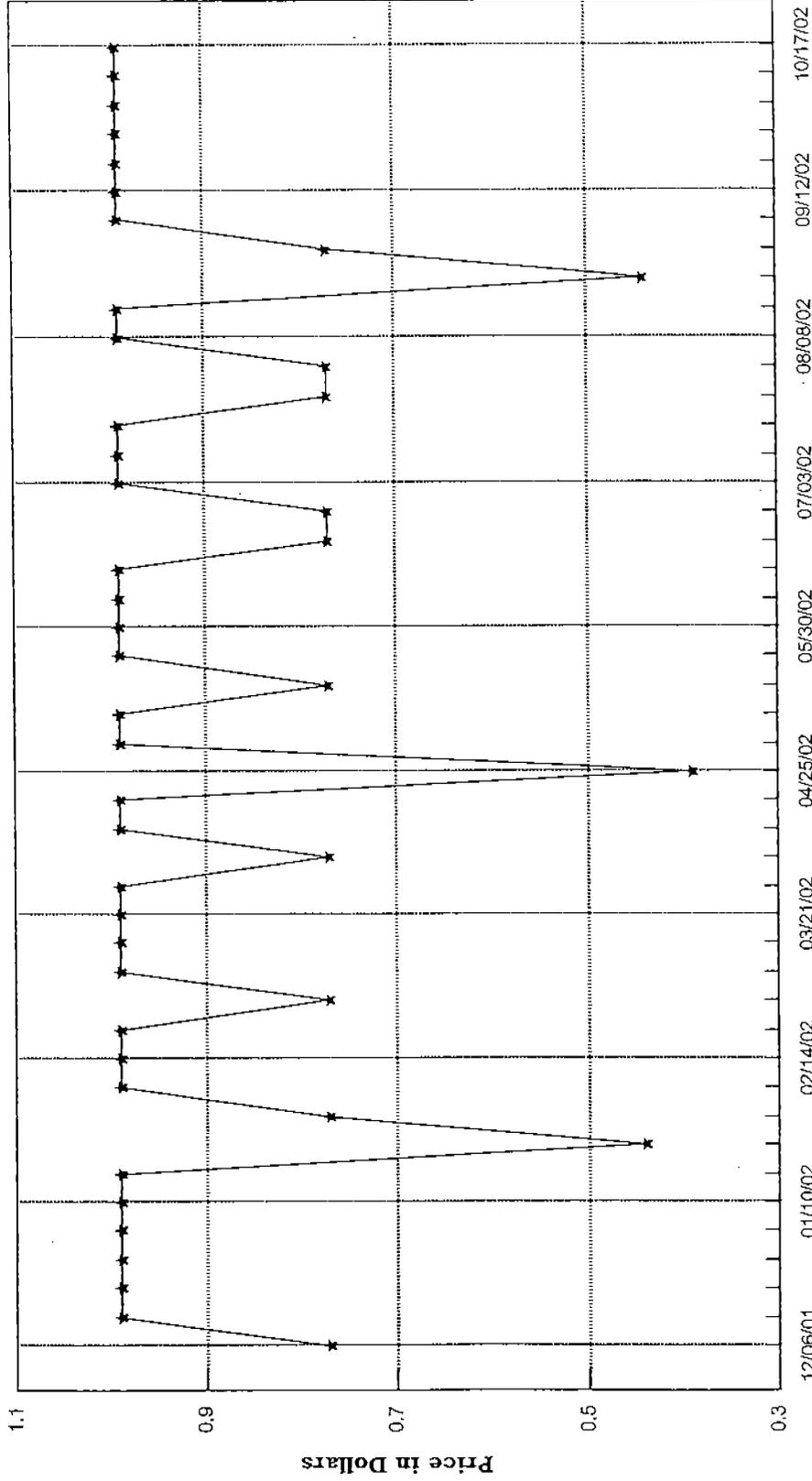
Center Cut Pork Loin 2lb

Major Memphis Retailer



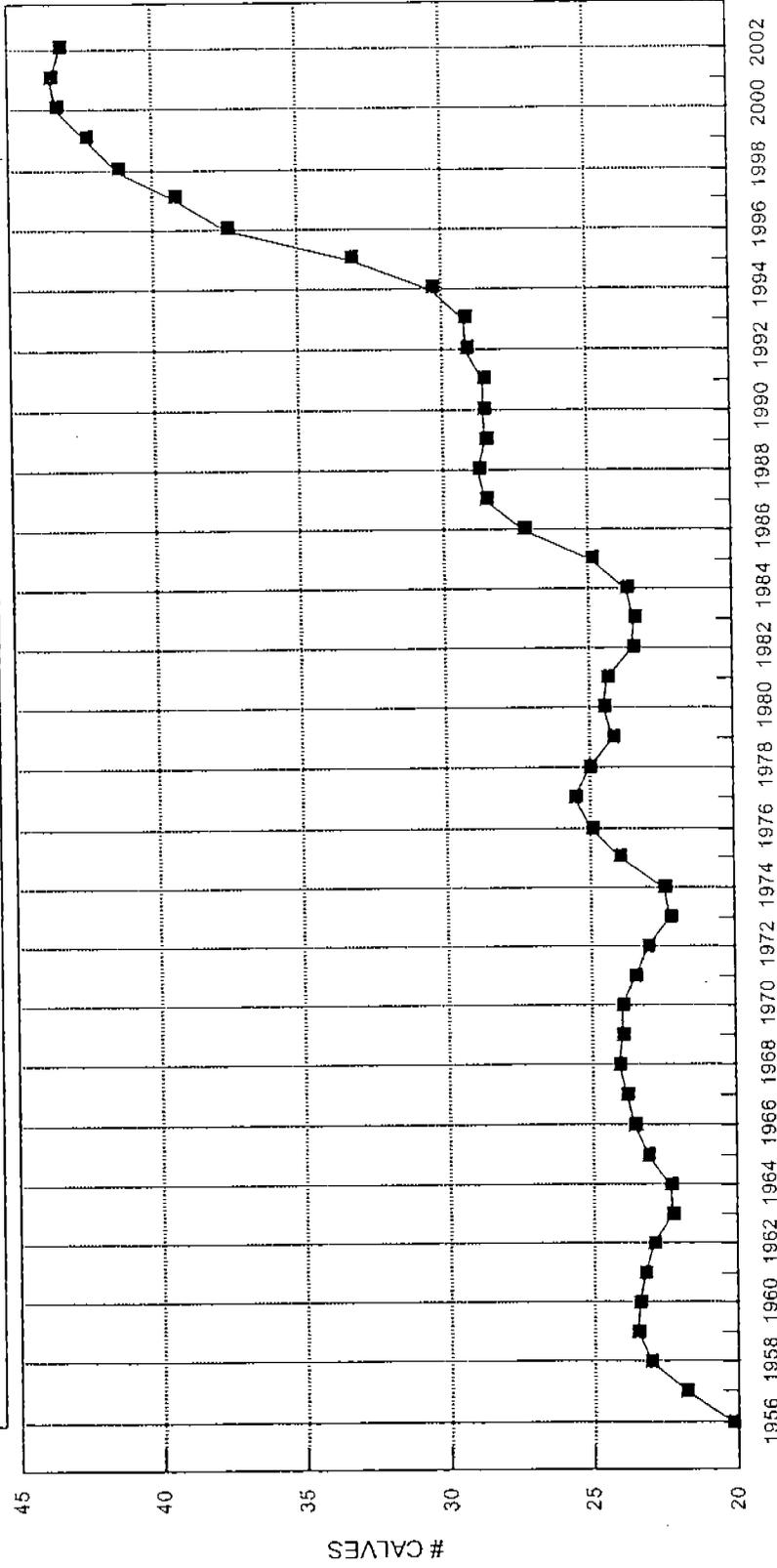
Whole Fryer

Major Memphis Retailer



NUMBER OF FEEDER CALVES NEEDED TO BUY A PICKUP TRUCK

7-YEAR ENDING MOVING AVERAGE

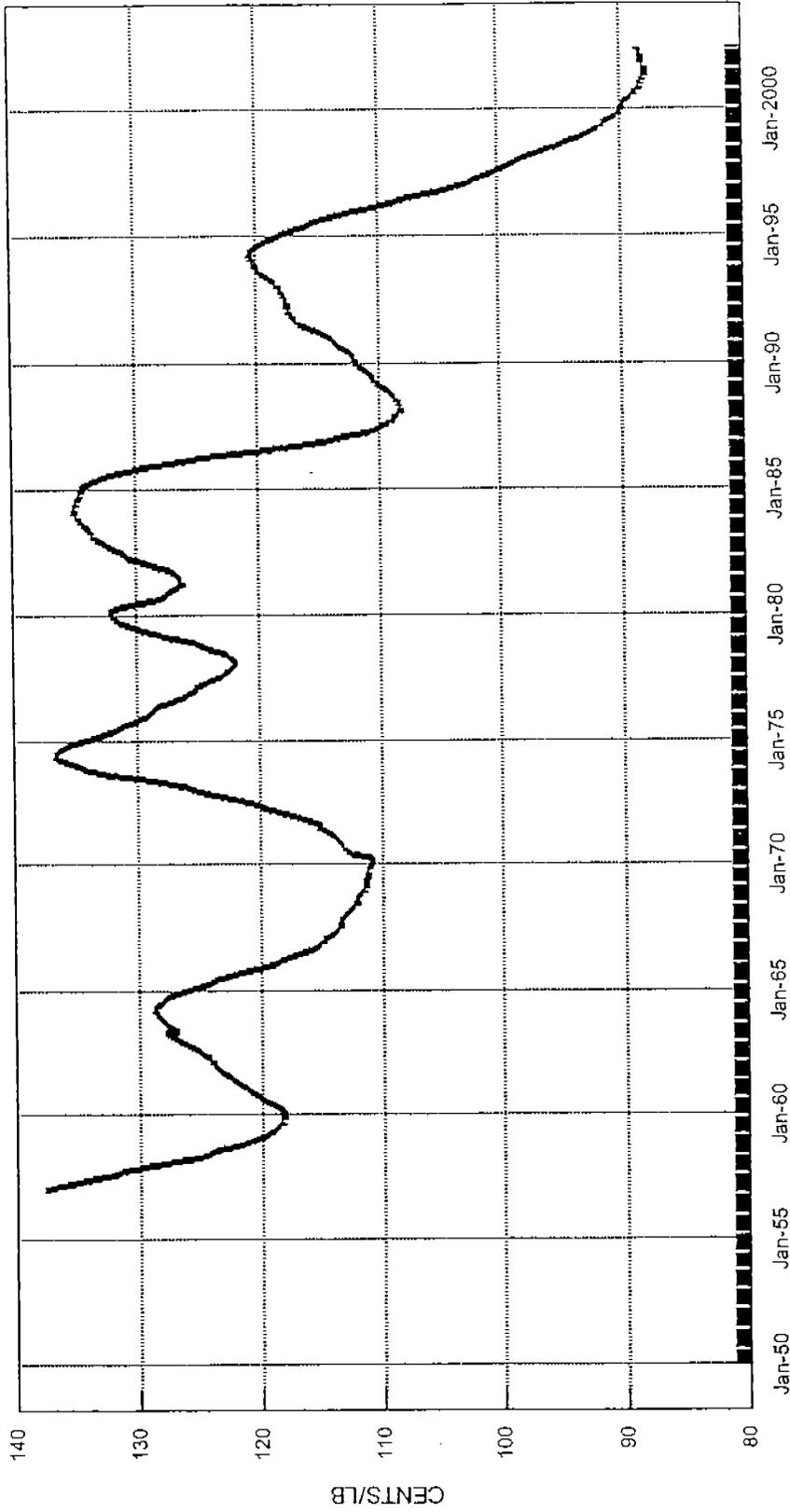


400 LB. CALF IN 1950 INCREASING TO 500 LB. IN 2000. FORD F-150 WORK SERIES SHORT BED 4WD V-6 ENGINE

SOURCE: USDA & WARD'S AUTOMOTIVE

INFLATION ADJUSTED FEEDER CALF PRICE* - 84 MO EMA

DEFLATED BY MONTHLY CONSUMPTION DEFLECTOR



*450 LB KANSAS CALF UNTIL 1977, THEN 450 LB CALF @ OK CITY