

2023 BUDGET REPORT

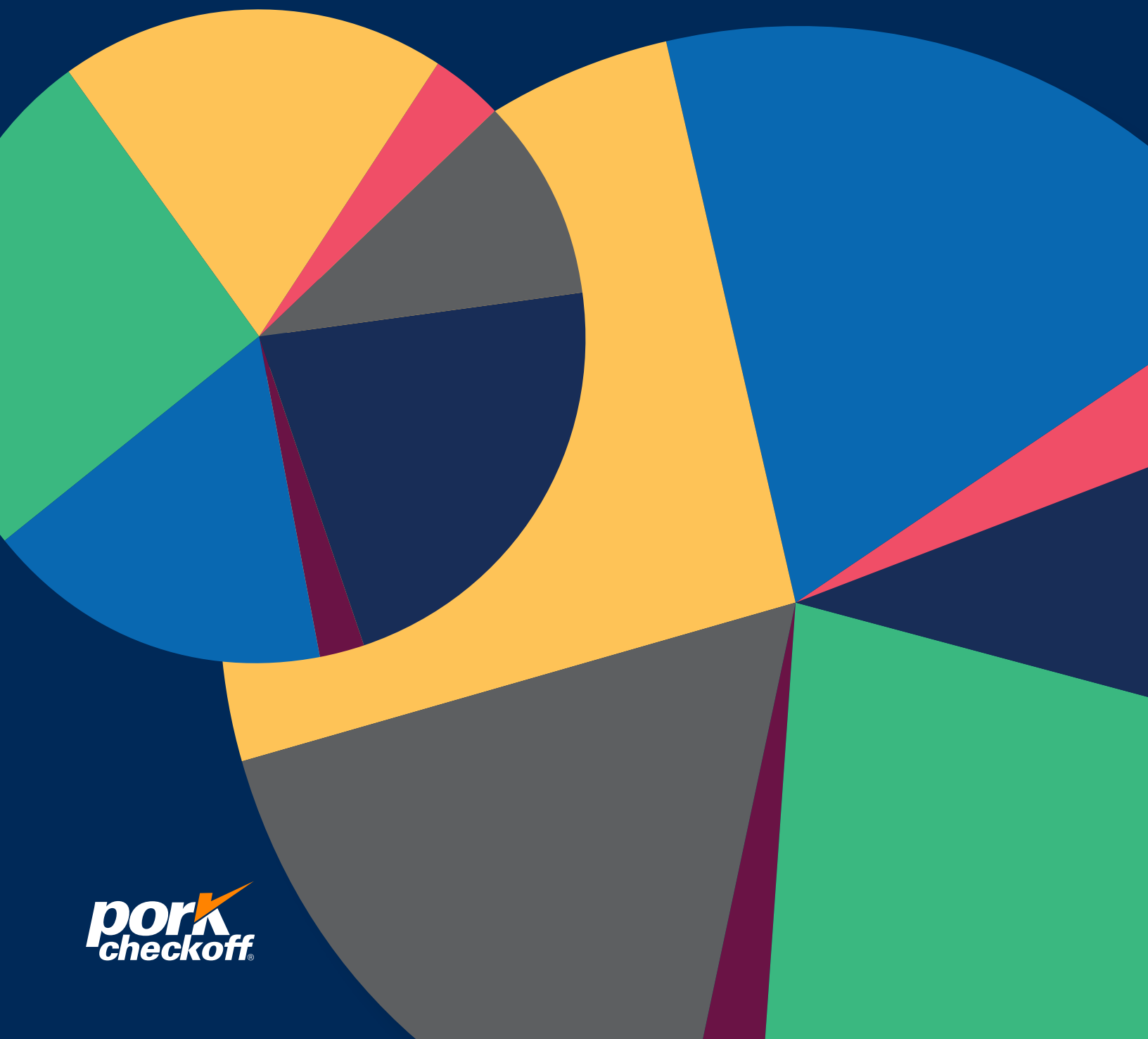
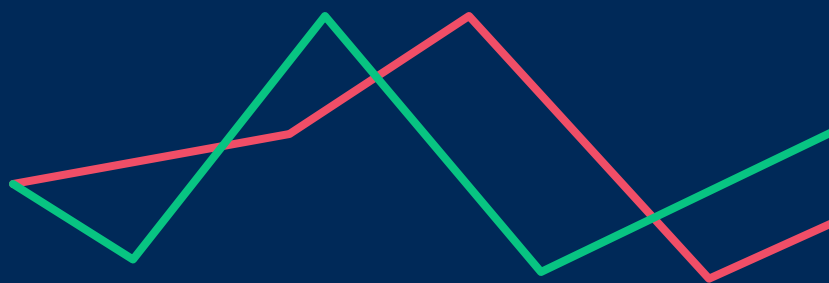


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I. INTRODUCTION TO THE PORK CHECKOFF

A. Pork Act and Order

United States Code § 4801-4819 “Pork Promotion, Research, and Consumer Information Act of 1985” (Pork Act) establishes that pork and pork products are basic foods that are valuable and healthy dietary pieces. The production of pork and pork products plays a significant role in the economy of the United States because pork and pork products are produced by thousands of producers, consumed by millions of Americans daily, and pork and pork products must be readily available and marketable to ensure that the people of the United States receive adequate nourishment.

B. Funding Mechanisms

National Pork Board (NPB) programming is funded by NPB’s collection of Pork Checkoff assessments on the sale of live pigs at a rate of 40 cents per \$100 value. A rate change to 35 cents per \$100 value on January 1, 2023 is anticipated and thus incorporated into 2023 funding assumptions. Two variables affect annual Checkoff revenue — total weight of the national live hog marketing (which is a function of total pigs marketed throughout the year and average live weights), and the market price. Pork Checkoff revenue is not guaranteed, but variable, and a reflection of the market. Accurate forecasting analyzes pig numbers, average weights, and market prices to ensure programming costs are in line with available funds, which drives budgeting parameters.

The details and impact of a Checkoff assessment rate change affecting 2023 funding are discussed below in further detail.

C. Use of Checkoff Dollars

National Pork Board invests these Checkoff funds on behalf of the U.S. pork industry in promotion, research, and producer and consumer education in accordance with the Pork Act. USDA’s Agriculture Marketing Service provides oversight of Checkoff funds by approving the budgeted deliverables and scope of work and ensuring compliance with the Pork Act and relevant guidelines.

II. EXECUTIVE SUMMARY

A. The National Pork Board – Overview

A 15-member Board of Directors (Board) oversees the NPB and Pork Checkoff funds. Each year, Pork Act Delegates, appointed by the U.S. Secretary of Agriculture, have the responsibility of electing members to the Board, setting the Checkoff assessment rate, and establishing the return-to-state rate which provides funding to the designated State Pork Associations. The Chief Executive Officer reports to the Board and is responsible for NPB’s project and program implementation and staff in four working areas: 1) Communications, Producer and State Engagement 2) Demand Enhancement 3) Swine Health, Production and Sustainability and 4) Administration.

At National Pork Board we are driven to meet consumer expectations, guided by pork producers. We aspire to do what is right for people, pigs and the planet. The National Pork Board leads as a catalyst and connector to add value and build trust among those who produce, process, sell, and consume pork worldwide. We are agile and accountable to clearly define current priorities, and we prepare and lead the industry into an ever-changing future. We are dedicated to understanding and meeting the needs of United States pork stakeholders. Empowered by the Pork Act and Order, we achieve our strategic objectives through promotion, research, and consumer information.

B. Who We Are and What We Do

WHAT WE DO

Pork is an important part of a healthy, balanced, **NUTRITIOUS** diet

Pig and crop farming are **SUSTAINABLE**

The **ETHICAL** treatment of our people and animals are key to a resilient

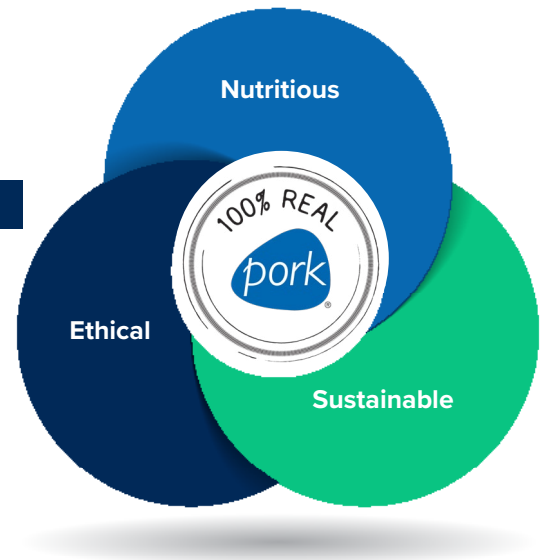
National Pork Board's Purpose:

We build trust – through our industry's We Care® principles – and add value to U.S. pork by doing what's right for people, pigs and the planet.

Organizational Values

We are committed to:

- Consumer focused, Producer led
- Trustworthy
- Integrity
- Passionate
- Agile

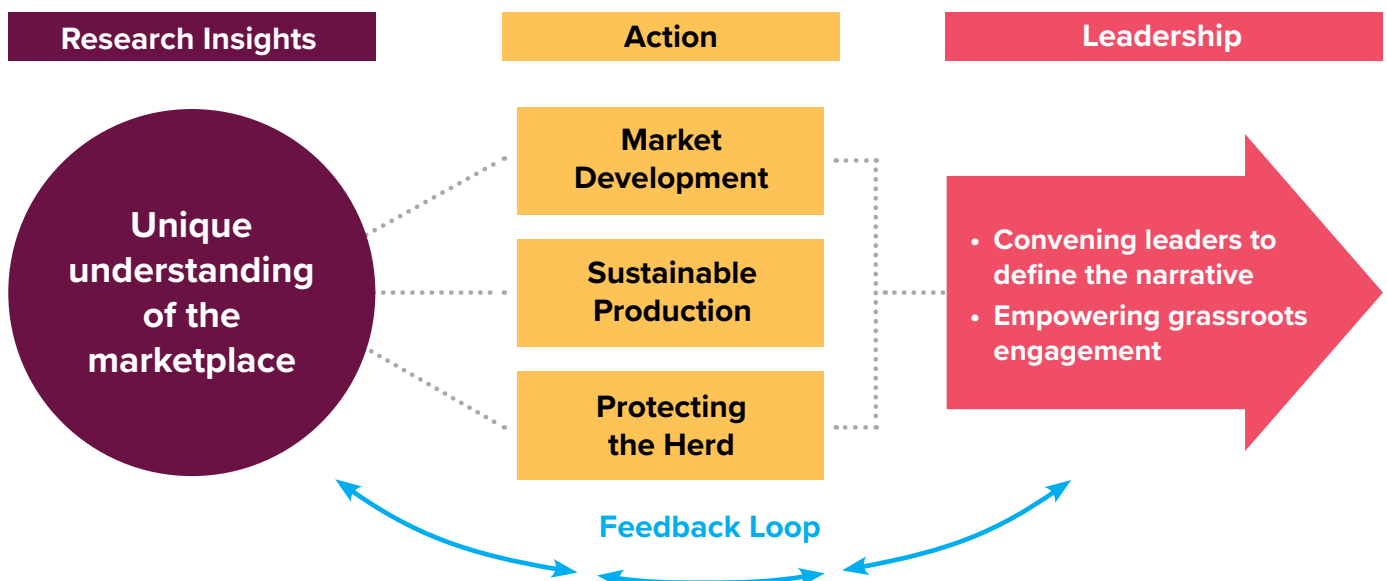


WHAT WE BELIEVE

National Pork Board's Strategy:

Real Pork is a trust and image brand that differentiates us from the alternatives and drives growth by celebrating everything that is authentic about pork.

Operational Process:



CORE COMPETENCIES

Everything we fund or do must ladder up to one of these two imperatives:

Build Trust: We strengthen our freedom to farm by working in a trustworthy manner and transparently sharing the story of U.S. pork.

Add Value: We leverage innovation to improve the value of U.S. pork and increase revenue for U.S. pork producers.

BUILD TRUST 	ADD VALUE 
Animal Well-being	Swine Health and Production
Public Health	Global Demand Development
Environment	Sustainability
Food Safety	Nutrition, Health and Wellness
Our People	Research and Innovation
Community	Reputation Management

C. Budget Process and Inputs

The 2023 Budget and Operating Plan is aligned with the strategic vision and the input received from producers during the annual planning cycle. The annual producer planning and prioritization process is based on active input and direction from the following segments:

Independent Producers	Contract Growers	Land-Grant Universities
Integrated Producer-Packers	Niche and Specialty Producers	Ag Economists
Producers with Packer Commitments	Show Pig Producers and Youth	Food Service
State Pork Associations	Processors	Retail Grocery
National Pork Board of Directors	Allied Industry	

D. Rate Reduction

Pursuant to the Federal register proposed rule 87 FR 43222 as well as the intention of the delegate body as acted upon at Pork Forum in March 2022, the anticipated rate change will occur no later than 1/1 to 35 cents. Based as such the 2023 budget has been compiled with that core assumption of the rate change being in place.

III. AVAILABLE FUNDS

NPB sets the annual Pork Checkoff budget with a goal of establishing a consistent, sustainable national spending level. The available funds target consists of a conservative Checkoff revenue forecast, interest revenue forecast and use of reserves to assist in achieving consistent annual spending levels.

A. Checkoff Assessment and Investment Revenue

NPB's staff and Board utilize the USDA Hogs and Pigs Reports, industry relationships and economic statistics to analyze and forecast production and revenue. The 2023 industry forecast used for budgeting, suggests 120.3 million hogs (from 120.3 million in 2022) will be marketed at a carcass weight average of 216 pounds. Market prices are expected to range from \$85.00 to \$89.00 per cwt. Total national and import Checkoff assessments are forecasted from \$82.2M to \$85.9M in 2023. This forecast reflects the previously mentioned Checkoff assessment rate reduction, which reduces NPB revenue potential by 12.5% from 2022 to 2023. NPB is budgeting below the forecast analysis in anticipation of additional budget requests throughout the year. The Board conservatively adopted \$76.0M in budgeted Checkoff assessment revenue, \$72.0M domestically and \$4.0M from imports, and an additional \$0.5M in short-term investment revenue.

	2022 Estimate as of 7/28/2022	2023 Estimate	2023 Working Budget
Low	\$106,425,000	\$82,200,000	\$76,000,000
High	\$108,433,000	\$85,900,000	

B. Utilization of Reserves

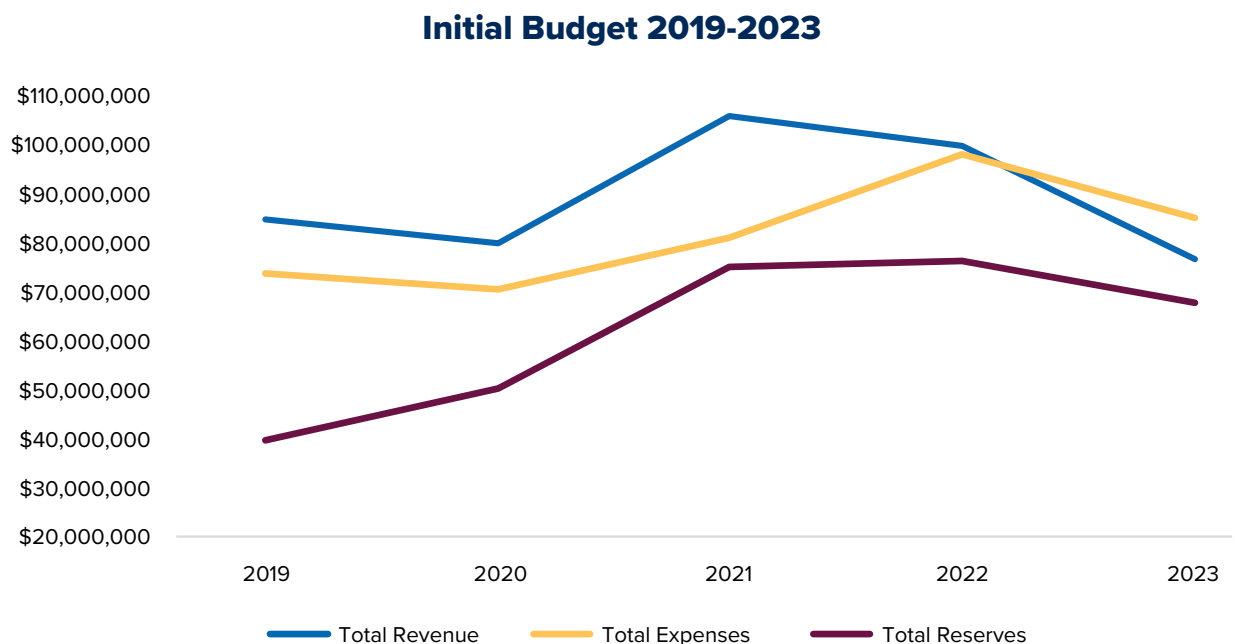
Given the rate reduction impact to Checkoff assessment revenue, \$8.4M of reserves is budgeted to be deployed in 2023 to provide stability to the budget while meeting industry needs and priorities.

C. Funds Availability

The total funds availability for the 2023 budget is \$84.9M. NPB and the Board monitor revenue forecasts throughout the year and may amend the budget as appropriate to deploy funds to support the industry through the next on process.

IV. BUDGET OVERVIEW AND ANALYSIS

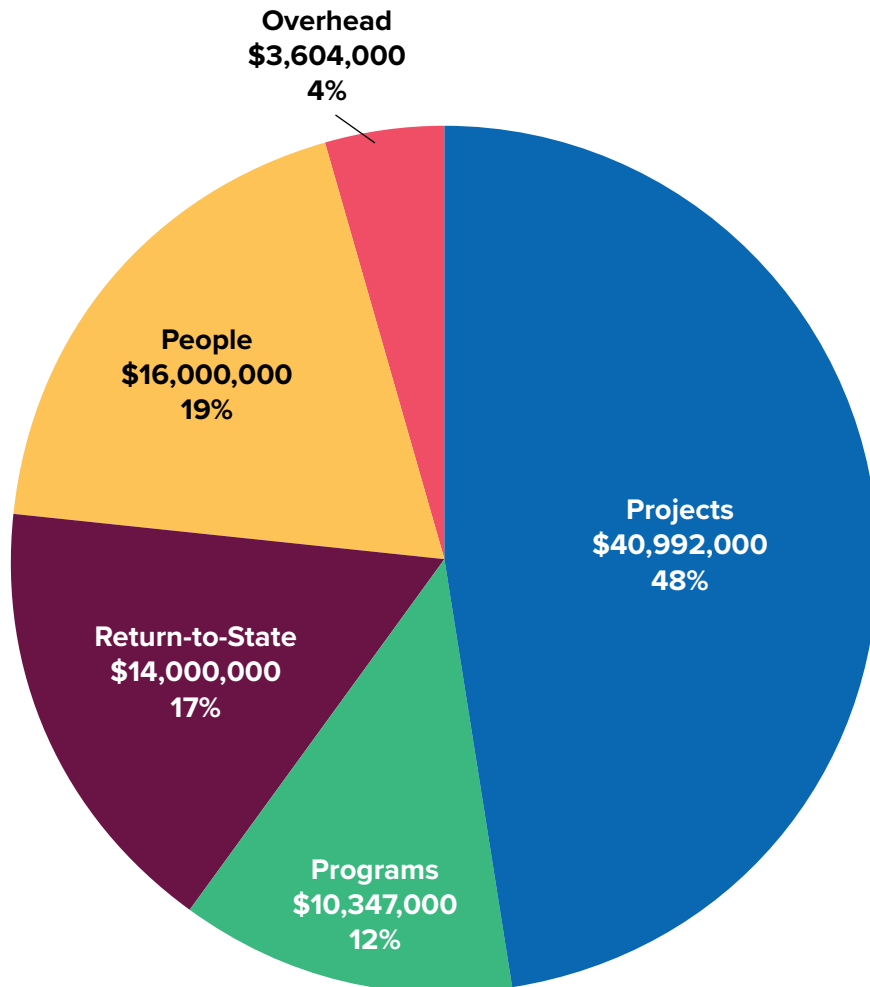
Based on market forecasts, NPB adopted a conservative 2023 budget of \$76.5M in revenue and \$8.4M from reserves to fund \$84.9M in expenditures. This is the first year in recent memory whereas NPB adopted a budget where expenditures exceeded revenues and as a result total reserves will decrease.



2023 Budget Report

	2022 Forecast June 2022	2023 Budget	Variance
Checkoff Revenue	\$99,200,000	\$76,000,000	\$(23,200,000)
Other Income	\$400,000	\$500,000	\$100,000
Total Revenue	\$99,600,000	\$76,500,000	\$(23,100,000)
National Spending	\$67,987,805	\$70,943,000	\$2,955,195
Supplemental Spending	\$11,160,000	\$-	\$(11,160,000)
Return-to-State	\$18,848,000	\$14,000,000	\$(4,848,000)
Total Expenses	\$97,995,805	\$84,943,000	\$(13,052,805)
Impact to Reserves	\$1,604,195	\$(8,443,000)	\$(10,047,195)
Designated Reserves	\$24,000,000	\$18,000,000	\$(6,000,000)
Undesignated Reserves	\$52,526,705	\$50,083,705	\$(2,443,000)
Ending Reserve Balance	\$76,526,705	\$68,083,705	\$(8,443,000)

2023 Overall Proposed Spending



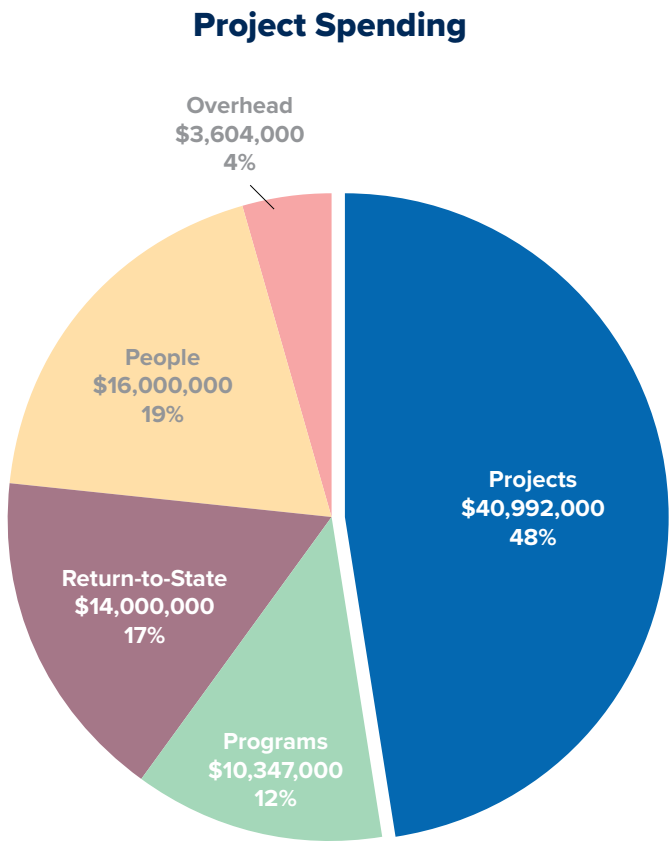
V. NATIONAL PROJECTS AND PROGRAMS

Building on current year success, NPB is planning many value-adding initiatives to address the priorities and needs of our producers and state pork associations in 2023. The Board continues to budget conservatively and focus producer dollars on high-priority areas recommended by the industry through the annual planning cycle.

Projects – Objective-based items determined and prioritized through the annual planning process to support the industry, commonly single-year focused, such as specifically supporting FAD preparedness, sustainability metrics or market development

Programs – Recurring items that help support the industry, such as PQA (Pork Quality Assurance)[®] Plus/TQA (Transport Quality Assurance), state supplemental support, national meetings and task forces

A. Projects



Based on the Board’s adopted strategy and the input and direction of producer and industry leaders, Checkoff dollars are applied to projects and objectives based on priorities, as well as ensuring a positive return on investment of producers’ dollars.

\$41.0M is allocated to a comprehensive set of projects within seven objectives, the scope and value of which are outlined below. Details of each project can be found in a later section.

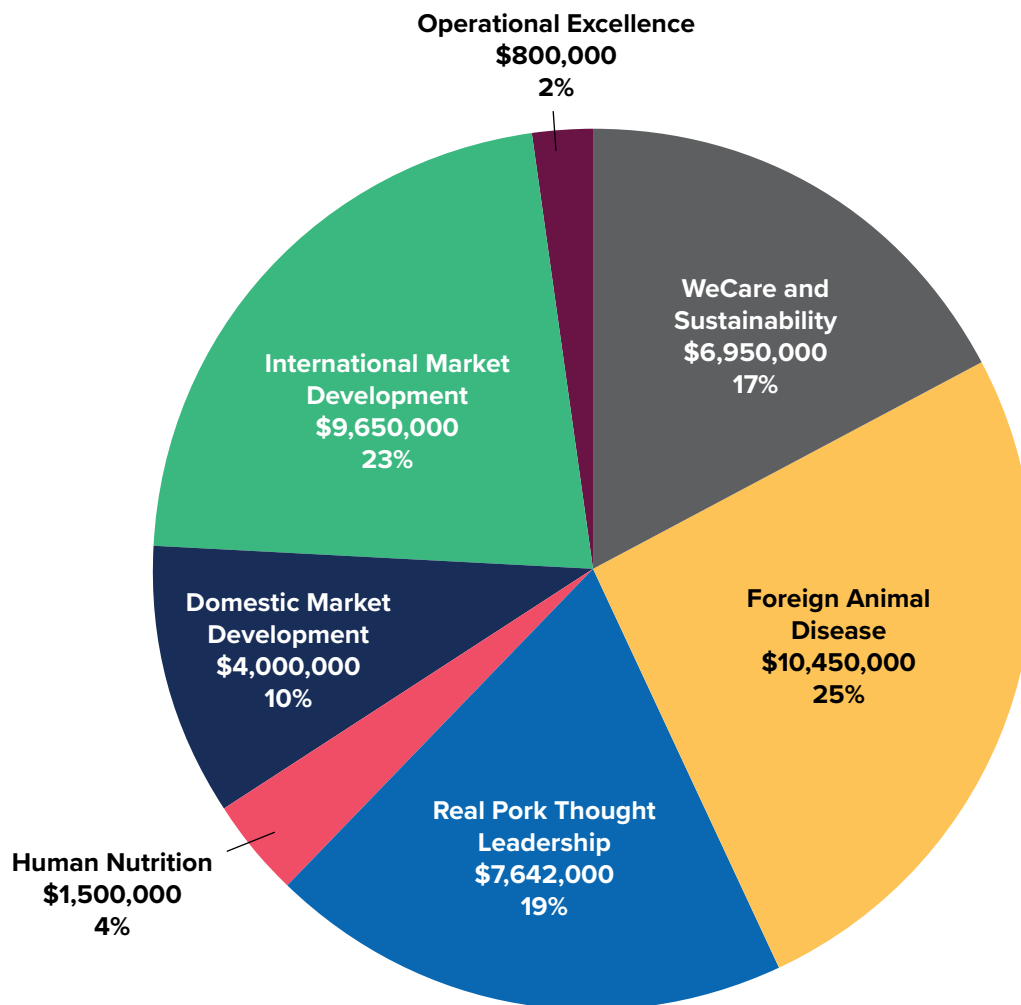
Every project budgeted over \$500K has specific, measurable and relevant ROI metrics that will be reported on throughout the year and at project completion. The evaluation of a project’s ROI helps determine future investment levels and demonstrates value of producers’ Checkoff assessments.

Throughout the year, opportunities to fund additional projects may present themselves. NPB utilizes a Next On process to evaluate such opportunities. Management maintains a list of prospective projects to be proposed to the Board for budget consideration should the need or opportunity arise. Next On proposals are not part of the adopted budget and must follow policy for approval of a budget revision.

2023 Project Spending

	2022 Forecast Budget and Approved Supplementals	2023 Budget	Difference	Notes
We Care and Sustainability	\$6,875,000	\$6,950,000	\$75,000	Consistent with prior year
Foreign Animal Disease	\$11,572,000	\$10,450,000	\$(1,122,000)	Decreased to focus on six priorities of ASF working group
Real Pork	\$8,300,000	\$7,642,000	\$(658,000)	Decreased to focus on Mythbusting and Real Pork Trust and Image
Human Nutrition	\$3,450,000	\$1,500,000	\$(1,950,000)	Decreased to focus on research; Developing long-term plan for investments 2023-2025
Domestic Marketing	\$3,961,500	\$4,000,000	\$38,500	Consistent with prior year
International Marketing	\$9,295,000	\$9,650,000	\$355,000	Increased APEX and producer activation funding to support market development.
Grassroots	\$4,350,000	\$-	\$(4,350,000)	Consolidated with Real Pork
Operational Excellence	\$2,700,500	\$800,000	\$(1,900,500)	Building renovations in 2022
Totals	\$50,504,000	\$40,992,000	\$(9,512,000)	

Projects by Objectives



Overview of Key Objectives:

1. FAD/ASF - \$10,450,000	2. Sustainability We Care - \$6,950,000	3. Real Pork Thought Leadership - \$7,642,000	4. Human Nutrition - \$1,500,000	5. Domestic Market Development - \$4,000,000	6. International Market Development - \$9,650,000	7. Operational Excellence - \$800,000
Keep FAD/ASF out and prepare for ASF Deliver on 6 Priorities from ASF work group	Total Swine Industry Data at Mass Scale	Measure trust impact against five barriers	Protect pork's place on the plate Outcome-driven nutrition research	Generate demand and drive business growth Transition ground pork to industry stakeholders	Develop emerging markets Redirect USMEF from core to developing markets	Tools and resources targeting operational improvements and efficiencies
1. Harmonize State and Federal Response Plan: <ul style="list-style-type: none"> - Align State and Federal Plans to Revised Red Book 2. Provide FAD Preparation Guidance: <ul style="list-style-type: none"> - Complete FAD Dashboard - State Outreach and Education - Carcass disposal and depopulation support 3. Maximize Surveillance <ul style="list-style-type: none"> - USDA Approval of Oral Fluids or Practical Other Method 4. Expedite Development US SHIP: <ul style="list-style-type: none"> - Producer Governance and Outreach Alignment 5. Certainty for Indemnity: <ul style="list-style-type: none"> - Research on Economic Impacts - Producer Guidance 6. Return to Trade: <ul style="list-style-type: none"> - AgView Industry Adoption (Critical Mass) - Certified Sampler Plan Completion and - Potentially Imbed into PQA 	1. Producer Participation Plan: In Collaboration with State Pork Associations, for On-Farm Sustainability Reports 2. We Care Application: - Upload data and continue to enhance the We Care Data Application 3. Research: To establish US pork as a global leader in Sustainability	1. Barriers: Myth-busting 3.0 (Reducing Barriers to Consumption) Freedom to Operate (Reducing Barriers to Operations) 2. Real Pork Trust and Image Thought Leadership investment: Real Pork Fellowship Program Clear Center Google Partnership Outreach and Education Research 3. Activating Producer Spokespeople to Tell Their Real Pork Story: State support Youth support	1. Health and Wellness: Engagement with USDA, FDA and Key Opinion Leaders in Applied Sciences to Promote Pork in the Thrifty Food Plan and USDA Dietary Guidelines <ul style="list-style-type: none"> - Perceptions of pork as part of a healthy diet - Research 	1. Data Insights: Evaluate pork's biggest opportunities through insights to action 2. Deliver sustainability story/ data to the channel: Ecommerce strategy Food Chain outreach and engagement Ground Pork Expansion 3. Communicate to Targeted Consumers Based on Topic: Includes multicultural approach embedded and through Real Pork Platform and Channels	1. Unified U.S. pork industry strategic plan: <ul style="list-style-type: none"> - NPB, NPPC, APEX, USMEF, USDA FAS, NAMI 2. USMEF: <ul style="list-style-type: none"> - Direct USMEF to Present on Next On Emerging Opportunities 3. Continuity of Trade: APEX Ensure USMEF is Partnering with NPB Regarding Continuity of Trade in the Event of an FAD in the US	1. LMS to Salesforce: Shifting the LMS to route producer contact and certification records from the old CRM into the One Force. 2. RPM and FF Integration and Implementation: Integrate and implement new research process and governance best practices to enhance managing research. 3. Dues and Subscriptions 4. Sponsorships and Memberships 5. Risk Management: Buying and selling options on a predefined schedule, to offset risk to Checkoff Revenue from major unseen events (i.e., FAD or socioeconomic events).
Research: SHIC Surveillance/diagnostic research Biosecurity/feed systems/transportation NAMI co-funding if projects do not happen in 2022 Viral research: transmission, attenuated strain characteristics/detection – depending upon viral changes over time Economic Impacts	Research: Soil Health Water quality, fecal, microbial	Research: Address/close research gaps in the sustainability space	Research: US Dietary Guidelines Revision in 2025 Continue to Execute on the Human Nutrition Research Road Map	Research: Consumer insights and stakeholder research	Research: Economic opportunities	

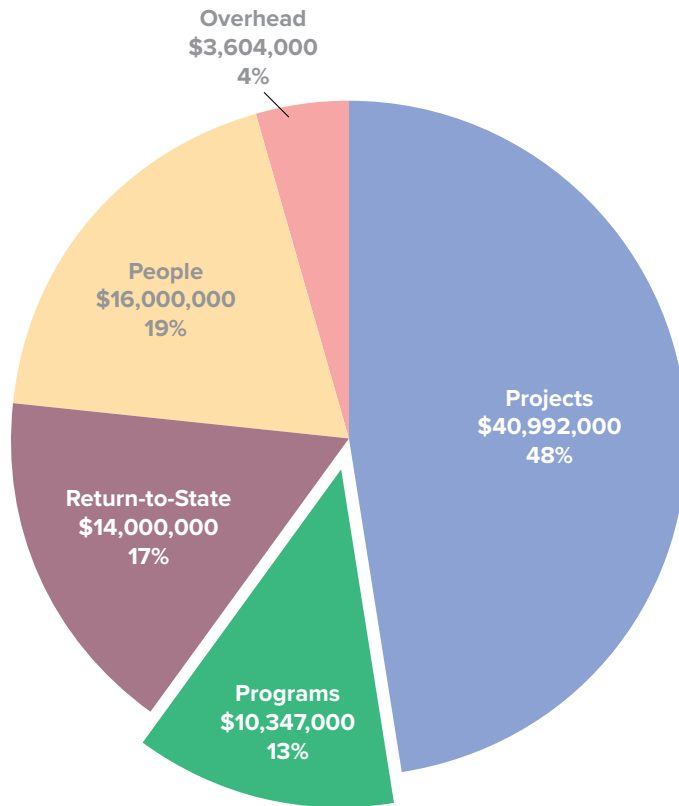
Project spending is organized by key objectives. Further details of specific projects within each objective are discussed below in Section IX.

As part of the budget process, funding for three specific projects will be released from designated reserves: SHIC (\$2.5M), Real Pork Trust and Image (\$2.5M) and Soil Health (\$1.0M). Further detail of designated funds is discussed below in Section VIII.

C. Programs

The budget for 2023 Programs is \$10.3M which is allocated across key program areas that support the industry.

Program Spending



State Supplemental Support: Funds available to state pork associations through applications to support local programs and operations.

PASLWOCO (Pigs Across State Lines Without a Change in Ownership): Program funds available for those state pork associations determined to have lost return-to-state funding because of pigs being moved across state lines for finishing without change of ownership or assessments collected.

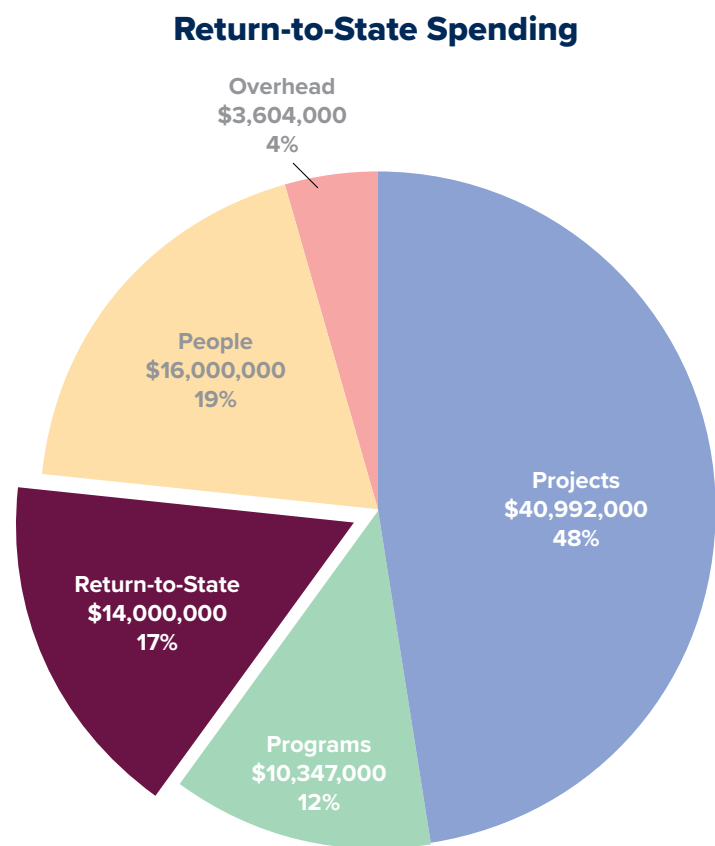
PQA (Pork Quality Assurance)® Plus/TQA (Transport Quality Assurance): Programs designed to ensure producers, handlers and transporters are certified in leading practices in the pork industry.

Operations: Costs of organization operation include supporting the annual Pork Act Delegate meeting, Board of Director meetings, task forces, state administrative support, legal, intellectual property, economic and market forecasting, leadership development, anticipatory issues management, IT, finance, audit, risk management, meeting and travel coordination and human resources.

Program Spending

Program Expense	2022 Forecast	2023 Budget	Variance	Variance Explanation
State Support	\$408,000	\$2,665,000	2,257,000	Increase in state engagement/support
PASLWOCO	\$890,000	\$1,550,000	660,000	Increase in state engagement/support
TQA/PQA	\$877,500	\$802,500	(75,000)	Move to project based
Travel	\$1,705,250	\$1,269,500	(435,750)	Settling in to hybrid workplace environment
Conferences/Sponsorships/Events	\$1,404,000	\$1,100,500	(303,500)	Reduced through impact of rate reduction
Professional Services/Audit/Cash Mgmt	\$1,205,500	\$740,000	(465,500)	Consolidating services - decrease in overall costs
Administration	\$557,000	\$527,000	(30,000)	Reduced through impact of rate reduction
Legal	\$500,000	\$500,000	-	Consistent with prior year
Development/Support - IT	\$330,000	\$400,000	70,000	Upgrades to staff technology
Taskforce/Committees	\$1,006,250	\$335,000	(671,250)	Move to project based
Professional and Org. Development	\$254,775	\$306,000	51,225	Invest in staff growth/training
Postage	\$111,500	\$111,500	-	Consistent with prior year
USPCE	\$60,000	\$40,000	(20,000)	Decrease in overall costs
Total Expenses	\$9,309,775	\$10,347,000	\$1,037,225	

VI. RETURN-TO-STATE



A. Allocation, Distribution and Use of Return-to-State

Annually, the Pork Act Delegate Body approves the formula to determine each state’s allocation of collected assessments, ranging from 16.5% for large production states to 39% for smaller production states, based on the number of pigs marketed.

A percentage of the national Checkoff assessment collections from each state are returned each month to the respective state pork association to support local Checkoff programming. Each state pork association shall use its Return-to-State funds for promotion, research and consumer information programs in accordance with the Pork Act. On average, approximately 20% of the national assessments are returned to state pork associations.

This disbursement of funds is an established function of the Pork Act and driven by production, markets and official action of the Delegate Body. Overall funds distributed to states are directly impacted by the previously mentioned Checkoff Assessment Rate Change. As National Checkoff Assessment revenue increases/decreases, so does the distribution of the portion of that revenue returned to state pork associations. For 2023, the Return-to-State allocation funding is budgeted at \$14.0M, down from \$18.8M in 2022.

Each month, RTS funding is sent to the respective state based on processing on the previous month’s volume. Thus as additional Checkoff dollars are received above the budgeted amount, they are sent directly to the respective state based on their allocated percentage each month. This enables the states to adjust their budgets as it is received.

VII. SUPPORT COSTS

A. Support Costs

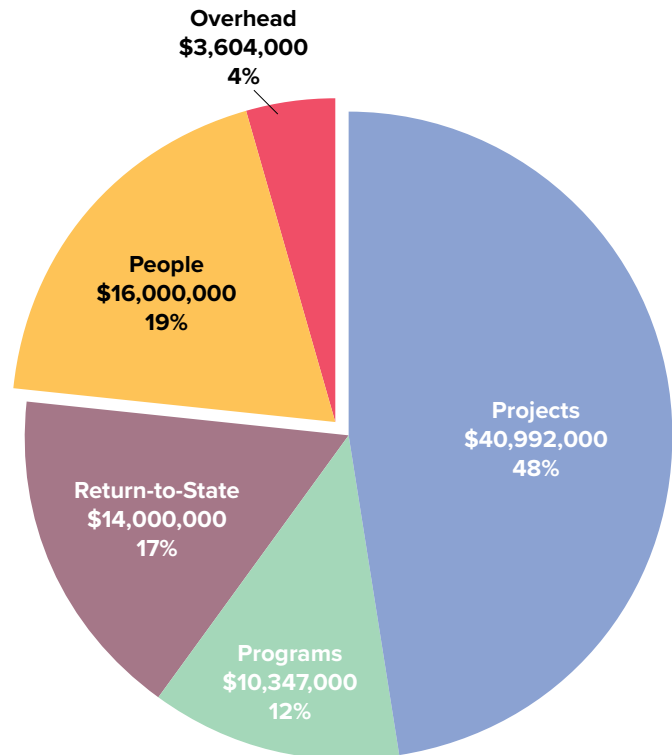
Support costs are not direct programs or projects but are necessary functions of NPB to execute those programs and projects, as well as maintain operations.

People: People costs include salaries, taxes and benefits.

Overhead: Overhead consists of expenses such as office rent, utilities, insurance, building equipment, grounds maintenance and telecommunications.

People and Overhead costs are budgeted for \$16.0M and \$3.60M, respectively.

People and Overhead



People and Overhead Costs

	2022 Forecast	2023 Budget	Variance
People	\$15,500,700	\$16,000,000	\$499,300
Overhead			
Depreciation	\$1,865,000	\$1,645,000	\$(220,000)
IT Systems, Services and Maintenance	\$650,000	\$725,000	\$75,000
Office Rent	\$504,980	\$507,175	\$2,195
Building Maintenance	\$226,020	\$285,000	\$58,980
Property and Casualty Insurance	\$145,000	\$125,000	\$(20,000)
Grounds Maintenance	\$40,000	\$75,000	\$35,000
Voice and Data Services	\$70,000	\$70,000	\$-
Utilities	\$68,425	\$68,425	\$-
Equipment and Maintenance	\$60,000	\$50,000	\$(10,000)
Leasing	\$25,000	\$25,000	\$-
Office Supplies	\$40,000	\$20,000	\$(20,000)
Domain Registrations	\$8,400	\$8,400	\$-
Total Overhead	\$3,702,825	\$3,604,000	\$(98,825)

VIII. RESERVES AND WORKING CAPITAL

Reserves ensure NPB can respond to industry needs as they arise. Reserves may not exceed one year's revenue, as outlined in the Pork Order. NPB maintains reserves in accordance with the Board policy to be able to execute on new or emerging strategic priorities or respond to an industry crisis, such as the 2020 COVID-related supply chain issues or a potential FAD outbreak, such as African swine fever (ASF). NPB classifies its reserves as designated or undesignated.

Designated Reserves

Designated reserves are approved by the Board for a specific, future purpose. Designating funds prioritizes projects but does not create a financial obligation at that time. When taking action to release funds from designation, the Board decides whether to budget the funds for use or simply release back into undesignated reserves for other potential use.

As part of the budget process, funding for three specific projects will be released from designated reserves: SHIC (\$2.5M), Real Pork Trust and Image (\$2.5M) and Soil Health (\$1.0M).

Undesignated Reserves

The balance of reserves not set aside for a specific purpose are considered undesignated reserves. These funds may be approved to address future emerging needs and priorities. The Board has set two reserve minimums: 1) an emergency reserve target of three months of operating expenses required unless a crisis is in place, and 2) an opportunity reserve target of three additional months of operating expenses (from two months, effective August 2022) that can be used in the event of an opportunity not previously budgeted to support the pork industry.

Working Capital

Working capital is a measure of an organization's liquidity and short-term financial health. Working capital is the net amount between current, liquid assets and current, short-term liabilities. It is the funds readily available to pay liabilities and continue operating, without divesting long-term, capitalized assets.

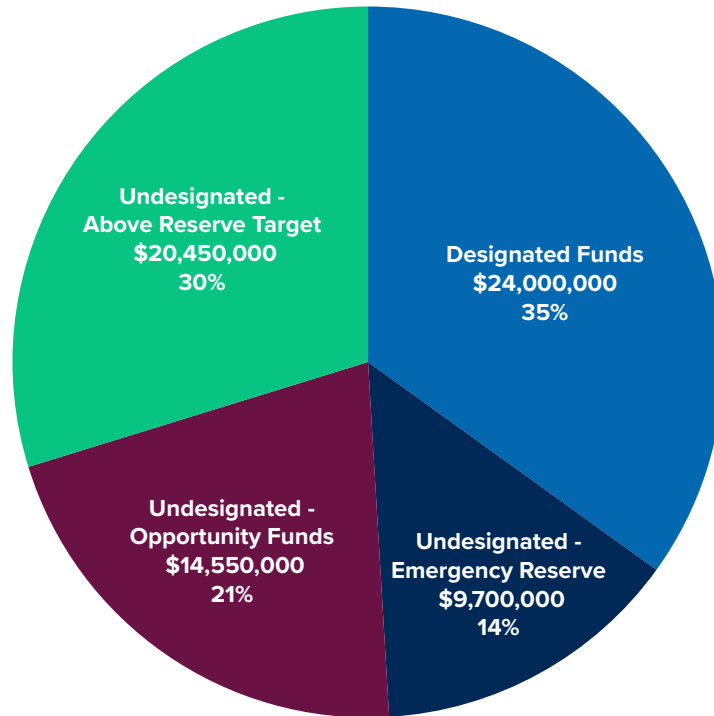
The 2023 Budget utilizes \$8.4M from reserves, \$6.0M of designated and \$2.4M of undesignated, carrying forward a working capital balance of \$68.1M. The working capital balance is composed of designated funds (\$18.0M), an emergency reserve (\$15.45M), an opportunity reserve (\$15.45M) and undesignated funds above the reserve target (\$19.2M), as set by Board policy. NPB is strategically deploying available resources above the emergency and opportunity reserve target to continue to add value to, and build trust in, the U.S. pork industry.

	June 2022 Actual*	2023 Budget**
Working Capital	\$68,700,000	\$68,100,000
Designated Funds	\$(24,000,000)	\$(18,000,000)
Undesignated Working Capital	\$44,700,000	\$50,100,000
Emergency Reserve Target	\$(9,700,000)	\$(15,450,000)
Opportunity Reserve Target	\$(14,550,000)	\$(15,450,000)
Working Capital Above Reserve Targets	\$20,450,000	\$19,200,000

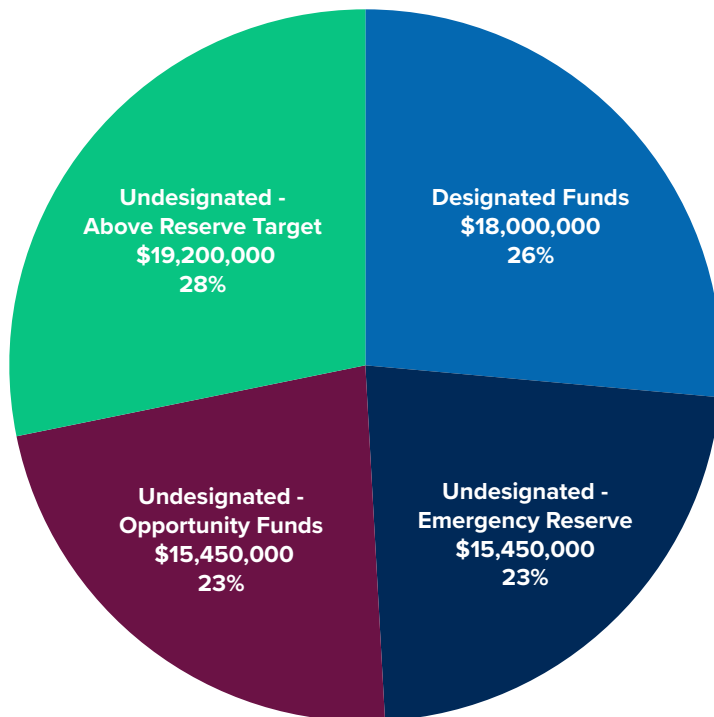
* Five months reserve target

** Six months reserve target

Working Capital - June 2022



Working Capital - 2023 Budget



1) Objective: Prevent and Prepare for Foreign Animal Diseases, like ASF

a. FAD Communications	\$350,000
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- | | |
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| b. AgView Development and Maintenance | \$3,550,000 |
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- | | |
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| c. Harmonize State and Federal Response Plans | \$750,000 |
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- | | |
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| d. FAD Preparation Guidance | \$300,000 |
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- | | |
|---------------------------------|------------------|
| e. Maximize Surveillance | \$200,000 |
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- | | |
|--|------------------|
| f. Development of U.S. Swine Health Improvement Plan (SHIP) | \$350,000 |
|--|------------------|

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g. Certainty for Indemnity

\$150,000

- i. **Scope of Work:** Ensuring a fair indemnity process for FADs of swine allows affected producers to receive fair market value for pigs that are depopulated to control foreign animal diseases of swine.
- ii. **Business Value:** Indemnity is vital to for providing direct compensation to pork producers ordered to depopulate herds by animal health officials.

h. Return to Trade

\$50,000

- i. **Scope of Work:** The resumption of commerce and trade is critical to limiting the economic losses to pork producers from trade limiting disease of swine.
- ii. **Business Value:** Domestic outbreaks of FADs, like ASF, can lead to devastating results for the industry. Granting access to information, like pig or semen movements, allows SAHOs to make accurate, risk-based decisions quicker in the event of an outbreak.

i. FAD Research

\$2,250,000

- i. **Scope of Work:** Conduct research addressing knowledge gaps needed to improve FAD prevention, detection, response and continuity of operation at the local, regional and national levels. It includes funding for depopulation and euthanasia research, which will build upon what has been learned from the 2022 FAD Research Depopulation Subgroup. The goal is to fund as many research projects as possible, while also providing funding for communications and producer education.
- ii. **Business Value:** Research funded addressing depopulation and disposal technologies, producer and plant biosecurity, FAD vaccines and FAD surveillance. This will benefit the industry overall with greater knowledge of how to perform euthanasia and depopulation. This will highlight multiple We Care® pillars including Our People and Animal Well-being.

j. Swine Health Information Center (SHIC)

\$2,500,000

- i. **Scope of Work:** Continued multi-year support of SHIC's efforts to protect and enhance the health of the U.S. swine herd through coordinated global disease monitoring, targeted research investments minimizing the impact of future disease threats and analysis of swine health data. **Specific projects are determined through SHIC's governing Board.**
- ii. **Business Value:** Protecting the health of the U.S. swine herd is a critical component to the success of the industry and central to the purpose of the Checkoff, as outlined in the Pork Act and Order.

2) Objective: International Market Development

OBJECTIVE TOTAL \$9,650,000 – 23%

a. U.S. Meat Export Federation (USMEF)

\$7,300,000

- i. **Scope of Work:** Strategic partnership with a market development organization to execute NPB's international market diversification and differentiation strategy. USMEF's core competency is building opportunity and creating value for U.S. red meat exports, including U.S. Pork, through an approved annual marketing plan with established metrics to enhance the volume and value of exported pork and pork products. USMEF is a collaborator with USDA's Foreign Agricultural Service, status for which obtains matching funds for promotional projects.
- ii. **Business Value:** NPB funding in the strategic partnership with USMEF for pork promotion projects are matched by USDA's FAS providing a 100% ROI. NPB will additionally evaluate trade data, specifically value/unit, as an overall metric of progress. They will continue to work with USMEF to determine the ROI of specific marketing initiatives and programs in international markets as a means of executing the NPB Global Growth Strategy and the overall performance for international market diversification and differentiation.

b. American Pork Export Trading Company (APEX)

\$2,000,000

- i. **Scope of Work:** Strategic partnership with APEX assists and aligns the USMEF Pork Unified Export Strategy (UES), enabling the pork industry to advance and coordinate trade policy and promotion objectives to maximize opportunity for U.S. pork exports. NPB invests Checkoff funds through our strategic partnership with APEX to provide research, monitoring and education to continue to maintain, build and diversify market access for U.S. pork through three focus areas:
 - 1. Safeguard existing export markets and expand trade focusing on market access by engaging industry and market experts for research and to educate NPB on market development and access issues to ensure competitive trade access for U.S. pork.
 - 2. Safeguard existing export markets and expand trade through a focus on non-tariff measures that can be a barrier to competitive trade.
 - 3. Monitor existing and potential markets for U.S. pork, providing NPB with market insight on potential trade barriers and opportunities.
- ii. **Business Value:** Derive new market opportunities for U.S. pork exports through defense, expansion and acquisition of market access. Success will be measured in number of markets accessible for U.S. pork promotion and value/unit.

c. International Market Producer Activation

\$280,000

- i. **Scope of Work:** The purpose of this project is to enable pork producer engagement, education and advocacy for the value of U.S. pork exports to the industry and how NPB's strategic investments and partnerships produce insights and drive opportunity to diversify markets for U.S. pork exports and differentiate U.S. Pork from pork of other origins. Producer input is key to development and execution of the global demand strategy for U.S. Pork.
- ii. **Business Value:** Activate pork producers with direct exposure to international marketing strategy, tactics and forums through engagement with strategic partnerships and in-country initiatives. This focus and engagement with international customers will build trust and lend credibility to the U.S. Pork brand and narrative. Producer insights gleaned from this activation will enable strong contribution towards the NPB Global Growth Strategy and in communicating ROI in international markets short- and long-term. Forums and initiatives may include, but are not limited to, USMEF annual meetings (Unified Export Strategy meeting, spring conference, fall strategic planning conference), IMD Task Force activities and in-market projects.

d. Acquire Economic and Process Support for Market Insights

\$70,000

- i. **Scope of Work:** Economic and insight resources will be obtained to capture market insights and dynamics. All assets provide valuable insights to the industry and drive the Global Growth Strategy for differentiating and diversifying market opportunities for U.S. Pork.
- ii. **Business Value:** Economic and market insights provide valuable information to the industry involved with U.S. Pork exporters (packers, traders and producers).

3) Objective: Real Pork Thought Leadership

OBJECTIVE TOTAL \$7,642,000 – 19%

a. Overcoming Consumer Barriers to Consumption

\$1,250,000

- i. **Scope of Work:** Using segmentation research, target specific segments of consumer to build and maintain relationships to enable content sharing through paid advertising, influencers and Mythbusting, reducing consumer barriers to consumption. Project includes budget for always-on paid advertising through Google (including YouTube), social paid partnerships with social influencers as appropriate to develop and share content as well as development of content to be deployed through social and digital channels.
- ii. **Business Value:** As many as one-third of consumers say they plan to or have reduced their consumption of pork due to barriers such as negative nutrition perceptions, safety concerns and ethical issues (e.g., environment/ animal welfare)¹ — alluding guilt among pork eaters, causing a drag on demand or limiting potential growth in volume/value. Project seeks to build on-going relationship with a targeted segment of consumers, meeting them where they are at, to enable meaningful engagement and reassurance around those barrier topics and pave the way for demand and value development.
 1. Pork Checkoff-funded Barriers Tracking Research, Consumer Online Poll, conducted by PSB, Wave 7, May 2021

b. Mythbusting

\$2,000,000

- i. **Scope of Work:** Develop and deploy additional Mythbusting content designed to reach more of our target “skeptical” audience more frequently and reduce barriers to consumption. Project includes content development, paid advertising, including over-the-top streaming and celebrity spokespeople as appropriate to endorse and/or deliver content.
- ii. **Business Value:** Content leverages success of the first round of Mythbusting programming — the Rural Dictionary — which demonstrated an ability to improve people’s feelings about the industry and intent to purchase by addressing barriers to consumption in an approachable, socially relevant way.

c. Thought Leadership and Reputation Management

\$1,500,000

- i. **Scope of Work:** Position the pork industry, through NPB subject matter experts, as thought leaders on critical topics consistent with the We Care® Ethical Principles. Project includes event sponsorships and communications support to position experts on stages reaching decision makers outside of the industry on issues such as animal care, environmental sustainability, public health and nutrition security. Reputation management efforts like regular media monitoring and proactive issues content/responses as well as media training for expert spokespeople will help address potential issues, (e.g., negative news, documentaries, anti-group activity) while thought leadership builds equity for industry on our values.
- ii. **Business Value:** There are many big stages with events and media coverage where agriculture is negatively positioned or not present at all. This leads to decision makers forming opinions about the industry and key topics based on erroneous or absent information. Project seeks to build share of voice for the pork industry among targeted, external decision maker audiences. At the same time, there are potential reputation-damaging issues and crises the industry must be prepared to proactively respond to. Project also seeks to reduce the amount of negative news and misinformation about pork and the pork industry as well as maintain consumer confidence through issues and crisis situations.

d. Real Pork Trust and Image

\$2,500,000

- i. **Scope of Work:** Positioning to develop credible communications and amplification of communication gaps to increase the reputation of pork among key decision makers and consumers.
- ii. **Business Value:** Positioning and amplifying communications gaps will help increase pork’s reputation among key decision makers and consumers to consider pork as a protein of choice by leveraging third-party influencers, strategic communications messages, and plans, and conducting research to address consumer questions.

e. Sponsoring Youth Shows

\$82,000

- i. **Scope of Work:** Opportunity to engage young pork producers and their families to serve as zealous advocates for pork.
- ii. **Business Value:** Create a pipeline for future talent in the industry as well as teaching them about the pork industry and Pork Checkoff so that these young people can be the future pork industry spokespeople.

f. State Operational Support Costs

\$210,000

- i. **Scope of Work:** Funds to support states in a different form than the traditional RTS, PASLWOCO, Grants. Examples would be to perform strategic planning for specific states. Funds would be granted on an ad hoc basis based on the circumstances on a specific process with objectivity.
- ii. **Business Value:** There is a separate itemized list of activities. Examples include assisting with strategic planning and hosting an annual meeting. There is a separate running list per state. Range varies from \$2,500 to \$34,500.

g. National/Regional State Meetings

\$100,000

- i. **Scope of Work:** Funds to support physically bringing states together to build the network of support. Examples include Oktoberfest or the gathering of the Western states.
- ii. **Business Value:** Number of meetings and attendees.

4) Objective: Sustainability and We Care®

OBJECTIVE TOTAL \$6,950,000 – 17%

a. WeCare Goals and Metric Implementation

\$3,000,000

- i. **Scope of Work:** Further development of the We Care® Application, including funding an IT business analyst contractor to manage the project. This includes hosting of website, communications, addition of the antibiotic's module, connecting existing data sources and additional educational information creation for producers related to GHG reduction practices and practice adoption. Timeline: Phase I (minimum viable product). Phase II (end of 2022 build 4 API with existing data sources, ABX module, trend analysis, fixes, hosting). Phase III (2023 - further APIs with existing data sources, feed data sources, weather tracking, and porkcares.org integration). Maintenance Phase (2024 and beyond maintenance and hosting).
- ii. **Business Value:** The longstanding We Care initiative provides the best way of defining the multiple facets of sustainability on today's pig farms with its six ethical principles. This project will provide the data to back the foundational proof points created throughout the previous two years. This information will inform the industry sustainability report. The collection of data into environmental, social and economic outcomes can be used by producers, state pork associations and by NPB to share the individual's or industry's story. The ROI will be to empower individual producers to utilize their data, NPB to share the continuous improvement story of the industry through marketing and sharing the sustainability report, promoting U.S. pork product by answering supply chain and consumer questions about how the animal was raised and processed.

b. Establish and Maintain Partnerships to Increase Data Capture Across Agriculture

\$1,850,000

- i. **Scope of Work:** This project builds and maintains partnerships through MOUs, research agreements, pilot projects, grants, etc. It includes continuing to provide sustainability reports to pork producers, with data connecting to the We Care App to show progress against the Goals and Metrics. It also includes development and expansion of partnerships with other commodities to reduce redundancy, share learnings and tie the feed footprint/improvements to the larger data collection process.

Timeline:

2022: producer reports, added tiered structure, pilots on feed and GHG practice estimates

2023: carbon program integration (possibly), producer reports, grant dollars expanding reach

2024: producer reports
- ii. **Business Value:** The continued partnership with SEC gathers, analyzes and reports producer production data to tackle NPB's need of collecting data from operations to populate the We Care App, while also giving producers a useful report to market their product or improvements. This project allows for the expansion of the program to include more acres and data in 2023 and improve the reports based on producer feedback. In addition, this project includes funding for collaborative partners to increase participation across the agriculture industry, improving the quality of the data and the producer's ability to utilize. The ROI is that producer data will be captured and analyzed for them to use with key decision makers or to make on-farm improvements. In addition, the data will be used by NPB and state pork associations. These partnerships also allow for easier data sharing, which helps producers share their story. For instance, work with ACAM, iFEEDER, MOU with Dairy/Corn/Soy and an MOU with Sorghum Checkoff will be used to increase the feed acres and sustainability improvements into the system.

c. Establish U.S. Pork as Global Leader in Sustainable Production

\$1,100,000

- i. **Scope of Work:** This includes projects in the following areas: One Health in the Swine Industry, Fecal Speciation Study.
- ii. **Business Value:** One Health includes continuing to support scientific discovery around antibiotic use and resistance while simultaneously hosting in-person and/or virtual One Health farm tours. NPB is working to protect producer freedom to operate and share the One Health, sustainability and responsible antibiotic use message to provide the proof points needed to earn and/or maintain public trust. Water quality is also on the radar for some states in the pork industry, and the Water Quality Fecal Speciation project involves designing a sampling methodology within impaired watersheds, which will help determine if impaired watersheds have fecal contributions from pig farms. The Our People Retention/Recruitment project will determine key ways to improve worker satisfaction, reduce job turnover and improve recruitment efforts, ultimately focusing on workplace sustainability and the Our People We Care Ethical Principle.

d. Soil Health Research

\$1,000,000

- i. **Scope of Work:** This is a five-year, multi-state study on the effect of manure application on soil health and structure. Because data will be collected for five years, the time-period reflected for the budget is six years. States have seen immense value in this project as evidenced by an expansion of the project to 17 states.
- ii. **Business Value:** The soil health project goes directly to producers' freedom to operate. It will benefit the industry by positioning the benefits of swine manure as part of the climate change solution, providing measured effects on soil health and water quality. Soil health relates to nutrient and water holding capacity and soil loss. Study results will include the change in water holding capacity of soils, relating to how the industry can be a solution to nutrient runoff into water. In addition, the study will identify water quality improvements created through improved soil health, which will provide a measurable nutrient reduction quantity supporting healthier watersheds and nutrient trading market access. Soil loss relates to watershed health and water quality as a transport mechanism for nutrients. Improved soil health may also reduce the quantity of fertilizer needed to meet plant demands, reducing the cost of fertilizer required.

5) Objective: Domestic Market Development

OBJECTIVE TOTAL \$4,000,000 – 10%

a. Ground Pork Expansion

\$150,000

- i. **Scope of Work:** Continue to support relocation of plant-based out of red meat area and expansion of ground pork to becoming a preferred ingredient in grinds set, with at least two fat/lean offerings in each retailer. NPB shall communicate results to producers and stakeholders. They will consider budgeting seed money by partnering with packers to execute and expecting packer/retailer contribution to match NPB contributions.
- ii. **Business Value:** Ground pork expansion will gain pork's fair share across majority of retailers ensuring ground is an everyday item, while moving more volume of pork throughout the industry supply chain.

b. Pork Category E-commerce Strategy

\$150,000

- i. **Scope of Work:** NPB will develop an industry/category strategy for pork and the way it is sold, positioned and supported in the e-commerce channel. They will focus on retailer e-commerce, breaking through with third-party providers (Instacart) and development of a FS strategy (restaurant apps, third parties like DoorDash). NPB will roll out test-and-learns to prove with proper thinking, approach, support and promotion that pork can experience growth in e-commerce channel. NPB will include budget to support communicating the results of the strategy work and test-and-learns. They will consider budgeting seed money by partnering with packers to execute and expecting packer/retailer contribution to match contributions.
- ii. **Business Value:** These efforts will make pork accessible and understandable to younger consumers, like Millennials and Gen Z. They will ensure pork is where consumers are shopping and making purchase decisions, while competing with other alternatives. A ROI report will be available after key test-and-learn projects.

c. Research and Data Insight Patterns

\$2,700,000

- i. **Scope of Work:** Research and data / insights partners enabling NPB to understand where U.S. consumers are (attitudes, behaviors, preferences) and where pork's biggest opportunities, strengths and weaknesses/threats are today and in the future.
- ii. **Business Value:** All data, research and insights leveraged into external thought leadership and / or used to support specific projects with key stakeholders. Large areas of understanding include: pork's performance, consumer perception vs other proteins, foodservice volume, nutrition and sustainability, barriers tracking and overall consumption trends. This is the secret sauce of the NPB's B2B strategy.

d. Food Chain Outreach and Engagement

\$1,000,000

- i. **Scope of Work:** Focus on activating work with downstream value chain partners to trigger opportunities to drive current and future demand of pork. This will include multicultural, ground pork, e-commerce and account level pilots and engagement, bringing focus and opportunity to pork and elevating specific areas of pork's story - sustainability, nutrition, viability, versatility and consumer acceptance. NPB will continue to leverage the research and insights with multicultural consumers/retailer/foodservice industry learnings to overcome the biggest obstacles to future consumption.
- ii. **Business Value:** Pilot and in-market test-and-learn projects have the greatest opportunity to influence growth. Specifically, finding ways into the packer, retailer and foodservice sector to increase the opportunity and value of pork in the supply chain. This is based on 10 executions across retail and foodservice at \$50K each, and \$500K to further develop multicultural-relevant positioning of pork and pork products with downstream brands.

6) Objective: Human Nutrition

OBJECTIVE TOTAL \$1,500,000 – 4%

a. Health and Wellness

\$1,500,000

- i. **Scope of Work:** The global food system is transforming. Health and wellness – of people and the planet – is the global market force driving this change. Through research, NPB seeks to place pork at the center of human nutrition as the most culturally-applicable protein, delivering a sustainable source of nutritional value across life stages to the widest range of cultures and socio-economic levels – both in its unique nutrient profile and ability to promote the inclusion of fruits, vegetables and whole grains in healthy eating patterns.
- ii. **Business Value:** As identified by the 2021 Human Nutrition Task Force, through an extensive landscape and competitive analysis, the following was discovered. Consumers have ingrained beliefs that pork is unhealthy. The research community believes pork is not innovative. Key opinion leaders believe ag is defensive and reactive. Pork gets more negative health coverage in the media than positive. NPB can fundamentally change the way that people think about pork by generating scientific evidence that can help fuel a pipeline of “good news” about the benefits of pork in a healthful diet to help subvert people’s rooted beliefs about pork. In addition, the body of evidence also informs dietary guidance, health professional recommendations and allows for a thought-leadership exchange on the most relevant topics. While this is a long-term play, here is how NPB will begin to measure impact:
 1. Increase the top two box score as a trusted resource for human nutrition research among key opinion leaders by 5% over 2022 baseline.
 2. Grow NPB’s network of influence by identifying the top 100 KOL’s in nutrition science and related fields to initiate an on-going thought leadership exchange by regularly communicating latest research results and nurturing those relationships through 1:1 deskside visits.
 3. Increase awareness of the NPB human nutrition research program, outreach of the open request for proposals and dissemination of research by reaching 200K researchers with program communications.
 4. Grow pork’s presence in federal nutrition program education, outreach, and redemption once the 2022 baseline is established.

7) Operational Excellence

OBJECTIVE TOTAL \$800,000 – 2%

a. LMS to Salesforce

\$175,000

- i. **Scope of Work:** Shifting the LMS (Learning Management System that manages the certification programs for PQA/TQA) to route producer contact and certification records from the old CRM into the One Force.
- ii. **Business Value:** Currently, with the LMS/old CRM and Salesforce both operating, there is no one source of truth when it comes to producer records. Making Salesforce primary will provide many benefits across the organization, including streamlining of processes, more accurate information, less producer errors and more targeted communications.

b. RPM and FF Integration and Implementation

\$50,000

- i. **Scope of Work:** NPB will integrate and implement new research processes and governance best practices identified by leveraging the capabilities of Financial Force to enhance our current way of managing research with the best of project management. While the initial launch occurred in 2022, there will be opportunities to improve and enhance processes in 2023.
- ii. **Business Value:** Combining a new process of managing research with Financial Force will provide NPB the source of truth for all work (including research). This allows leadership and the Board the ability to make sound business decisions on research.

c. Dues and Subscriptions

\$75,000

- i. **Scope of Work:** The continual subscription to Animal Ag Alliance, Sustainability Consortium, See It - Stop It, Swine Health and Production, International Marketing (Global AgriTrends, Gira, etc.), Management Oversight and various accounting and finance publications.
- ii. **Business Value:** NPB's participation in these organizations ensures the voice of the producer is represented. In doing so, it reduces the likelihood NPB decides or advances a project not aligning with industry value. It also ensures NPB staff are well informed of industry issues as they arise.

d. Sponsorships and Memberships

\$50,000

- i. **Scope of Work:** Sustainable Agriculture Summit, Gene Editing, Management Oversight (AgriPulse, 21st Century Strategic Forums, Center for Food Integrity, International Meat Secretariat, etc.)
- ii. **Business Value:** NPB's participation in these organizations ensures the voice of the producer is represented. In doing so, it reduces the likelihood NPB decides or advances a project not aligning with industry value. It also ensures NPB staff are well informed of industry issues as they arise.

e. Risk Management

\$450,000

- i. **Scope of Work:** NPB leverages CME Lean Hogs Put Options for insurance, buying and selling these options on a pre-defined schedule, to offset risk to Checkoff revenue from major unforeseen black swan events like a FAD entering the U.S. or socioeconomic event impacting demand for pork globally.
- ii. **Business Value:** These CME Lean Hogs Put Options would likely offset over \$5M in Checkoff revenue in a major market downturn. These dollars would be used to fund on-going NPB operations or towards a specific project(s) approved by the Board of Directors.