Consumer Insights

July 31, 2019
Consumer Insights

1. Introduction
2. Beef Demand and Consumption
3. Beef Drives Retail Sales
4. Consumer Landscape
5. Consumers and BQA
6. Meat Subs
Introduction
Goal: Position Beef As The Top Protein

How:
Maintain focus on People, Protein, Pleasure.

Through:

BEEF.
IT’S WHAT’S FOR DINNER.
Is My #1 Protein Choice

Proteins Ranked #1

Among Non-vegetarians

Consumer Source: Consumer Beef Tracker July 2018-June 2019
Annual Diets Trending

% of Total With the Following Diets

Source 2007-2017 Consumer Beef Index Data; 2018 and on Consumer Beef Tracker
Due to different panels and surveys definitions, the diets listed and the sample have slight variations
BEEF IS GREAT TASTING – BROAD TARGET

Average Rating

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sep</th>
<th>Oct-Dec</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware of BIWFD</td>
<td>85</td>
<td>86</td>
<td>85</td>
<td>87</td>
</tr>
<tr>
<td>Broad Target</td>
<td>82</td>
<td>81</td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td>BIWFD BT Aware</td>
<td>79</td>
<td>78</td>
<td>76</td>
<td>81</td>
</tr>
<tr>
<td>BIWFD BT Unaware</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consumer Source: Consumer Beef Tracker
I TRUST THE PEOPLE THAT RAISE BEEF - BT

Average Rating

<table>
<thead>
<tr>
<th>JU-L-SEP</th>
<th>OCT-DEC</th>
<th>JAN-MAR</th>
<th>APR-JUN</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>62</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>59</td>
<td>60</td>
<td>61</td>
<td>63</td>
</tr>
<tr>
<td>57</td>
<td></td>
<td>58</td>
<td></td>
</tr>
</tbody>
</table>

Aware of BIWFD

Unaware of BIWFD

Consumer Source: Consumer Beef Tracker
BEEF IS A FOOD THAT GIVES ME STRENGTH - BT

Average Rating

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sep</th>
<th>Oct-Dec</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware of BIWFD</td>
<td>81</td>
<td>83</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Unaware of BIWFD</td>
<td>78</td>
<td>77</td>
<td>76</td>
<td>78</td>
</tr>
</tbody>
</table>

Consumer Source: Consumer Beef Tracker
Beef Demand and Consumption
Meat/Poultry Consumption Continues To Grow

U.S. Per Capita Meat & Poultry Consumption

Source: USDA WASDE, June, 2019.
Beef Consumption Continues To Grow

U.S. Per Capita Net Beef Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>53.9</td>
</tr>
<tr>
<td>2016</td>
<td>55.6</td>
</tr>
<tr>
<td>2017</td>
<td>56.9</td>
</tr>
<tr>
<td>2018</td>
<td>57.2</td>
</tr>
<tr>
<td>2019f</td>
<td>57.7</td>
</tr>
</tbody>
</table>

Source: USDA WASDE, June, 2019.
Retail Beef Demand Continues To Strengthen

Annualized Retail Beef Demand Index

Source: Tonsor, Schroeder, Creating and Assessing Candidate Food Service and Retail Beef Demand Indices, January 2017. IRI/Freshlook, Total US MULO ending 4/28/19; Categorized by VMMeat System
Protein Volume (in Billions) at Foodservice

Beef volume trails chicken slightly at foodservice

Note: Other AP includes: Pork, Turkey, Veal, Lamb, etc.

Source: Usage and Volumetric Assessment of Beef in Foodservice, Technomic, December 2018;
Protein Volume (in Billions) at Retail Meat Case

Beef volume is competing well in the meat case

Note: Other AP includes: Pork, Turkey, Veal, Lamb, etc.
Source: IRI/Freshlook, Total US MULO ending 5/26/19; Categorized by VMMeat System
Production Claims Sales Data

Production Claims Include: Naturally Raised, Organic, No Hormones, No Antibiotics, Grass Fed

Source: IRI/Freshlook, Total US MULO ending 3/30/19; Categorized by VMMeat System
Beef in the Basket Drives Sales
Market basket analysis

- Target product/category
- Basket size
- Basket contents
- Consumer type
Beef drives stronger sales across the store

Beef Cart vs. Average Cart

Average Basket with Beef: $85.70
Average Basket for All Trips: $41.33

Source: IRI Panel Data, Market Basket Study, February 2019
Total US – All Outlets; 52 weeks ending January 6, 2019
What is the average shopping basket value when protein products are in the basket?

Steak has highest market basket value: $91.89

<table>
<thead>
<tr>
<th>Total Basket</th>
<th>$85.70</th>
<th>$91.89</th>
<th>$88.95</th>
<th>$84.72</th>
<th>$81.84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steak</td>
<td>$76.42</td>
<td>$91.89</td>
<td>$88.95</td>
<td>$84.72</td>
<td>$81.84</td>
</tr>
<tr>
<td>Ground Beef</td>
<td>$79.55</td>
<td>$91.89</td>
<td>$88.95</td>
<td>$84.72</td>
<td>$81.84</td>
</tr>
<tr>
<td>Chicken</td>
<td>$75.28</td>
<td>$91.89</td>
<td>$88.95</td>
<td>$84.72</td>
<td>$81.84</td>
</tr>
<tr>
<td>Beef Substitutes</td>
<td>$74.99</td>
<td>$91.89</td>
<td>$88.95</td>
<td>$84.72</td>
<td>$81.84</td>
</tr>
</tbody>
</table>

Source: IRI Panel Data, Market Basket Study, February 2019

Total US – All Outlets; 52 weeks ending January 6, 2019
Carts with beef dominate sales of carts with chicken or beef substitutes

Source: IRI Panel Data, Market Basket Study, February 2019

Total US – All Outlets; 52 weeks ending January 6, 2019

<table>
<thead>
<tr>
<th>Billion Dollars</th>
<th>Beef in Cart</th>
<th>Chicken in Cart</th>
<th>Beef Substitutes in Cart</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$98.8</td>
<td>$68.6</td>
<td>$4.9</td>
</tr>
</tbody>
</table>

$98.8 billion in total sales with beef in cart.

$68.6 billion in total sales with chicken in cart.

$4.9 billion in total sales with beef substitutes in cart.
Market Baskets and Beef

- Carts with beef drive more than twice the sales across the entire store as the average cart
- Carts with beef produce 44% more sales across the store than carts with chicken
- Beef brings in more dollars than any other item at retail (>2%)

Source: IRI Panel Data, Market Basket Study, February 2019
Total US – All Outlets; 52 weeks ending January 6, 2019
Consumer Landscape
Average - At Least Weekly Consumption

Average Consumed at Least Weekly

- Beef: 69%
- Chicken: 80%
- Pork: 44%
- Fish: 40%
- Meat Alternatives: 25%

Weekly+ Beef Eaters:

June: 67%
July: 70%
August: 72%
September: 69%
October: 68%
November: 70%
December: 74%
January: 65%
February: 65%
March: 68%
April: 69%
May: 66%
June: 66%

Source: Consumer Beef Tracker n=1296 based on June 2018 – April 2019 Data
Overall perceptions have changed little over time for beef and chicken, but beef still lags behind chicken.

**Overall Beef Perceptions**
- Positive, 64%
- Some Pos, 29%
- Neutral, 16%
- Negative, 13%

**Overall Chicken Perceptions**
- Positive, 78%
- Some Pos, 32%
- Neutral, 16%
- Strongly Pos, 46%

Source: Consumer Beef Tracker April-June 2019 Data
Protein consideration is driven most by taste, followed by things like value, preparation and safety.
While beef competes well with chicken, chicken performs better when it comes to health and budget consideration factors.

**Source:** Consumer Beef Tracker April-June 2019 Data
The top reason to eat more beef, by far, is taste

Top Reasons to Eat More Beef

- You enjoy the taste of beef: 54%
- Beef is my #1 protein choice: 33%
- Grilling more often: 29%
- Beef has become more of a family favorite: 23%
- Adding protein to your diet: 22%
- A beef meal is quick and easy to prepare: 21%

Source: Consumer Beef Tracker April-June 2019 Data
Future Consumption

The reasons for eating less beef are related to health and price.

Top Reasons to Less More Beef

- Other meats are healthier: 37%
- Price is too expensive: 30%
- Concerned beef will negatively impact long-term health: 29%
- Beef has too much fat: 25%
- Trying to eat more plant-based protein: 24%

Source: Consumer Beef Tracker April-June 2019 Data
Consideration at Home vs. Dining Out

Production related considerations, nutrition and protein source are taken into account at home more so than when eating out.

<table>
<thead>
<tr>
<th></th>
<th>At Home</th>
<th>Dining Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is great tasting</td>
<td>88%</td>
<td>85%</td>
</tr>
<tr>
<td>Is a very pleasurable eating experience</td>
<td>80%</td>
<td>76%</td>
</tr>
<tr>
<td>Fits my budget</td>
<td>71%</td>
<td>80%</td>
</tr>
<tr>
<td>Is nutritious</td>
<td>58%</td>
<td>71%</td>
</tr>
<tr>
<td>Is a great source of protein</td>
<td>56%</td>
<td>70%</td>
</tr>
<tr>
<td>Is raised responsibly</td>
<td>34%</td>
<td>44%</td>
</tr>
<tr>
<td>Is raised humanely</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>You know how the food source was raised or grown</td>
<td>31%</td>
<td>40%</td>
</tr>
<tr>
<td>Is produced in an environmentally friendly way</td>
<td>32%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Consumer Beef Tracker April-June 2019 Data
When it comes to production perceptions, beef outperforms chicken

Source: Consumer Beef Tracker April-June 2019 Data
Unaidedly, animal welfare issues rise to the top of concerns with cattle production, specific topics are low.

### Animal Welfare

- **Hormones**: 7%
- **Antibiotics**: 5%
- **Environment**: 3%

**30%**

Source: Consumer Beef Tracker April-June 2019 Data; coded open end verbatims from consumers
Consumers Want Info

Familiarity with How Cattle are Raised

24%

Consider How Food Was Raised/Grown

26% Sometimes
42% Often/Always

Source: Consumer Beef Tracker based on June 2018 – April 2019 Data
Consumers and Beef Quality Assurance
Responsible Beef Exploratory Research

Objectives

Understand consumer perceptions on food and beef production

Understand consumer reactions to BQA

Understand the most relevant and effective ways to communicate BQA and “Responsibly Raised” message

Understand consumer reactions to 2 potential storyboards to be produced into videos

Methodology

9 Focus Groups in 3 regional cities

Survey among 1,003 consumers

2 Online Discussion Boards with 95 Consumers

Source: 2018 Responsible Beef Exploration
Low Knowledge Level

A portion of consumers believe cattle live in confinement all of their lives, and most consumers have little knowledge of how cattle are raised.

Confined Conditions

43%

Source: 2018 Responsible Beef Exploration
Issues For Consumers

General consensus is there are large scale farms/ranches that operate like “corporations” and then, there are small family farms

Focused on money
- Large scale
- Inhumane treatment, crowding, overuse of ABX
- Current state of food production

Smaller, family-owned farms
- Higher quality, better conditions
- Dying breed
- Niche Markets

Source: 2018 Responsible Beef Exploration
Impact of BQA

Learning about BQA made consumers more confident in safety and animal welfare, while also showing potential to represent the industry.

Source: 2018 Responsible Beef Exploration
BQA Response

There are varying levels of details that consumers desire

Source: 2018 Responsible Beef Exploration
Incorporating BQA into BIWFD content

Incorporating BQA into BeefItsWhatsForDinner.com shows great promise

Source: Responsible Beef Concept Testing 2019 Qual n=43 Take a look at the words below. Which of these words would you associate with the storyboard? Choose as many as you think.
Incorporating BQA into BIWFD content

Incorporating BQA into BeefItsWhatsForDinner.com shows great promise

“I like this message because it tells me that above all else they care about the cows well being which makes me feel like the cattle or cows are treated great and are cared for by great farmers.”

“I like this because it is telling me this is where it at starts which makes me feel like they are saying that this is where it starts with taking good care of your cattle and raising good quality beef.”

“This grabbed my attention - reminds me of the old commercials!”

“I like this because it has the beef quality assurance message and a farmer in the image. And because of the beef quality assurance message it makes me feel like the beef will be good and that the cattle was treated good.”

“They made me aware of the BQA program, the fact that most farmers (80%) voluntarily participate, …I feel that cows are more humanely treated now than in the past.”

Source: Responsible Beef Concept Testing 2019 Qual n=43
Quotes reflect consumer reaction to the storyboards
Markup Tool

Helps enhance content before shooting live footage to effectively use checkoff resources

Note: Visuals intentionally blurred; intended just to show approach, not actual content.
Source: Responsible Beef Concept Testing 2019 Qual n=43
Meat Substitutes
Meat Substitutes Own Very Little Share

Animal Proteins vs. Substitutes

- All Animal Proteins: 99.7%
- AP Substitutes: 0.3%

Beef vs. Beef Substitutes

- Beef: 99.5%
- Beef Substitutes: 0.5%

Sources: Alternative Proteins at Foodservice Study, Technomic, October 2018; Usage and Volumetric Assessment of Beef in Foodservice, Technomic, December 2017; IRI, Refrigerated/Frozen Meat Substitutes, 52 weeks ending 6/16/18; IRI/Freshlook, Total US MULO ending 5/28/18; Categorized by VMMeat System
Retail meat substitute sales growth slows sharply

Here’s the short story: **Beef** is where the greater growth opportunity for retailers is.

**Total U.S. Meat Substitute Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sales (Million Dollars)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$584.1</td>
<td>+25%</td>
</tr>
<tr>
<td>2018</td>
<td>$730.9</td>
<td>+9.6%</td>
</tr>
<tr>
<td>2019</td>
<td>$801.1</td>
<td></td>
</tr>
</tbody>
</table>

**Dollar Sales Increase**

- Meat Substitutes: $70
- Beef: $550

Source: SPINSscan Natural and Specialty Gourmet (proprietary), SPINSscan Conventional Multi Outlet (powered by IRI). 52 weeks ending 5/26/19; Categorized by VMMeat System.

52 weeks ending April
Frequent meat alternative consumers are eating a variety of other meat proteins including a consistent level of beef as the average consumer. Among Weekly+ Meat Alt Eaters:

- Beef: 67%
- Chicken: 80%
- Pork: 55%
- Fish: 62%

Over index for Pork/Fish

Source: Consumer Beef Tracker n=1296 based on June 2019 – April 2019 CBT Data
More frequent meat alternative consumers skew younger, with children, and employed full-time

Source: Consumer Beef Tracker; Based on those consuming meat alternatives once a week or more. n=5384 based on June 2019 – April 2019 Data
Reasons for Eating Meat Substitutes

Reasons for eating meat substitutes are due to health first and foremost.

- It is healthier than meat: 54%
- It has a taste/flavor you enjoy as much as meat: 35%
- It is as easy to prepare as meat: 31%
- It is safer to eat than meat: 30%
- It is more environmentally friendly to produce: 28%
- It reduces the slaughter or mistreatment of farm animals: 27%
- It tastes like meat: 27%
- It is competitively priced versus meat: 23%
- It has a texture like meat: 20%

Source: Consumer Beef Tracker based on June 2019 – April 2019 CBT Data
Reasons for Not Eating Meat

Health is still a top reason for intentionally avoiding meat in addition to treatment of animals among more frequent meat alternative consumers.

You are cutting back on meat proteins for health reasons

- Total: 42%
- Eat Meat Alts at Least Weekly: 43%

The inhumane treatment of animals

- Total: 32%
- Eat Meat Alts at Least Weekly: 43%

You are generally concerned about “factory/industrial farming” methods

- Total: 26%
- Eat Meat Alts at Least Weekly: 32%

Effect of raising food animals on a sustainable environment

- Total: 18%
- Eat Meat Alts at Least Weekly: 27%

Resources used raising animals reduces the resources available humans

- Total: 15%
- Eat Meat Alts at Least Weekly: 25%

Which, if any of these, are the reasons that you intentionally make or order a meal without meat, to avoid eating meat? n=591 and n=237

Source: Consumer Beef Tracker based on June 2019 – April 2019 CBT Data
Items Consumers Eat Instead of Meat

Most aren’t replacing meat with traditional meat substitutes

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beans, rice, lentil or grain-based dishes</td>
<td>55%</td>
</tr>
<tr>
<td>Salads</td>
<td>54%</td>
</tr>
<tr>
<td>Pizza without meat toppings</td>
<td>44%</td>
</tr>
<tr>
<td>Vegetable or mushroom-based dishes</td>
<td>41%</td>
</tr>
<tr>
<td>Baked/other potatoes</td>
<td>38%</td>
</tr>
<tr>
<td>Egg-based dishes</td>
<td>36%</td>
</tr>
<tr>
<td>Favorite dishes without meat (e.g. spaghetti)</td>
<td>32%</td>
</tr>
<tr>
<td>Meat-less sandwiches or wraps</td>
<td>29%</td>
</tr>
<tr>
<td>Plant-based protein patties, or &quot;meat-like&quot; crumbles</td>
<td>27%</td>
</tr>
<tr>
<td>Nuts</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: Consumer Beef Tracker April-June 2019 Data
BEST SOURCES OF PROTEIN – 2017 TO 2019

Source: Protein Toluna Quick Survey – July 8, 2019; N=1245
Beef significantly outperforms meat alternatives when it comes to the top protein perceptions for meat alternatives.

<table>
<thead>
<tr>
<th>Perception</th>
<th>Meat Alternatives Total</th>
<th>Beef Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe to eat</td>
<td>49%</td>
<td>72%</td>
</tr>
<tr>
<td>Healthy choice</td>
<td>47%</td>
<td>63%</td>
</tr>
<tr>
<td>Environmentally friendly</td>
<td>41%</td>
<td>54%</td>
</tr>
<tr>
<td>Quick/fast to prepare</td>
<td>40%</td>
<td>72%</td>
</tr>
<tr>
<td>Nutritious</td>
<td>39%</td>
<td>73%</td>
</tr>
<tr>
<td>Great source of protein</td>
<td>35%</td>
<td>82%</td>
</tr>
<tr>
<td>You know how to prepare it</td>
<td>34%</td>
<td>81%</td>
</tr>
<tr>
<td>Fits my budget</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

*In the next series of questions, we would like you to rate some proteins on a few statements. (BASED ON THOSE INVOLVED IN GROCERY SHOPPING/MEAL PLANNING) n=1405
Source: Consumer Beef Tracker April-June 2019 Data*
THANK YOU