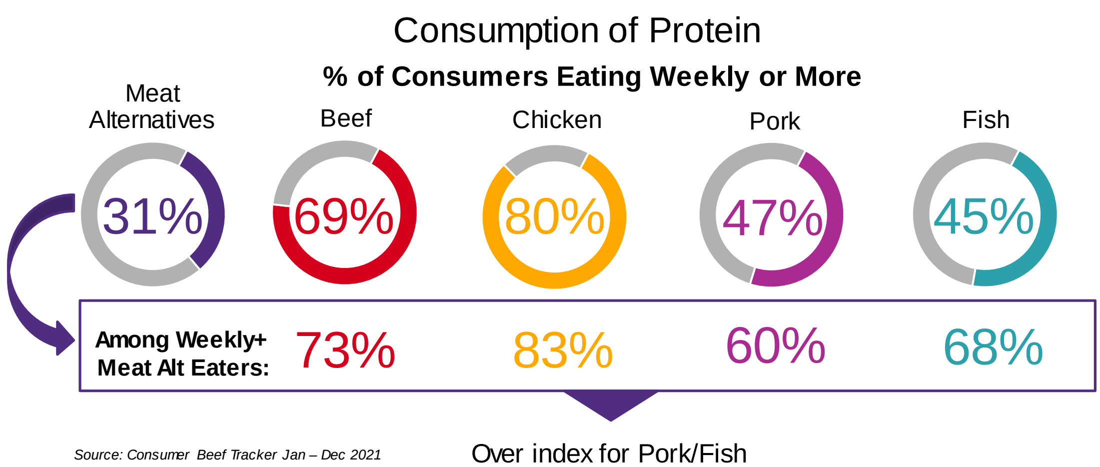
State of the Consumer

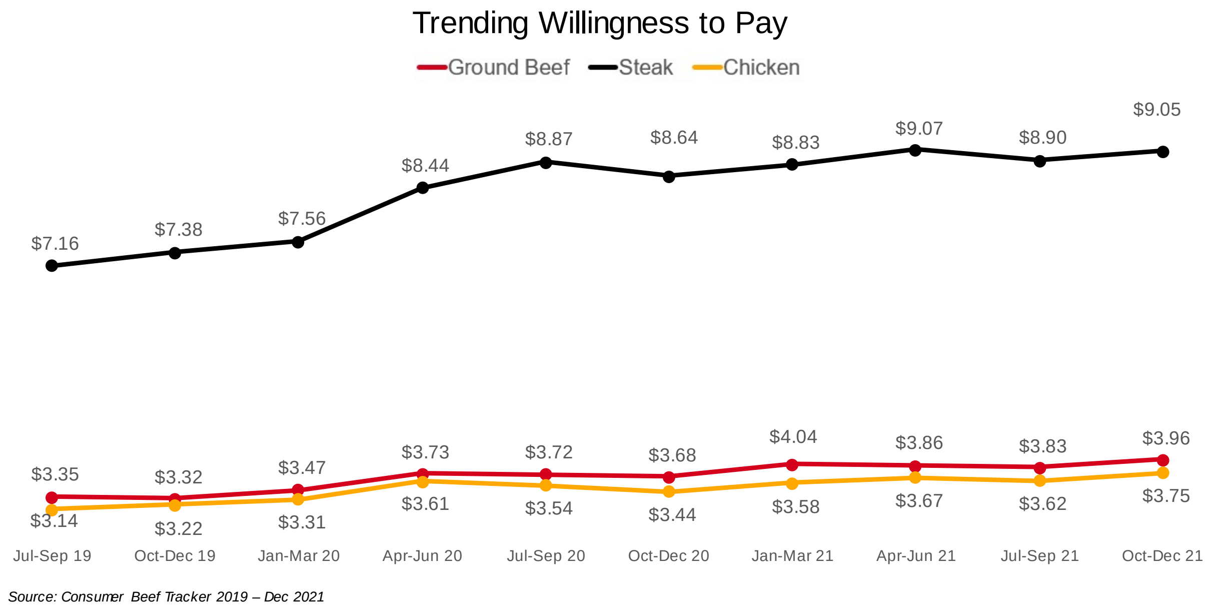
Consumer Insights

The Consumer Beef Tracker, a continuous online survey conducted by National Cattlemen's Beef Association, a contractor of the Beef Checkoff, shows the state of the consumer throughout 2021. Consumer diets remain steady over time. Over two-thirds of consumers are non-restrictive eaters, or non-vegetarian, and almost a fifth are semi-vegetarian or flexitarian, which means they mostly follow a vegetarian diet but still enjoy meat sometimes.[1] The small remainder of consumers are vegetarian or vegan-vegetarian and remains steady over time.[1]

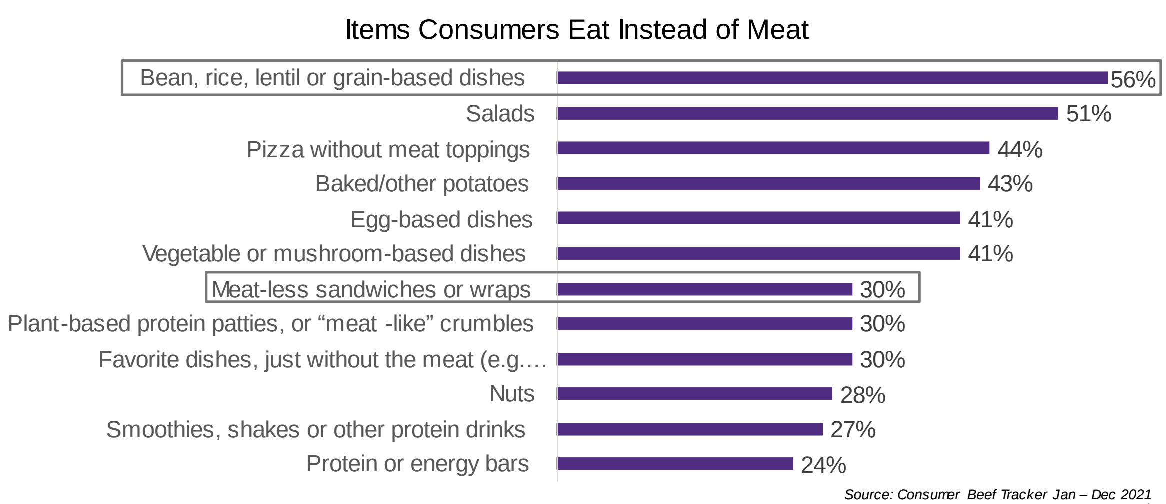


Most consumers enjoy eating a variety of proteins in their non-restrictive diets. Consumption of beef is high, with over two-thirds of consumers eating it on an at least a weekly basis.[1] Weekly beef consumption outperforms all other proteins aside from chicken, which eighty percent of consumers are eating at least weekly.[1] Beef's biggest competitor right now is chicken. When it comes to agreement levels, beef performs well across the board, especially around great tasting, pleasurable eating experience, and food that gives me strength. However, chicken currently leads when it comes to affordability and health aspects.[1] Although chicken has been viewed as a healthier choice for a couple years now, the gap between chicken and beef is beginning to close.

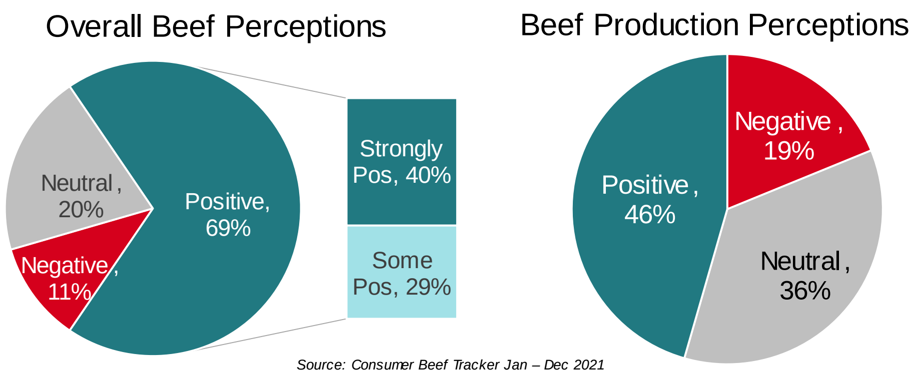
Beef consumption is high and almost two-thirds of consumers claim they plan to eat the same amount of beef in the future. Of the 14% of consumers who plan to eat more beef, they say this because they enjoy the taste and are grilling more often.[1] A small group of consumers, about 16%, claim they plan to eat less beef in the future because it is too expensive, and they view other meats as healthier options.[1] Even though some consumers claim beef is too expensive, their willingness to pay increases when shortages occur in grocery stores and these trends continue to increase even with inflation.[1] Also, ground beef and chicken are close competitors when it comes to willingness to pay.[1]

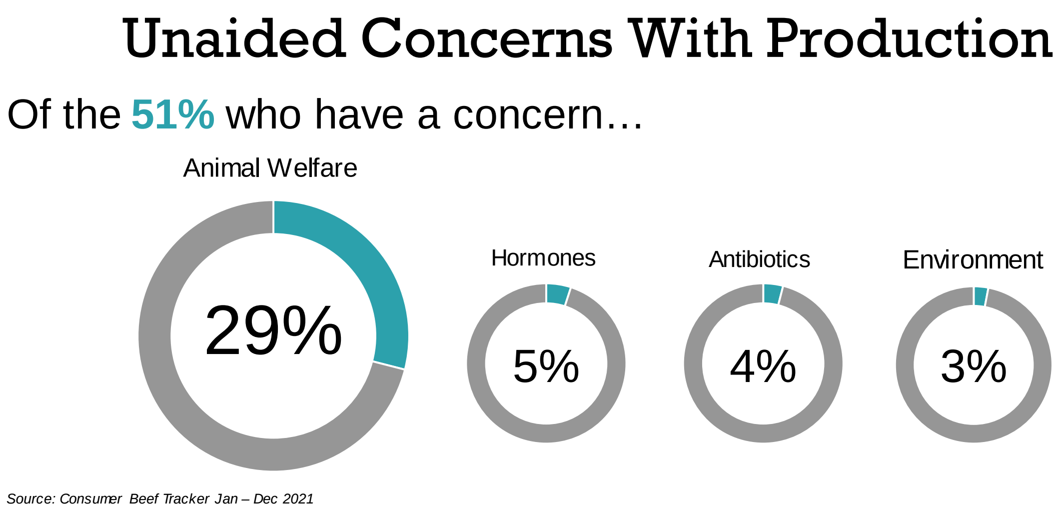


While consumers are eating a variety of proteins, they are also consuming meat alternatives, which refer to foods that can be eaten instead of meats such as chicken, beef, turkey, or pork for a meal that still have a similar appearance, amount of protein, texture, and taste. Thirty-one percent of consumers are eating these types of alternatives on an at least a weekly basis but are still actively eating other proteins during the week.[1] Meat alternatives appear to be added to their diets for variety. Most consumers aren't directly replacing meat with substitutes either. When they are intentionally ordering or making a meal without meat, it is usually a meal that doesn't need to contain meat. Over half of consumers are eating bean, lentil, rice, grain-based dishes or salads while thirty percent are eating plant-based protein patties or "meat-like" crumbles instead of meat.[1]



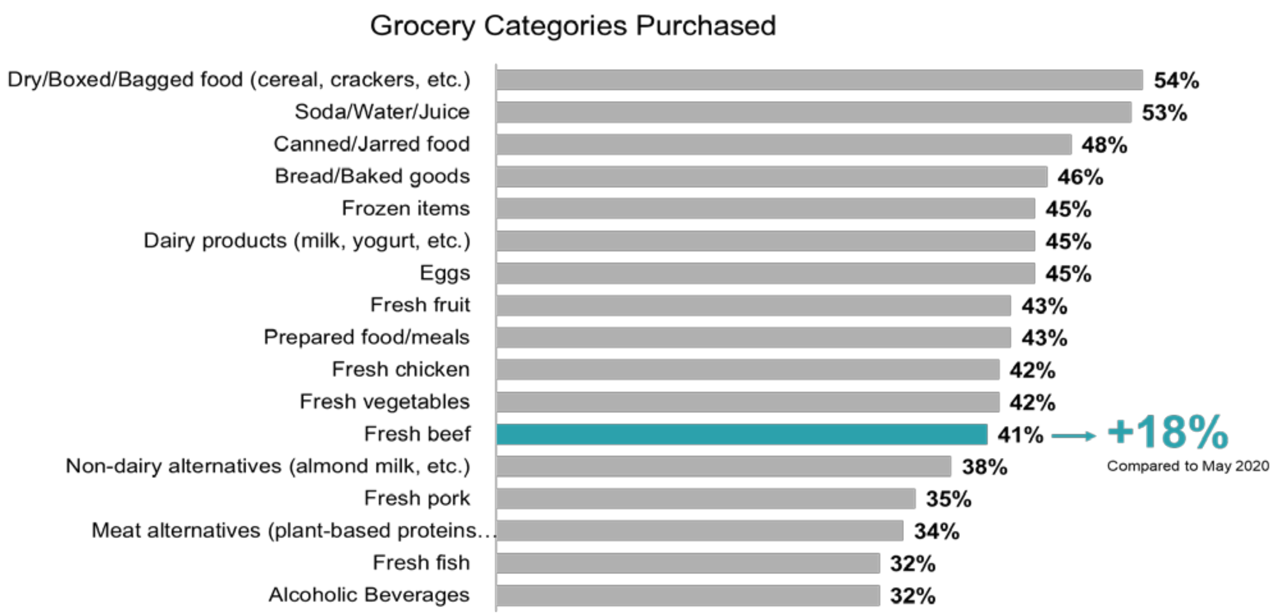
Overall, consumers' perceptions of beef are positive. Over two-thirds of consumers are positive about beef as a product and almost half are positive about beef production.[1] Over a third of consumers remain neutral about beef production.[1] These consumers aren't sure how to feel about production or don't know enough to lean more positively or negatively. Those in the neutral area can be thought as a moveable middle, which means they tend to sway more positively if presented with information around production. Still half of consumers have some concern around production. In an unaided response, which means consumers aren't given a list to choose from, animal welfare issues are top of mind with 29% of consumers mentioning something about it.[1] Smaller percentages of consumers mention hormones, antibiotics, and the environment. Focus groups were also conducted to assess consumer perceptions and definitions of beef and sustainability. There were six focus groups conducted through Zoom, containing 4 participants each for two hours. In addition, two online surveys were sent out to consumers to evaluate multiple concept ideas and evaluate messaging around beef and sustainability. Results show that animal welfare and beef affordability are also top of mind topics to address when it comes to beef and sustainability.[3]





Additionally, a study titled State of the Consumer was conducted in July 2021 to examine consumer's comfort levels given the changing environment and to gain further knowledge on their overall decision making. Results show that seventy-four percent of consumers cooked meals at home in 2021, which is nine percentage points lower than 2020.[2,5] It is important to remember that during 2020, many foodservice outlets were closed due to the pandemic, so consumers had to cook more at home. As the environment changed in 2021, people were excited to return to restaurants as they reopened, but still show interest in cooking meals at home with eighty-nine percent of consumers saying they will continue to cook more meals at home.[2,5]

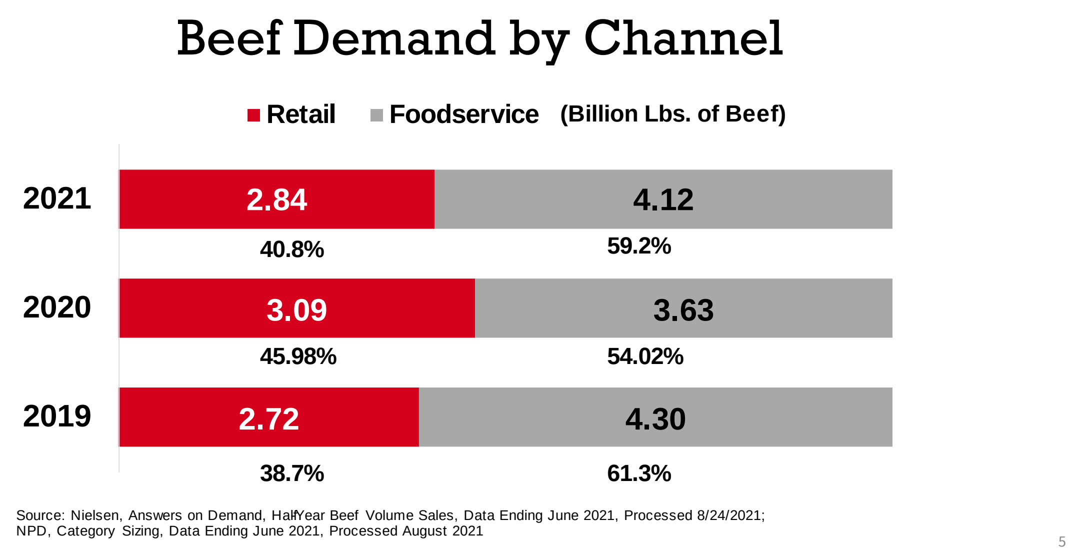
Consumer e-commerce behavior also changed throughout the pandemic. Online grocery shopping has become more popular as over half of consumers are actively ordering online, and over half of these consumers say they will continue to use these services in the future.[5] Consumers order a variety of items in their online grocery orders and typically order easy to grab off the shelf items, though consumers became more comfortable ordering fresh products as this becomes more common. Over forty percent of consumers are purchasing fresh beef when ordering their groceries, and that's eighteen percentage points higher compared to May 2020.[2,4] Of the consumers who purchased their fresh beef online, they claim to be very satisfied.[2] Online meal ordering has become more popular too with 81% of consumers actively doing so and a quarter of consumers are ordering meals on a weekly basis.[5]



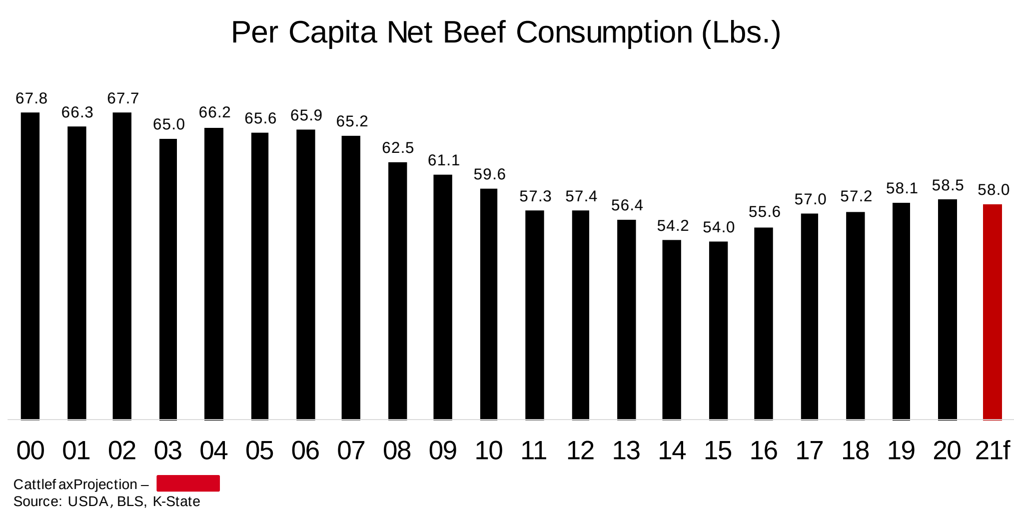
For each of the of the following categories of food, which best describes your ordering of groceries for pick-up/delivery?
Source: Online Grocery Shopping Study, May 2020; State of Consumer Survey, Dynata Platform, July 2021

Foodservice Update

Large disruptions existed in the global and U.S. economy from COVID, and many cities and states faced government issued mandates. One of the largest industries was impacted– the food service industry. In the first half of 2020, COVID dynamics shifted the beef demand about 7 percentage points.[6] During this time, consumers were cooking and eating more meals at home due to restrictions and comfort levels. There was also a noticeable drop in billions of pounds sold and dollars spent on beef in 2020. As the dynamics changed, we saw a shift closer to normal in 2021 for beef demand with 40% in retail and 60% in foodservice.[6] Dollars spent and volume of beef purchased also began to recover after being hit hard in 2021.[7]



CattleFax reports per capita consumption rose in 2020 based on USDA and other sources of data and a similar prediction was made for 2021.[9]



NCBA partnered with NielsenIQ, a syndicated data provider, to conduct a study using their Homescan panel that consists of 125,000 U.S. consumers. The panel surveyed retail grocery shoppers and their shopping habits.[10] Fresh meat sales hit $58 billion with 1.11% sales growth per dollar spent for meat in multi-outlet retailers and 0.04% sales growth per pound.[8] Both beef and chicken saw an increase in dollars spent and pounds purchased, whereas pork saw a decrease. The increases noticeable in dollars spent is likely due to inflation. Also, when consumers are shopping and add beef to their cart, they tend to spend more and buy more products. Putting beef in the basket adds value across all channels and result in higher average basket sales.[10]

Meat Sales at Retail

Beef sales at retail increased in 2021, mostly in dollars due to inflation

Meat in Multi-Outlet Retailers

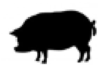
+1.11%

$ sales growth L52

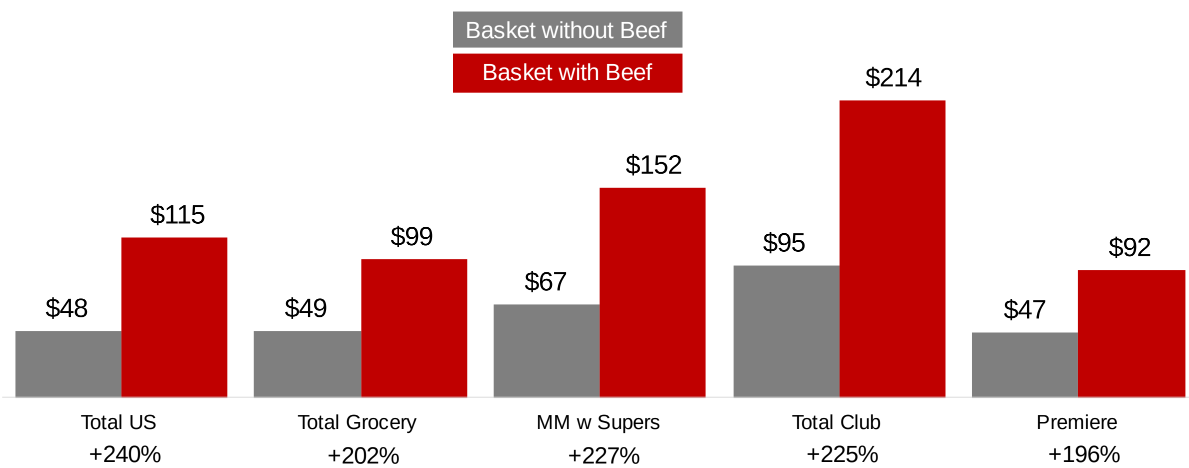
+0.04%

Lbs. sales growth L52

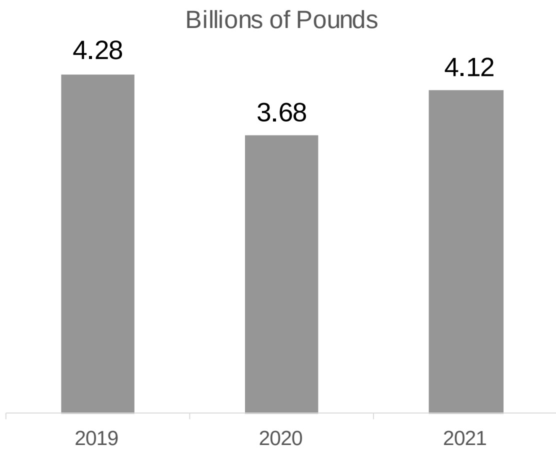
Fresh Meat $58 Billion in 2021

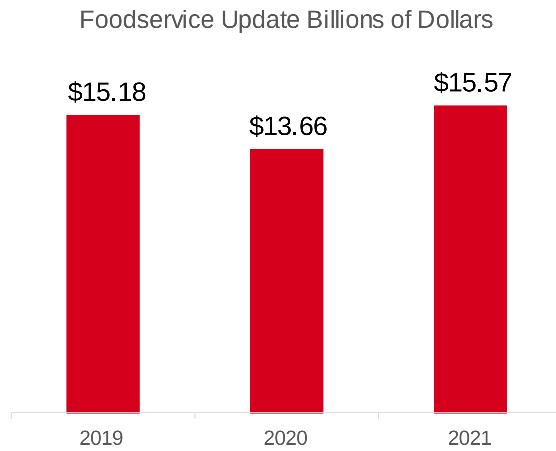
	$	Lbs.
	+1.88%	+0.90%
	+1.50%	+1.12%
	-0.08%	-0.35%

Source: Retail - NielsenIQ, Answers on Demand,, Total Meat. L52 ending 12/04/21.



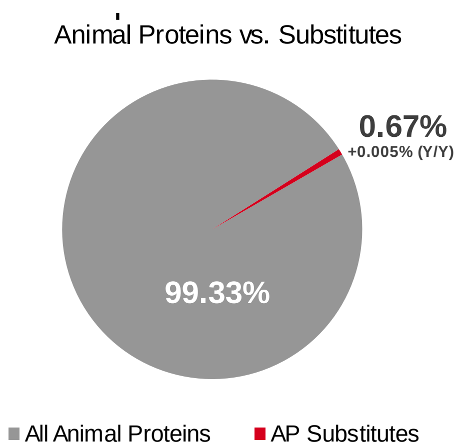
Source: NielsenIQ HomescanPanel, Understanding the Buyers of Fresh Meat, June 2021

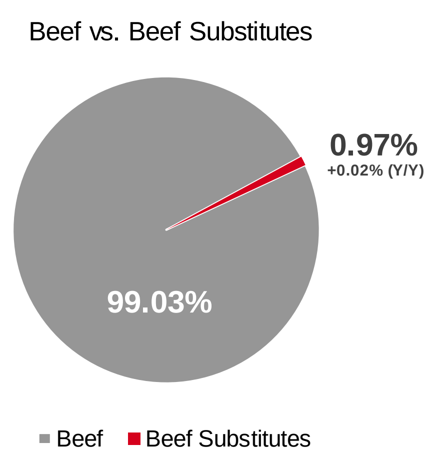




Source: NPD, Category Sizing Update, Half-Year Protein Sales, January-June 2021

Even as the meat and beef substitute category grows, they still own very little market share. Animal protein substitutes only make up 0.67% market share and beef substitutes almost have 1% market share.[11] It appears that the meat substitute market tends to cannibalize itself on other alternative brands rather than lessen any other proteins market shares.





Source: Retail- NielsenIQ, Answers on Demand, 2021 Half-Year Meat Volume Sales Ending June; Foodservice- NPD, Category Sizing, Half-Year 2021 (Jan-June)
Beef Substitute Forms: Brisket, Chubs, Ground, Meatball, Meatloaf, Patties, and Steaks

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Sources:

1 Consumer Beef Tracker January – December 2021

2 Beef Tracker and COVID Report, April 2020

3 Sustainability Perceptions and Proof Point Assessment, Dynata Platforms, April 2021

4 Online Grocery Shopping Study, May 2020

5 State of the Consumer Survey, Dynata Platform July 2021

6 Nielsen Answers On Demand, Half Year Beef Volume Sales, Data Ending June 2021, Processed 8/24/2021; NPD Category Sizing, Data Ending June 2021, Processed August 2021

7 NPD Category Sizing Update, Half Year Protein Sales, January – June 2021

8 Retail – NielsenIQ Answers On Demand, Total Meat, L52 Ending 12/04/2021

9 NielsenIQ: CattleFax. Per capita consumption over time. December 2021.

10 NielsenIQ HomescanPanel, Understanding the Buyers of Fresh Meat, June 2021

11 Retail: NielsenIQ Answers On Demand, 2021 Half Year Meat Volume Sales Ending June; Foodservice: NPD Category Sizing, Half Year 2021 (Jan-Jun); Beef Substitutes Forms: Brisket, Chubs, Ground, Meatball, Meatloaf, Patties, and Steaks