

Case Prospectus

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U.S. Premium Beef

Background: Agribusiness companies are changing in reaction to global market forces. Traditionally price-takers, agribusiness companies today are forming strategic alliances and joint ventures so that they can achieve greater pricing power. This case focuses on an alliance between U.S. Premium Beef (USPB)—a producer-controlled cooperative—and Farmland Industries—the largest U.S. farming cooperative—that spans the beef industry value chain. These two cooperatives jointly own Farmland National Beef (FNB), a beef-processing company that takes live cattle through the entire processing cycle to the international wholesale marketplace for branded beef products.

By forming alliances and joint ventures, cattle producers are able to distribute financial risks while reaping a substantial portion of the financial rewards. Moreover, the size of the financial pie is increased significantly by coupling a value-added product strategy with vertical coordination (when a company merges with or takes over other companies in its supply chain) and quality-based pricing. The FNB partnership has been able to eliminate or mitigate many of the risks inherent in the beef industry by turning a low-priced cattle producer into a product differentiator. In effect, FNB develops a more stable demand for beef by marketing a high quality and consistent product.

The case illustrates how supply chain management can be an effective strategic response to mature industry conditions (i.e., flat or even declining sales and readily available product substitutes). *U.S. Premium Beef: Strategic Alliances in Agribusiness* also exposes students to the strategic analysis portion of a strategic-systems audit. The case is not complex, can be taught in a single class period and is best suited for use early in the term of undergraduate or graduate auditing and assurance courses.

Case learning objectives: Students completing this case will:

- Develop a better understanding of the agribusiness industry including how the industry creates value, important drivers of profitability and risks faced by participants in the industry.
- Understand how the FNB strategic alliance creates opportunities as well as risks and why auditors need to understand the nature of such strategic alliances and how their associated risks might be manifest in financial statements.
- Learn why auditors should, and how they can, develop *independent* expectations of important historical and forward looking financial and nonfinancial metrics based on their understanding of the industry and business.

Level of use: This case is suitable for use in undergraduate and graduate courses in auditing assurance.

Note: As background, students should be encouraged (required) to read, *Auditing Organizations Through a Strategic-Systems Lens* by Bell, et. al.