

2022 Financial Summary

NATIONAL PORK BOARD — COMPARATIVE INCOME STATEMENT

For the Period Ending December 31, 2022

REVENUE	2022 Original Budget	2022 Adjusted Budget	2022 Year-End	VARIANCE
Checkoff	85,000,000	99,200,000	109,486,785	10,286,785
Interest Income	400,000	300,000	409,320	109,320
Other	100,000	400,000	674,423	274,423
Total REVENUE	\$85,500,000	\$99,900,000	\$110,570,528	\$10,670,528
PROJECTS				
Prevent & Prepare FAD / ASF	9,012,000	6,952,000	6,035,370	(916,630)
Build Trust & Add Value Through a Positive Image of US Pork	8,320,000	7,382,500	7,943,068	560,568
Diversify International Portfolio	9,295,000	9,295,000	9,277,845	(17,155)
Establish US Pork as the Global Leader in Sustainable Agriculture	6,875,000	7,475,000	7,846,004	371,004
Strengthen Grassroots Engagement	4,092,000	3,977,020	4,072,106	95,086
Operational Excellence	2,157,000	2,565,500	886,422	(1,679,078)
Total PROJECTS	\$39,751,000	\$37,647,020	\$36,060,815	\$(1,586,205)
Programs	12,008,500	16,890,785	17,735,112	844,327
Operations	17,090,500	11,185,195	9,293,963	(1,891,232)
Supplementals	—	16,587,000	12,249,131	(4,337,869)
Total NATIONAL SPENDING	\$68,850,000	\$82,310,000	\$75,339,020	\$(6,970,980)
Return to States	16,150,000	18,848,000	19,798,099	950,099
Total Operating Expenses	\$85,000,000	\$101,158,000	\$95,137,119	\$(6,020,881)
Impact to RESERVES	\$500,000	\$(1,258,000)	\$15,433,409	\$16,691,409
RESERVES				
Impact to Reserves	\$500,000	\$(1,258,000)	\$15,433,409	\$16,691,409
Designated Reserves	24,950,000	24,000,000	37,645,000	13,645,000
Undesignated Reserves	50,922,510	50,922,510	37,277,510	(13,645,000)
ENDING BALANCE	\$76,372,510	\$73,664,510	\$90,355,919	\$16,691,409

EXECUTIVE SUMMARY

A. The National Pork Board – The Business

The National Pork Board (NPB), established by the Pork Promotion, Research and Consumer Information Act of 1985 (Pork Act), is responsible for collecting and investing the Pork Checkoff. In accordance with the Pork Act, an assessment is to be paid by producers on the sale of each live hog at a rate of 35 cents per \$100 of value, effective Jan. 1, 2023, down from 40 cents. Importers of live hogs and pork products are also subject to Checkoff assessments. NPB invests these funds on behalf of the U.S. pork industry in promotion, research and consumer information programs.

A 15-member Board of Directors (Board) oversees NPB and the 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.

B. Checkoff Rate Reduction

The Final Rule to implement the Pork Checkoff rate change has been published in the Federal Register (7 CFR Part 1230; Doc. No. AMS-LP-22-0032) following the action of the delegate body at Pork Forum in March 2022. The rate change to 35 cents per \$100 of value went into effect Jan. 1, 2023. Strategy and budgeting are reflective of this 12.5% reduction in revenue potential.

DESIGNATED RESERVES BEING DEPLOYED FOR STRATEGIC INDUSTRY PROJECTS

NPB is strategically designating significant funds for future deployment to meet industry needs.

Released from Designation and Deployed in 2022

- Swine Health Information Center (SHIC) – \$2,500,000
- Real Pork Trust and Image – \$2,500,000
- Real Pork Multicultural – \$2,100,000
- Real Pork Mythbusting – \$1,250,000
- Real Pork Human Nutrition – \$950,000
- National Retail Meat Case Study – \$500,000

DESIGNATED AS OF DEC. 31, 2022 FOR FUTURE DEPLOYMENT

SHIC – \$10,000,000

Checkoff funds will support the Swine Health Information Center (SHIC) for six years based on a series of milestones starting Dec. 31, 2021, for a total commitment of \$15M.

Real Pork Trust and Image – \$10,895,000

The five-year initiative will use third-party communication and specialized research to enhance the industry’s freedom to operate, address barriers around the topics environment and public health, and address misinformation widely circulated among influencers and decision makers.

Soil Health Research – \$1,500,000

A five-year, multi-state study will measure health and structure changes in soil after manure application. The metrics include quantification of soil erosion, organic matter, water holding capacity and carbon sequestration.

Human Nutrition – \$15,250,000

Changing beliefs is accomplished through three long-term pillars: science, the story and endorsements. NPB is grounded in research and facts about the good news of pork. This translates to the story and how NPB, and the industry, can connect with people to share values and beliefs of a nutritious product surrounded by friends, family and laughter. The endorsement develops community around the product. NPB protects pork’s place on the plate by meeting with health professionals, understanding their beliefs and arming third-party advocates with data. (Designated funds are in addition to \$1,500,000 allocated in each of 2023 and 2024 budgets)

Working Capital balance as of Dec. 31, 2022	\$63,477,896	Working Capital Balance \$63,477,896
Human Nutrition	(\$15,250,000)	
Real Pork Trust and Image	(\$10,895,000)	
SHIC	(\$10,000,000)	
Soil Health Research	(\$1,500,000)	
Designated Reserves Total	(\$37,645,000)	Designated Reserves \$37,645,000
Undesignated Working Capital	\$25,832,896	Undesignated Working Capital \$25,832,896

Adjusted Working Capital Reserve Calculations (Table WC.1):	
2022 NPB Current Assets	\$ 80.3M
Less: 2022 NPB Current Liabilities	\$ (16.8M)
2022 NPB Working Capital	\$ 63.5M
Less: 2023 Designated Reserves (as listed above)	\$ (37.6M)
Less: Emergency Reserve (as set by Board of Directors)	\$ (14.6M)
2022 Ending Working Capital above Reserve Target	\$ 11.4M

Explanation for Table WC.1:

As stated above, Working Capital is calculated by taking current assets and subtracting current liabilities. NPB’s working capital balance calculated in December 2022 is \$63.5M after subtracting the designated funds balance, NPB’s Undesignated Working Capital balance is \$25.8M. This \$25.8M is \$11.4M above the emergency reserve target of \$14.6M, as set by the Board. As displayed in this graphic, NPB has a large working capital balance and is strategically deploying available resources above the emergency reserve floor to continue to add value for, and build trust in, the U.S. pork industry.

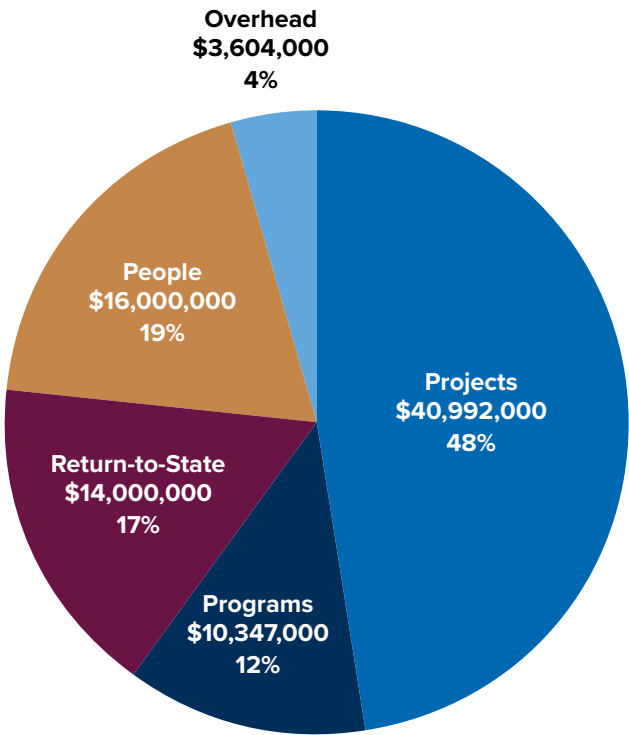
BUDGET PROCESS AND INPUTS

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
NPB Board of Directors	Allied Industry	

2023 OVERALL PROPOSED SPENDING

\$84,943,000



2023 PROJECT SPENDING BY OBJECTIVES

\$40,992,000

