

Building Bridges for Better Beef

Steve Hunt's visionary leadership of U.S. Premium Beef earns CAB Industry Achievement Award.

by Morgan Boecker, Certified Angus Beef

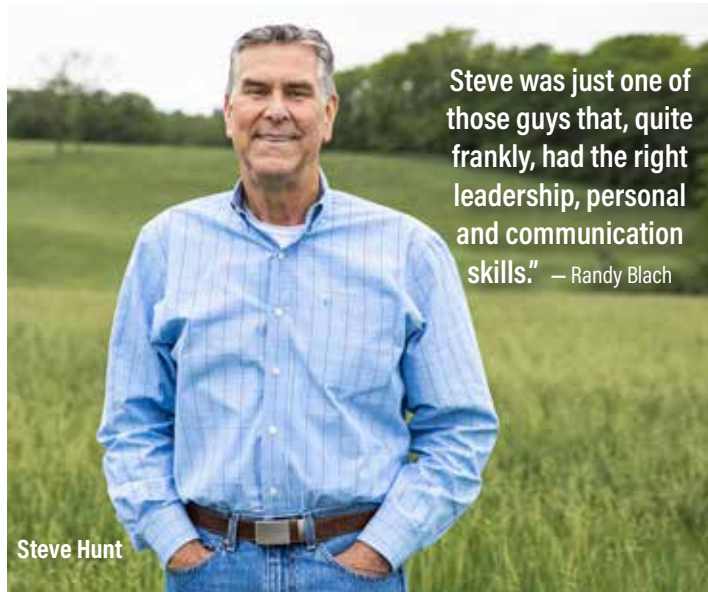
As the clock ticked past 2 a.m., handshakes finally signaled a deal. History was made that Thanksgiving morning in 1997 when a group of producers bought a material interest in what was then Farmland National Beef Packing Company.

After a year and a half on the road convincing stakeholders this would work, Steve Hunt slept well the rest of the night.

But he was up early because the work was not done yet. It never really is.

Sure, it was a group effort — dedicated ranchers, cattle feeders and allied industry launched U.S. Premium Beef (USPB) — but they all say the leadership of one man was the difference between success and failure. Arguably the most successful producer-owned cooperative in the beef industry today, USPB gives cattlemen access to data and profitability to make progress, says board member Jerry Bohn. It's easy to forget hard times when the market is good, but the best ideas often spring from the greatest challenges.

"Steve was just one of those guys that, quite frankly, had the right leadership, personal and communication skills," says Randy Blach, CEO of CattleFax. "Plus, he



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was going to be good or bad," Blach says. "Beef demand was cut in half from 1979 to 1998. The industry was like a buoy in the ocean, directionless."

The beef supply chain was simply marketing a commodity product where one price fits all.

"A pen of black steers may bring \$70 a hundredweight, but so would the roping

steers in the next pen over," says Mark Gardiner, partner in Gardiner Angus Ranch and a founding member of USPB.

understood the legal and financial side and cattle industry segments." Bohn calls Hunt "a leader, an innovator, an entrepreneur, an idea guy and an executer."

All of that and more made him a leader for the cattle industry when it was needed most.

Hunt was recently honored with the Certified Angus Beef (CAB) 2023 Industry Achievement Award, to be presented in August at the Feeding Quality Forum event.

Decades in decline

The 1980s and '90s were tough on cattlemen. More than 400,000 ranchers left production for different careers — the beef industry was in trouble. Choice and Prime were no more than 55% of fed cattle production.

"It was a coin toss whether a steak

steers in the next pen over," says Mark Gardiner, partner in Gardiner Angus Ranch and a founding member of USPB.

Fear of irrelevance had sparked conversations among a group of 21 cow-calf producers in 1995. A look at competing proteins revealed streamlined genetics, integration between producers and processors, and data sharing between segments. Hunt spoke with the group and shared his views.

Working in finance to help direct agricultural, commercial, and international lending and credit training, he saw lessons from the pork and poultry industries that could be applied to the beef industry. Greater focus in discussions attracted wider interest to where 150 cow-calf producers and cattle feeders developed a business plan.

Right man for the job

Vertical integration just didn't resonate with independent cattlemen, then or now. But some ideas overcame that.

Always with economics in mind, Hunt says a light came on when he studied the investment in land, equipment and other resources required to produce a calf. No processor was going to invest nearly \$20,000 per cow to raise beef, so the only opportunity to integrate was from the bottom up.

First need: value-based pricing to pay on individual carcass merit. Second, producers needed information back from the packer to guide changes at the ranch and feedyard. Third, they needed to gain a direct influence on processing.

Members of the group embarked on what they called the "Blue Sky Tour" to share their vision with potential stakeholders.

"As you can imagine, a lot of eyes fogged over when we mentioned that we wanted to become a processor," Hunt says.

Trust was a major challenge across the entire industry. It was difficult to keep conversations on track and focused; they were often contentious and without consensus.

"Steve would tell you he's the worst salesman, but he's very good at explaining the big concept and relating it to producers, too," says Stan Linville, current CEO of USPB. "He broke down barriers and effectively communicated with each partner what they had to do to make this idea work."

Discussions ranged from whether to buy or build a plant to its ideal location.

"Ultimately, we became convinced that partnering with a plant was going to work," Hunt says. "It was



Hunt may not be involved directly in production agriculture today, but his largest investment is still with USPB. "So I'm still heavily involved in the company and very proud of what it's doing," he says.

a difficult decision for producers because we weren't just signing up cattle. We were asking for investments in a company."

Hesitancy and reluctance often met the campaign to find nearly 500 cattlemen to purchase at least 100 shares at \$55 apiece. That would secure 100 head of cattle a place to be slaughtered and paid on their individual carcass merit. But perseverance paid.

"His confidence gave the rest of us confidence to buy in," Gardiner says.

With nearly a million head of cattle lined up, Hunt garnered an audience with each major packer. Yet the crowd thinned quickly when "ownership" was mentioned.

Farmland Industries stayed at the table though, until this rogue group of ranchers and feeders negotiated the opportunity to buy up to 50% ownership of the fourth-largest beef processor in the United States.

Naturally, Hunt was named CEO. "Steve was a bridge builder," says Tracy Thomas, vice president

of marketing for USPB. "He built relationships, so that all segments would talk to each other. Everybody involved learned the quality of their cattle, what we were doing well and what we needed to improve."

Skin in the game

The arrangement let USPB shareholders sell cattle with limited discounts for the first six months to allow them time to learn.

"The first few months were difficult," Hunt admits. "There were a lot of producers expecting better results, but they were disappointed."

Without missing a beat, he began scheduling meetings with National Beef, so producers could walk through the cooler and see the carcasses. The tours were educational and let them see injection-site bruising and marbling in the ribeye. This was less than 10 years after the first National Beef Quality Audit revealed those were areas to improve.

"The biggest thing Steve did for

Continued on page 56

producers was say, ‘Do what you do best: produce,’ Linville says. “And he let National Beef do what they do best, which was run the beef-processing side.”

The arduous process to build trust also resulted in better quality cattle delivered to the plant within six months. For some, it was a matter of better sorting at the feedyard. For others the focus on carcass quality led to breeding, culling and selecting for better genetics.

“CAB proved that if you produce a superior product, the consumer will pay more for it,” Hunt says.

It was a journey to grow pounds efficiently while marbling also increased. While USPB members received feedback from the packer first, Hunt realized improvements in quality and opportunity for value-based marketing were important for the whole industry.

“I like to say it was synergistic when we incentivized quality cattle; the other processors did, too,” Gardiner says. “We egged them on to do the same thing to compete. That is what has changed the demand equation for beef cattle today.”

Protecting his people

For 15 years, Hunt led USPB with its shareholders in mind as the company continued to grow and succeed. He oversaw USPB becoming a majority owner and parent company of the packer and renamed it National Beef Packing Company in 2003. Then in 2004, he restructured USPB into a limited liability company to allow for more market opportunities.

Hunt’s last mark as CEO was leading negotiations for USPB to sell the majority interest in the packing company to Leucadia National Corporation. This gave USPB



“USPB has pressed me in every single way – mentally and physically and intellectually – just to accomplish this.” — Steve Hunt

members liquidity to pass along to the next generation while maintaining the value-based pricing and information transfer.

Beyond the numbers

Some would look at the data to define success. Numbers like \$730 million in premiums USPB members earned through 2022 by delivering more than 18.3 million cattle. Or the 38 states that are home to 2,900 members who made the equity investment, plus associates who lease and deliver cattle.

The average grid premium the first year was barely \$10 per head. In 2022, premiums averaged more than \$70 per head. USPB cattle have improved from just 45% Choice to average 88% Choice or higher today.

Value-based marketing might have saved beef demand, Hunt says, “but the measure of success is looking at our members and seeing their sons and daughters in business with them.”

Thomas says, “Steve had a lot of sayings, but the one we heard the most was, ‘failure is not an option.’”

Gardiner adds that while there’s been tough moments, Hunt has always been there.

“When I think of him,” he says, “I think of integrity and his iron will to make sure we succeed.”

Blach, too, echoes the praise.

“I really believe he was one of the gifts for this industry, one of the very few in an entire generation that actually transformed our industry and created an opportunity for so many of us that are in it today,” Blach says.

The same hand that shook on the original deal wipes sweat from his brow. Years later, even after clearing 50 acres of honey locust trees by hand, Hunt admits that leading USPB is his greatest professional achievement.

But he’s most humble and considers it a privilege to share any honors with all USPB members. **AJ**