Consumer Insights

Market Research & Intelligence Team
Rick Husted, Alison Krebs, Colleen Moore, Shawn Darcy
STATE OF THE BEEF INDUSTRY

January 31, 2018
Goal: Position Beef as the Top Protein

How: “Beef. It’s What’s For Dinner.” Brand
STATE OF THE BEEF INDUSTRY

REINTRODUCING THE BEEF BRAND

Urgent action is needed to rescue the beef industry. The lack of future thinking and persistent overstocking has led to industry-wide problems. Over the past two years, the beef industry has been struggling to adapt and find new markets. This has led to a decrease in cattle numbers and a reduction in the overall supply of beef. As a result, the price of beef has been on the rise, putting pressure on consumers. However, there is hope for the future. The Beef Industry Council has announced plans to rebrand the beef industry and create a new market for beef products. This includes the development of new and innovative products, such as beef jerky and beef salad. Additionally, the industry is working to address the supply chain issues and improve efficiency. With these changes, the beef industry can be saved and thrive in the future. 
AGENDA

1. NEAR-TERM BEEF SUPPLY SITUATION
2. U.S. ECONOMIC OUTLOOK
3. BEEF PERFORMANCE IN THE MARKETPLACE
   CONSUMER ATTITUDES & BEHAVIORS ABOUT BEEF
4. HOW THE DIGITAL EXPLOSION IS HELPING TO INSPIRE BEEF TRIAL AND USAGE
5. THE NEW Beef. It’s What’s For Dinner. BRAND
THE NEAR-TERM BEEF SUPPLY SITUATION
Herd expansion is fueling increased beef consumption. Consumers are projected to consume 7.8% more beef in 2018 than in 2015.

Source: USDA, CattleFax
Moderate economic growth is projected to continue. Wages and employment are supportive; investment remains a question mark.
CONSUMER ATTITUDES AND BEHAVIORS ABOUT BEEF
A higher share of beef continues to be sold into foodservice. Price competitiveness at retail has narrowed the gap.

Research Sources:
- Scanner data from grocery stores (IRI)
- Foodservice Volumetric ... annual study of purchases

The balance of saleable beef pounds by channel (e.g. 7% in 2017) is unknown.

Source: USDA; 2017 Foodservice Volumetric Study, Technomic; IRI/Freshlook, Total US MULO ending 11/26/17, Categorized by VMMeat System
The Business Case for Beef

Grocery and Beef
• Differentiated beef offering
• **Bigger shopping carts**
• Total meat case revenues

Foodservice and Beef
• #1 food by wholesale dollars
• **Gross profit dollars ... dish and meal**
• **Add-on sales**

Research Source:
• Panel data (IRI)

Research Source:
• Chef and Beef Value Study (Datassential)
The Beef Cart

Carts with beef produce 44% more sales across the store than carts with chicken

2017 was a good year for beef at retail. Higher volumes with moderate price declines reflect strong demand.

Source: IRI/Freshlook, Total US MULO ending 12/31/17; Categorized by VMMeat System
Supermarket Foodservice: Beef sales had the highest 2-year growth rate amongst animal proteins. Unit sales outgrew dollar sales.

Note: Animal protein totals exclude Mexican and Asian items; sales of these products are tracked separately.

Source: IRI/Freshlook, Total US MULO, 52-weeks ending 6/14/15 and 6/11/17

How can this be?
- Item prices are down
- Unit size has decreased
- Sales have shifted to less expensive items
Beef meal profit dollars are also greater due to more add-ons, which leads to a larger check size.

<table>
<thead>
<tr>
<th>Protein</th>
<th>Add-On Revenue</th>
<th>Check Size</th>
<th>Meal Profit</th>
<th>Meal Food Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>$17.33</td>
<td>$45.42</td>
<td>$31.77</td>
<td>30%</td>
</tr>
<tr>
<td>Fish</td>
<td>$16.06</td>
<td>$38.20</td>
<td>$28.31</td>
<td>26%</td>
</tr>
<tr>
<td>Poultry</td>
<td>$14.48</td>
<td>$31.92</td>
<td>$23.28</td>
<td>27%</td>
</tr>
<tr>
<td>Chicken</td>
<td>$11.97</td>
<td>$28.22</td>
<td>$20.84</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Chef & Beef Value Study 2016
Beef volume at foodservice rebounded sharply in 2017, despite the challenging year for restaurants.

Pounds Change
In M Lbs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Pounds</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8,072</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2014</td>
<td>7,920</td>
<td>-2.3%</td>
</tr>
<tr>
<td>2015</td>
<td>7,737</td>
<td>-1.0%</td>
</tr>
<tr>
<td>2016</td>
<td>7,816</td>
<td>+1.0%</td>
</tr>
<tr>
<td>2017</td>
<td>8,037</td>
<td>+2.8%</td>
</tr>
</tbody>
</table>

Pounds Change 17 v. 16:
221 Million Lbs.

- Ground Beef: +2.8% (+221 M lbs)
- Roasts: +1.0% (+79 M lbs)
- Ribs: -2.3% (-183 M lbs)
- Pre-Cut Steaks: +1.0% (+79 M lbs)
- Pre-Cooked Roast: +2.8% (+221 M lbs)
- Other Beef: -1.0% (-10 M lbs)

*At the operator purchase, or distributor sales level. Dollar value calculations based on September pricing for each representative year. Source: 2017 Beef at Foodservice Volumetric Study, Technomic, Inc.*
The importance of steak on the menu: Steak...

- 53%: Drives check average (new)
- 45%: Increases traffic (+11)
- 45%: Can make a successful LTO (+15)
- 38%: Brings in bigger parties (+13)
- 28%: Eliminates the “veto vote” (+10)

Source: 2017 Beef at Foodservice Volumetric Study, Technomic, Inc.
Ground Beef accounts for 2 of every 5 eatings. Burgers and steak each account for another 1/5th of beef eatings.

Components of Total Beef Definition
(In-Home/Carried)
Share of Eatings (%)

- Burgers: 21%
- Steak: 18%
- Ground: 41%
- Roasts: 9%
- Other: 11%

These numbers have remained unchanged over the last few years.

Source: The NPD Group/National Eating Trends®, 2 years ending Aug 2017
Data: In-Home & Carried From Home
Millennial Beef eatings (AEPC) increase by 11% with kids

### Beef and Millennials: Annual Eatings per Capita (AEPC)

<table>
<thead>
<tr>
<th></th>
<th>Mill. w/o Kids</th>
<th>Mill. w/ Kids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Away from Home</td>
<td>51</td>
<td>52</td>
</tr>
<tr>
<td>In-Home/Carried-from-Home</td>
<td>90</td>
<td>104</td>
</tr>
<tr>
<td>Total</td>
<td>141</td>
<td>156</td>
</tr>
</tbody>
</table>

**Consumption change is primarily driven by adding Ground vs. switching types**

### Millennial Beef AEPC by Child Status & Beef Type (In-Home & Carried-from-Home)

- **Ground**
  - Millennials w/o Kids: 30
  - Millennials w/ Kids: 40
- **Burger**
  - Millennials w/o Kids: 20
  - Millennials w/ Kids: 25
- **Steak**
  - Millennials w/o Kids: 15
  - Millennials w/ Kids: 20
- **Roast**
  - Millennials w/o Kids: 5
  - Millennials w/ Kids: 10
- **Other**
  - Millennials w/o Kids: 5
  - Millennials w/ Kids: 10

Source: The NPD Group/National Eating Trends®; 1 year rolling ending in Aug 2017

Data: In-Home & Carried From Home

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CONSUMER BEEF INDEX BUCKETS - 2017

BEEF

Positive Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>74%</td>
<td>75%</td>
<td>74%</td>
<td>78%</td>
</tr>
<tr>
<td>2017</td>
<td>78%</td>
<td>81%</td>
<td>78%</td>
<td>78%</td>
</tr>
</tbody>
</table>

Negative Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16%</td>
<td>6%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>2017</td>
<td>6%</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

CHICKEN

Positive Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>44%</td>
<td>47%</td>
<td>91%</td>
<td>44%</td>
</tr>
<tr>
<td>2017</td>
<td>74%</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
</tr>
</tbody>
</table>

Negative Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16%</td>
<td>6%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>2017</td>
<td>6%</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

PORK

Positive Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>48%</td>
<td>27%</td>
<td>48%</td>
<td>75%</td>
</tr>
<tr>
<td>2017</td>
<td>74%</td>
<td>72%</td>
<td>75%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Negative Views

<table>
<thead>
<tr>
<th>Year</th>
<th>Bucket 1</th>
<th>Bucket 2</th>
<th>Bucket 3</th>
<th>Bucket 4</th>
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<td>3%</td>
</tr>
<tr>
<td>2017</td>
<td>6%</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Consumer Beef Index July 2017
STEAK SATISFACTION

STEAK & CHICKEN TRENDS

% Rating Meal either a 4 or 5 Star experience - January 2018

- Steak (A) 91%
- Chicken Breast (B) 86%

Jan '17 Mar '17 May '17 Jul '17 Sept '17 Nov '17 Jan '18
86% 89% 90% 92% 84% 89% 91%

**Q2-3.** How satisfying was this beef steak/chicken eating experience? (1 – 5 stars)

**AB:** Significantly higher than protein noted
TOP REASONS – TOP 2 BOX

14% Enjoy/prefer the taste of beef

Quick and easy prepare

Adding protein to your diet

Better availability of the cuts you like

Stores are selling beef at a great price

Learned new ways to prepare beef

Source: Consumer Beef Index July 2017
### PLAN TO EAT LESS BEEF

#### REASONS WITH GROWTH – TOP 2 BOX

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other meats just seem healthier</td>
<td>55%</td>
<td>67%</td>
<td>+12</td>
</tr>
<tr>
<td>Cutting back for health reasons</td>
<td>55%</td>
<td>66%</td>
<td>+11</td>
</tr>
<tr>
<td>Trying to eat more plant-based protein</td>
<td>39%</td>
<td>56%</td>
<td>+14</td>
</tr>
<tr>
<td>Concern about “factory/industrial farming”</td>
<td>35%</td>
<td>54%</td>
<td>+19</td>
</tr>
<tr>
<td>A family member wants to eat less beef</td>
<td>20%</td>
<td>40%</td>
<td>+20</td>
</tr>
</tbody>
</table>

Source: Consumer Beef Index July 2017
THREE foods you think are the BEST sources of protein

Source: Protein Toluna Quick Survey – July 26-27, 2017; N=1190
MEAT PRODUCTION PERCEPTIONS

Q.21/22/22a: Thinking specifically about how **cattle/chickens/hogs** are raised for food in the U.S., do you believe...

Source: 2017 Consumer Image Index
KNOWLEDGE ABOUT HOW ANIMALS ARE RAISED

Q.15: Please indicate how knowledgeable you are about each of the following...

Source: 2017 Consumer Image Index
TRUST MEASURE

Beef Industry Trust

Those who trust (top 4 box) that Beef...

- You eat is healthy: 48%
- Is doing everything they can to make beef safe: 45%
- Uses sustainable practices: 40%
- Treats animals humanely: 38%
- Uses hormones responsibly: 36%
- Uses antibiotics responsibly: 36%

Q.27a. On a scale of 0 to 10, where 0 is ‘do not trust at all’ and 10 is ‘completely trust’, how would you rate your trust that the ...?

Source: 2017 Consumer Image Index
<table>
<thead>
<tr>
<th>Concern</th>
<th>% Concerned Unaided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment of cattle</td>
<td>33%</td>
</tr>
<tr>
<td>Tainted/Safety</td>
<td>12%</td>
</tr>
<tr>
<td>Hormones</td>
<td>10%</td>
</tr>
<tr>
<td>Antibiotics</td>
<td>9%</td>
</tr>
<tr>
<td>Antibiotic Resistance</td>
<td>7%</td>
</tr>
<tr>
<td>Environment</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: 2017 Consumer Image Index
OVERALL CONCERN LEVELS

Antibiotic Use
- Unaided: 8% (2014), 9% (2015), 9% (2016), 9% (2017)

Hormones

Environmental Sustainability

Source: 2017 Consumer Image Index
ALTERNATIVES TO MEAT MEALS

Frequency Of Choosing To Avoid Eating Meat

- YES: 28%
- NO: 72%
- 18% Almost Weekly
- 10% Less Often

Participation In Meat Reduction Programs

- NO: 89%
- YES: 11%

Source: Consumer Image Index 2017
REASONS AVOIDING MEAT MEALS

Production Related Reasons: 62%
Health Reasons: 46%
Production and Health Reasons: 26%
Doesn't Fit Budget: 11%
Not Socially Acceptable: 6%

Source: Consumer Image Index 2017
REPLACING MEAT MEALS

- Salads: 66%
- Grain Based: 55%
- Veggie/Mushroom: 53%
- Pizza w/o Meat: 47%
- Favorite Dishes w/o Meat: 39%
- Egg Dishes: 39%
- Sandwiches/Wraps w/o Meat: 32%
- Nuts: 30%
- Smoothies, Shakes or Protein drinks: 25%
- Favorite dishes w/Meat Substitute: 25%
- Meat Substitute Patties or Crumbles: 23%
- Protein or Energy Bar: 20%
- Dairy Dishes: 18%

Source: Consumer Image Index 2017
HOW THE DIGITAL EXPLOSION IS HELPING INSPIRE BEEF
Mobile (smartphone + tablet) makes up 2/3 of all time spent online and has doubled time spent online over the past 3 years.

**Share of Digital Time**

- **Smartphone**: 57%
- **Tablet**: 9%
- **Desktop**: 34%

**AVG. 3 HRS Per Day On Mobile/Tablet Device**

Source: comScore Media Metrix Multi-Platform and Mobile Metrix, U.S., June 2017
Social media and video viewing are the two most popular online activities, together accounting for more than a third of all internet time.
Supported by Research

Over 7000+ consumers interviewed – including over 200 in-depth interviews, online forums and focus groups across 7 cities
Brand Journey Unveilings

BIWFD Equity

Logo Investigation
1. Ending and voice are strong equities

2. People intrigued to learn who is behind message

3. The website helped bring cohesiveness to the brand

4. Overall very positive. Lets remind them of who we are.
BIWFD is powerful, and can communicate many key messages

A powerful declarative statement

Associated this with the people behind beef
Website Usability Research

- 20 total in-depth interviews
- Desktop and Mobile
- Monitor Reactions and Visitation

Source: Website Usability Assessment September 2017
Website Usability Research

People easily and intuitively found content

Visitors also have improved perceptions of beef

No major usability issues or ‘red flags’ found

This research identified only a handful of minor items which were largely addressed between sessions and found to have remedied the original issues

Source: Website Usability Assessment September 2017
Rethink the Ranch – Anthem Video

Delivers on key strategic objectives

Outgoing Perception
(Post-exposure)

Strongly Positive 51% ▲ (+14)

Somewhat Positive 35% (-6)

Somewhat Negative 11% (-7)

Strongly Negative 4% (-1)

New News 80%
Importance 79%
Feel Better 79%
People are Credible 78%
Think Differently About Ranching 77%
Trust the People 76%
Find out More 76%
Would Share 73%

Source: Rethink the Ranch Video Assessment
Rethink the Ranch – Anthem Video
Strong emotion generated...

Source: Rethink the Ranch Video Assessment
Rethink the Ranch – Anthem Video
Something for everyone…
Rethink the Ranch – Anthem Video
Scene by Scene analysis cont’d…

Technology scene

The nutrition and “happy cattle” scenes

The family scenes are a great way to finish on a high note

No identifiable spikes in disinterest
Rethink the Ranch – Anthem Video

I like the video because it has cool camera shots and a good story line.

The cow looks so happy and well taken care of. This makes me feel good about supporting farmers and about the food that I eat.

Gives farmers a good image. Smart uses of technology is a plus. Many hands making sure the product is made safely.

It shows that today's cattle are humanly treated and fed a healthy diet.

I liked the imagery, the message, and the humor.

It changed my view on cattle raising and processing. It made me feel better about beef in general.

The video wasn't just about cows; it was about the people who'd involved in this process.

It shows how farmers and ranchers take care of their livestock and the land while feeding the world.

believe that the video was well thought out and put together, I didn't realize that farmers used such technology to help them, I enjoyed the video and it makes me more aware of the sense of beef from ranch to plate.

Source: Rethink the Ranch Video Assessment
360 Video Intercepts
November 10 – 12, 2017

• 122 Total Surveys
  • Employees, General Audience and Family Days

• 85 Discussion Intercepts
  • Brief discussions with willing participants.
My Experience Was... 10 - Awesome

8+ Rating

- 75%

Will do again in the future?

- 94%
In one to two words describe your experience...
Consumer Insights

Market Research & Intelligence Team
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