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## Quarterly Report to Shareholders

### December 31, 2010

When the First Quarter for the 2010 fiscal year ended, the data shows that Gelbvieh Profit Partners, Inc. had an active First Quarter placing feeder cattle. During this quarter of FY 2011, which began October 1, GPP took delivery on 3,197 head of feeder cattle. Additionally, GPP forward contracted another 330 head of steers for February delivery. These procurement figures will generate enough commission to cover 85% of our operating expenses for FY 2011, excluding travel. These cattle originated in Arizona, Colorado, Idaho, Minnesota, Montana and Wyoming.

In addition to an improved quarter for feeder cattle procurement, GPP took an interest in two sets of yearling heifers that were placed on feed at Lincoln County Feeders in Stapleton, Neb., and will be harvested in early March. The two loads of heifers originated from the Hopi 3 Ranch of Flagstaff, Ariz., and Bar T Bar Ranch of Winslow, Ariz. These are the same two sets of open yearling heifers that GPP had on feed two years ago. These heifers were hedged at \$105.82 with a \$100.00 breakeven when I purchased them, which should result in an approximate profit of \$75 per head. However, I must concede with the strong rally in the Live Cattle complex since Thanksgiving that it's quite obvious that I left a lot of money on the table. Acknowledging that, I also painfully remember what happened the last time we were at these levels and I failed to engage any risk management.

**TABLE 1. Open Heifers Placed on Feed in FY2011**

<u>Purchase Date</u>	<u>Number</u>	<u>Sex</u>	<u>Origin</u>	<u>In Weight</u>	<u>% Ownership</u>	<u>Feedlot</u>
11/3 /2010	48	Yg HF	AZ	960	50%	LCF
11/6/2010	50	Yg HF	AZ	921	50%	LCF

Yg HF=Tested open yearling heifer  
LCF=Lincoln County Feedyard LLC

Though GPP has had an improved quarter for feeder cattle procurement, there is one aspect of the revised model that has not yet come together. This is the aspect where I refer feeder cattle on the Northern Plains and central U.S. to buyers from Producers Livestock, and they subsequently sell the cattle to their customers. To date, all the feeder cattle merchandised have been to my own customers. This is not a problem; however, it does create an added expense as I travel to the deliveries to ship the cattle. The only

exception to this is when the deliveries are single load deliveries. Since it's not cost effective for me to travel very far I work with the producer and help educate them on what is expected at delivery with regards to the sort. This approach has worked well. With regard to working with the buyers from Producers Livestock, it is like anything else. If we put enough cattle in front of them then we will eventually have some success.

GPP has had a positive start to the FY 2011, but I need to advise you that a large portion of the feeder cattle trade is accomplished during the summer months for fall and winter delivery. This is supported by looking at the numbers of cattle that sell on the video sales during the summer months. From June through mid-September there are several video sales each week, with each video selling 40,000-50,000 head per day. When one looks at the feeder cattle offering from January through June the numbers are significantly reduced. Some video companies will not even conduct a sale until June. This shifts the feeder cattle offering to the calves that were weaned and placed in a backgrounding lot, or went to wheat. One difficulty of handling the backgrounded cattle is that many of them are marketed through the auction. Now there have been some instances where I've been on the phone with an investor and have bid on his customers calves. This approach can work for clean, load lot transactions if I'm on the phone with the investor or auction representative and don't need to compensate an order buyer. The difficulty in purchasing cattle through the auction with an order buyer is the fact that it would require imposing double commissions so GPP is compensated. This is not ethical. The point of mentioning this is to help one understand the flow of feeder cattle and understand that the cattle purchased through the summer and fall for fall delivery will have a large determination on GPP's profitability and success.

On a separate note, the continual drop in the feeder cattle supply combined with strong exports has resulted in a sharp rally in the cattle market. This has resulted in ranchers wanting to contract for fall delivery and some cattle feeders willing to take on some inventory. In fact, a large part of the yearling trade in Montana for fall delivery has already occurred. GPP has also been able to merchandise some Idaho yearling steers for fall delivery and some weaned steers for December delivery. So regardless of the time of year, if you have any clients considering contracting their feeder cattle for future delivery, be sure to have them contact me.

On a final note, GPP is pursuing the task of getting stock certificates to all the investors. From my understanding, the stock value will be from when GPP changed from an LLC to a C-Corp.

As always, I can be reached at [slimck@tribcsp.com](mailto:slimck@tribcsp.com) or (307)272-2024 if anyone has any questions or comments.

Respectfully submitted,  
Slim Cook

