



2022 Priorities and Budget

JANUARY 1, 2022 - DECEMBER 31, 2022

I. 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, currently at a rate of 40 cents per \$100 of value. 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 Statement Engagement 2) Demand Enhancement 3) Swine Health, Production and Sustainability and 4) Administration.

II. 2021 in Review

NATIONAL PORK BOARD Comparative Balance Sheet For the Period Ending December 31, 2021

REVENUE	2021 Original Budget	2021 Adjusted Budget	2021 Year-End	VARIANCE
Checkoff	\$ 67,500,000	\$ 100,000,000	\$ 104,721,066	4,721,066
Interest Income-Short Term	400,000	400,000	30,672	(369,328)
Interest Income-Long Term	–	–	–	–
Other	100,000	100,000	963,033	863,033
Total REVENUE	\$ 68,000,000	\$ 100,500,000	\$ 105,714,772	\$ 5,214,772
PROJECTS				
Build Trust	7,415,650	7,330,000	8,003,042	673,042
Add Value	24,175,000	23,093,820	20,975,288	(2,118,532)
Total PROJECTS	\$ 31,590,650	\$ 30,423,820	\$ 28,978,331	(1,445,490)
PROGRAMS				
Domestic Marketing	2,719,940	2,500,000	2,610,191	110,191
Strategy & Innovation	2,196,326	2,360,000	2,331,752	(28,248)
Sustainability	1,236,994	1,250,000	1,414,692	164,692
Swine Health & Production	1,498,894	1,346,650	1,312,657	(33,993)
International Marketing	693,809	480,000	466,310	(13,690)
Producer & State Engagement	4,406,706	4,000,000	4,109,488	109,488
Communications	2,360,593	2,500,000	2,550,917	50,917
Total PROGRAMS	\$ 15,113,262	\$ 14,436,650	\$ 14,796,007	\$ 359,357
Total SUPPORT	\$ 8,842,976	\$ 7,800,000	\$ 8,556,860	\$ 756,860
SUPPLEMENTALS				
Build Trust	–	2,650,000	2,204,320	(4,445,680)
Add Value	–	8,778,135	7,281,325	(1,496,810)
Total SUPPLEMENTALS	\$ –	\$ 11,428,135	\$ 9,485,645	\$ (1,942,490)
State Funding	12,840,000	20,000,000	19,366,817	\$ (633,183)
Total Operating Expenses	68,546,888	84,088,605	81,183,660	\$ (2,904,945)
Impact to RESERVES	\$ (546,888)	\$ 16,411,395	\$ 24,531,113	\$ 8,119,718
RESERVES				
Impact to Reserves	(546,888)	16,411,395	24,531,113	8,119,718
Designated Reserves	–	–	31,300,000	31,300,000
Undesignated Reserves	50,721,945	50,721,945	19,421,945	(31,300,000)
ENDING BALANCE	\$ 50,175,057	\$ 67,133,340	\$ 75,253,058	\$ 8,119,718

A. Understanding 2021 Reserves

With such volatility in 2020, the pork industry faced uncertainty heading into 2021. The hog market was projected to make a slow, but steady recovery from extremely low prices caused by COVID-related supply chain issues. Based on market forecasts, NPB adopted a conservative 2021 budget of \$68.0M in revenue and \$68.5M in expenditures, planning to utilize \$0.5M of reserves.

As 2021 progressed, the Lean Hog Index made a steady climb from an average of \$70 per contract to an average of \$122 per contract in June. The 74% increase in price resulted in higher-than-forecasted Checkoff assessments. NPB adjusted its budget to deploy additional funds toward projects to meet industry priorities and ended 2021 with \$105.7M in revenue and expenditures of \$81.2M, with a \$24.5M increase to the reserve balance as a result.

Reserves ensure NPB can adequately respond to industry

needs as they arise. 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 foreign animal disease (FAD) outbreak, such as African swine fever. NPB classifies its reserves as Designated or Undesignated.

Designated Reserves: 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.

Undesignated Reserves: The balance of reserves not set aside for a specific purpose. These funds may be approved to address future emerging needs and priorities.

Designated Reserves Being Deployed for Strategic Industry Projects

NPB is strategically designating significant funds for deployment in 2022 to meet industry needs toward the following projects:

SHIC – \$12,500,000

Checkoff funds will support the Swine Health Information Center (SHIC) for an additional six years based on a series of milestones starting Dec. 31, 2021. Note: The \$12.5M designation is in addition to the \$2.5M project spend in 2021 for a total commitment of \$15M.

Real Pork Strategic Investment – \$12,500,000

The 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.

National Retail Meat Case Study - \$500,000

NPB will engage with retail and foodservice companies to build confidence and generate growth in the pork category. A task force will connect producer, consumer,

packer and retailer perspectives to identify opportunities for the future of pork in the meat case. Results will be shared with the industry to help enhance the value of pork as a protein.

Real Pork Human Nutrition - \$950,000

NPB research tracks consumers' perception of Good For Me/My Family. This project will leverage this data to position pork more favorably among an important segment of consumers who increasingly do not see how pork fits into their lifestyle and diet.

Real Pork Mythbusting - \$1,250,000

Building on the positive momentum of the Real Pork Mythbusting series in 2021, additional funding will develop tactics to reach additional consumers, address additional myths and further drive the positive narrative about pork production.

Real Pork Multicultural - \$2,100,000

With virtually all (97%) the population growth in the U.S. over the last 20 years coming from diverse consumers, NPB will lead a new path for the pork industry, particularly among Hispanic and Asian consumers, for whom pork is a cultural staple protein. The goal of this work is to position pork as a nutritious and sustainable protein of choice among these consumers.

Working Capital and Designated Funds

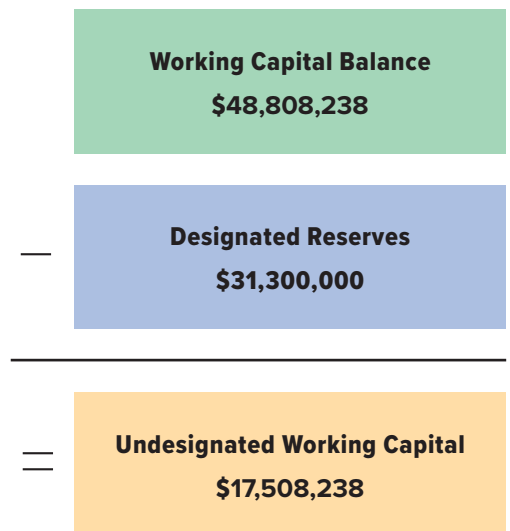
Working capital is a measure of an organization's liquidity and short-term financial health. Working capital is the net amount between current, liquid assets and current, short-term liabilities. It is the funds readily available to pay liabilities and continue operating, without divesting long-term,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

The Board has set two reserve minimums: 1) an emergency reserve floor of two months of operating expenses required unless a crisis is in place, and 2) an opportunity reserve floor of three additional months of operating expenses that can be used in the event of an item not previously budgeted to

support the pork industry. The total of both reserves is five months of operating expenses, which equals \$24.25 million.

Based on NPB's current, short-term assets and liabilities, the Dec. 31, 2021 Working Capital balance was \$48.8M. After strategic planning and Board approval, \$31.3M was designated for future projects not included in the 2022 budget. These designated funds will allow NPB to expand its 2022 budget to strategically execute the mission to promote U.S. pork, research to advance the industry and educate consumers and producers.

Working Capital balance as of 12/31/21	\$48,808,238
SHIC	(\$12,500,000)
We Care® Center	(\$12,500,000)
Soil Health Research	(\$1,500,000)
National Retail Meat Case Study	(\$500,000)
Real Pork Human Nutrition	(\$950,000)
Real Pork Mythbusting	(\$1,250,000)
Real Pork Multi-Cultural	(\$2,100,000)
Designated Reserves Total	(\$31,300,000)
Undesignated Working Capital	\$17,508,238



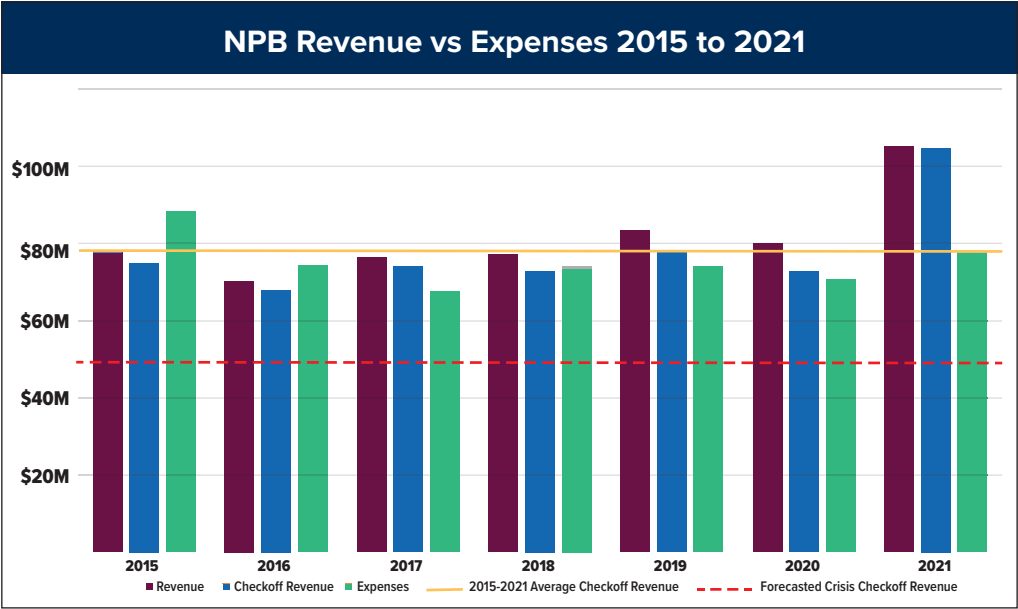
Adjusted Working Capital Reserve Calculations (Table WC.1):	
2021 NPB Current Assets	\$ 67.9M
Less: 2021 NPB Current Liabilities	\$ (19.1M)
2021 NPB Working Capital	\$ 48.8M
Less: 2022 Designated Funds	\$ (31.3M)
2021 Undesignated Working Capital	\$ 17.5M
Less: Emergency Reserve Floor	\$ (9.7M)
2021 Ending Undesignated Working Capital above emergency reserve floor	\$ 7.8M

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 for the end of 2021 is \$48.8M. After subtracting the designated funds balance, NPB's Undesignated Working Capital balance is \$17.5M. This \$17.5M is \$7.8M above the working capital emergency reserve floor of \$9.7M, as set by the Board of Directors. As displayed in this graphic, NPB does not have 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.

Addressing Industry Needs with NPB’s Reserves

The average Checkoff revenue from 2015 to 2021 was \$76.3M, illustrated by the solid line in the graphic. The corresponding dotted line represents a potential 50% reduction of 2021 revenue should a crisis impact the industry. The historic revenue of 2021 creates a strategic advantage for how NPB is positioned to address the future needs of the industry. Given the uncertainty of foreign animal diseases and the impacts on the U.S. pork industry, increasing NPB’s reserves ensures funds are readily available to deploy in a crisis.



III. Programming Resource Availability

NPB programming is funded from Pork Checkoff assessments, the sale of live pigs at a **current** rate of 40 cents per \$100 value. 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 align with available funds.

A. 2022 Budget Revenue

The 2022 industry forecast used for budgeting, suggests 125.9 million hogs (down from 129 million in 2021) will be marketed at a carcass weight average of 216 pounds. Market prices are expected to range from \$80.52 to \$83.25 per cwt. Therefore, total national and import Checkoff assessments are forecasted from \$92.1M to \$95.1M in 2022.

NPB sets the annual Pork Checkoff budget with a goal of establishing a consistent and sustainable national spending level. The revenue target consists of a conservative Checkoff revenue forecast, interest revenue forecast and use of unrestricted reserves to assist in achieving these consistent annual spending levels. The Board adopted a 2022 budget with conservative Checkoff revenue of \$84.5M and \$0.5M in additional, short-term investment revenue. NPB and the Board monitor revenue forecasts throughout the year and may amend the budget as appropriate to deploy funds to support the industry.

B. 2022 Available Funds Calculation

Checkoff assessments are collected nationally, and a percentage of the collections from each state are returned to the respective State Pork Associations to support local programs.

Annually, the Pork Act Delegates approve the formula to determine each state's allocation of collected assessments, ranging from 16.5% for states where more pigs are marketed to 39% for states where fewer pigs are marketed, based on the number of pigs marketed. On average, approximately 20% of the national assessments are returned to state pork associations. The funds remaining after Return-to-State allocations are available for national programming.

\$84.5 M	Gross Checkoff assessment revenue
0.5 M	Investment & other income
\$85.0 M	Total funds available
(\$16.15 M)	Return-to-State
\$68.85 M	Net funds available
(\$68.85 M)	Budget Adopted by Board of Directors
(\$0 M)	Balanced Budget

C. 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 costs include salaries, taxes, and benefits. Overhead consists of expenses such as building rent, utilities and insurance; building equipment and ground maintenance; and telecommunications.

D. 2022 National Programming Availability

With people and overhead costs of \$16.0M and \$3.29M, respectively, the funds available for 2022 national programming is \$49.56M.

\$68.85M	National Fund Availability
(\$16.0M)	Investment & other income
(\$3.29M)	Overhead Costs
\$49.56M	National Programming Availability

IV. 2022 Programming Budget

A. Building on the success of 2021, NPB is planning many value-adding initiatives to address the priorities and needs of our producers and state pork associations in 2022. The Board continues to budget conservatively and focus producer dollars on high-priority areas recommended by the industry through the annual planning cycle.

B. Budget and Operating Plan

The 2022 Budget and Operating Plan is aligned with the strategic vision and the input received from producers during the annual planning cycle. The Board adopts a strategy, then applies Checkoff dollars to objectives based on priorities; they ensure a positive return on investment of producers' dollars. 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-Packagers	Niche and Specialty Producers	Ag Economists
Producers with Packer Commitments	Show Pig Producers and Youth	Foodservice
State Pork Associations	Processors	Retail Grocery
Board of Directors	Allied Industry	

C. National Programming Classification

Programs – Recurring items that help support the industry.

Projects – Objective-based items determined and prioritized through the annual planning process to support the industry, commonly single-year focused.

D. Programs

- PASLWOCO (Pigs Across State Lines Without a Change in Ownership): Program funds available for those state pork associations that are determined to have lost return to state funding as a result 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.
- State Supplemental Support: Funds available to state pork associations through applications to support local programs and operations.
- 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.

The budget for 2022 Programs is \$9.83M.

E. Projects

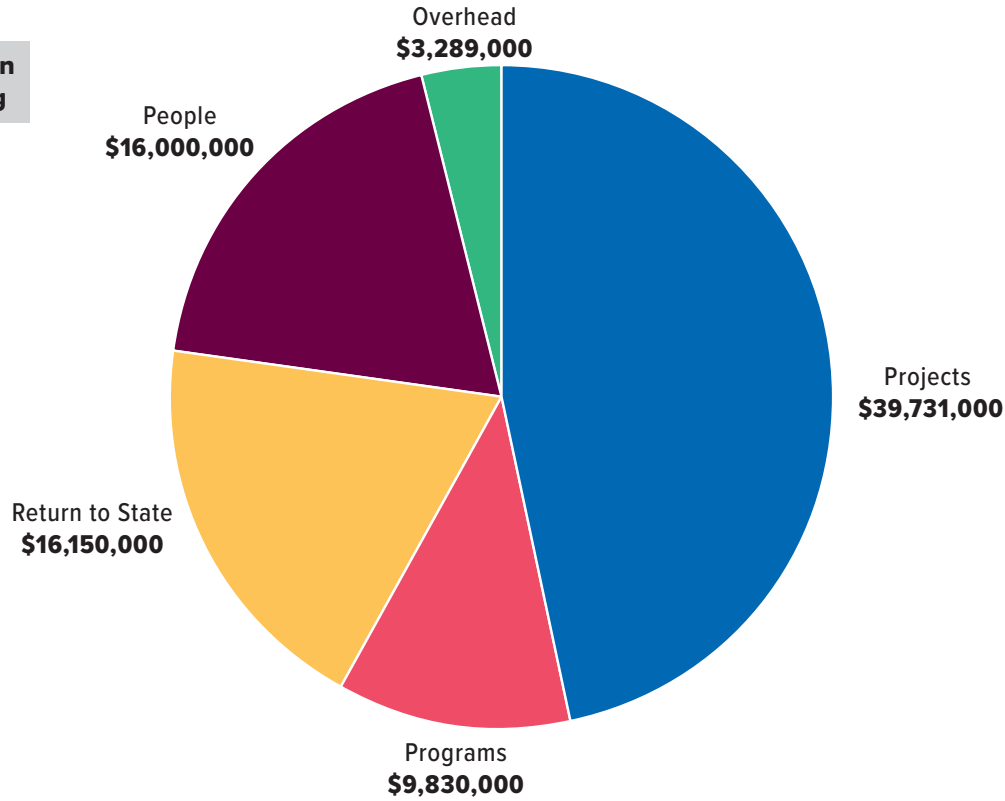
Objective	Key Tactics
Prevent & Prepare for Foreign Animal Diseases	<ul style="list-style-type: none"> • Collaborate with the U.S. Customs and Border Protection. • Fund multiple research studies on African swine fever exposure pathways and mitigate transmission routes. • Develop and implement AgView as the industry recognized pig traceback tool of choice.
Build Trust and Add Value Through Positive Image of US Pork.	<ul style="list-style-type: none"> • Engage with retail and food service companies to build confidence in U.S. pork. • Improve consumers affinity for pork and provide data to show consumers U.S. pork is good for them and their families.
Diversify Export Markets	<ul style="list-style-type: none"> • Leverage partnership with the U.S. Meat Export Federation and allied partners to boost confidence in U.S. Pork (Real Pork, AgView, We Care®, etc.). • Showcase the U.S. Pork industry via in-depth farm and processing plant tours. • Perform new market assessments in collaboration with USDA's Emerging Markets Program.
Establish US Pork as the Global Leader in Sustainable Ag.	<ul style="list-style-type: none"> • Complete consumer focused research regarding sustainability priority topics. • Track real-time domestic demand drivers and deliver product development, merchandising and marketing insights to downstream stakeholders. • Implement proactive communications strategy to help protect consumer demand against potential barriers.
Strengthen Grassroots Engagement	<ul style="list-style-type: none"> • Relaunch the Pork Leadership Institute for proactive producers across the swine industry. • Update the Neighbor-to-Neighbor program and associated promotional materials to empower producers with resources to discuss pork issues.
Operational Excellence	<ul style="list-style-type: none"> • Consolidate multiple financial systems into one platform – Financial Force. • Update the current Human Resources Information System. • Enhance the functional use of the building. • Improve networks, online security and computer hardware.

Project Spending: \$39,731,000

	Foreign Animal Disease	Real Pork	International Diversification	We Care & Sustainability	Grassroots	
Animal Well-being	\$750,000				\$750,000	2%
Public Health & Food Safety				\$1,400,000	\$1,400,000	4%
Environment	\$1,000,000			\$1,200,000	\$2,200,000	6%
Our People					\$2,450,000	7%
Community					\$1,642,000	4%
Swine Health & Production	\$7,112,000				\$7,112,000	19%
Global Demand Development		\$2,300,000	\$9,030,000		\$11,330,000	30%
Sustainability		\$750,000		\$3,275,000	\$4,025,000	11%
Human Nutrition		\$2,500,000			\$2,500,000	7%
Research & Innovation		\$2,170,000	\$265,000	\$1,000,000	\$3,435,000	9%
Issues Management	\$150,000	\$600,000			\$750,000	2%
	\$9,012,000	\$8,320,000	\$9,295,000	\$6,875,000	\$4,092,000	\$39,731,000
	24%	22%	25%	18%	11%	100%

**2022 Overall Spending:
\$85.0 Million**

Includes \$68.9M in
National Spending



**2022 Project Spending by Objective:
\$39,731,000**

