



2021 Priorities and Budget

JANUARY 1, 2021 - DECEMBER 31, 2021

I. Executive Summary

A. The National Pork Board – The Business

The National Pork Board (NPB) is the legal entity responsible for collecting and investing the Pork Checkoff, a legislated program established in 1986. According to law, an assessment is 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 also make Checkoff contributions. The funds are invested on behalf of the U.S. pork industry in promotion, research and consumer information programs, the work of which is carried out by NPB staff.

Pork Checkoff oversight is the responsibility of its 15-member board of directors. Each year, Pork Act Delegates, appointed by the U.S. Secretary of Agriculture, have responsibility for setting the Checkoff assessment rate and establishing the return-to-state rate. The chief executive officer reports to the board and is responsible for oversight of NPB's project and program implementation and staff in four working areas: 1) Administration 2) Communications, Producer and Statement Engagement 3) Domestic Marketing and International Marketing and 4) Swine Health, Production and Sustainability.

II. 2020 in Review

NATIONAL PORK BOARD Comparative Balance Sheet For the Period Ending December 31, 2019 and 2020

ASSETS	2019	2020	Change
Current Assets			
Cash	\$ 3,418,453	\$ 9,770,641	6,352,188
Short-Term Investments	46,824,640	24,386,348	(22,438,292)
Accounts Receivable	1,573,346	626,975	(946,371)
Deposits/Prepaid Assets	2,647,761	512,525	(2,135,236)
Total Current Assets	\$ 54,464,200	\$ 35,296,489	(19,167,711)
Noncurrent Assets			
Software	\$ 974,320	\$ 6,994,527	\$ 6,020,207
Furniture & Equipment	2,713,046	3,116,150	403,104
Leasehold Improvements	2,501,352	4,041,226	1,539,874
Accumulated Depreciation	(3,784,339)	(4,151,879)	(367,540)
Total Noncurrent Assets	\$ 2,404,379	\$ 10,000,024	7,595,645
Intellectual Property	\$ -	\$ 17,200,000	17,200,000
TOTAL ASSETS	\$ 56,868,579	\$ 62,496,513	5,627,934
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 6,580,605	\$ 4,422,976	(2,157,629)
Grants Payable	6,854,139	5,447,443	(1,406,696)
Accruals	2,838,128	1,904,150	(933,978)
Total Current Liabilities	\$ 16,272,872	\$ 11,774,569	(4,498,303)
Noncurrent Liabilities			
Total Noncurrent Liabilities	-	-	-
TOTAL LIABILITIES	\$ 16,272,872	\$ 11,774,569	(4,498,303)
FUND BALANCE			
Undesignated Reserves	\$ 30,039,603	\$ 41,189,273	11,149,670
Designated Reserves	-	-	-
Impact to Reserves	\$ 10,556,104	9,532,671	(1,023,433)
TOTAL FUND BALANCE	\$ 40,595,707	\$ 50,721,944	\$ 10,126,237
TOTAL LIABILITIES AND FUND BALANCE	\$ 56,868,579	\$ 62,496,513	\$ 5,627,934

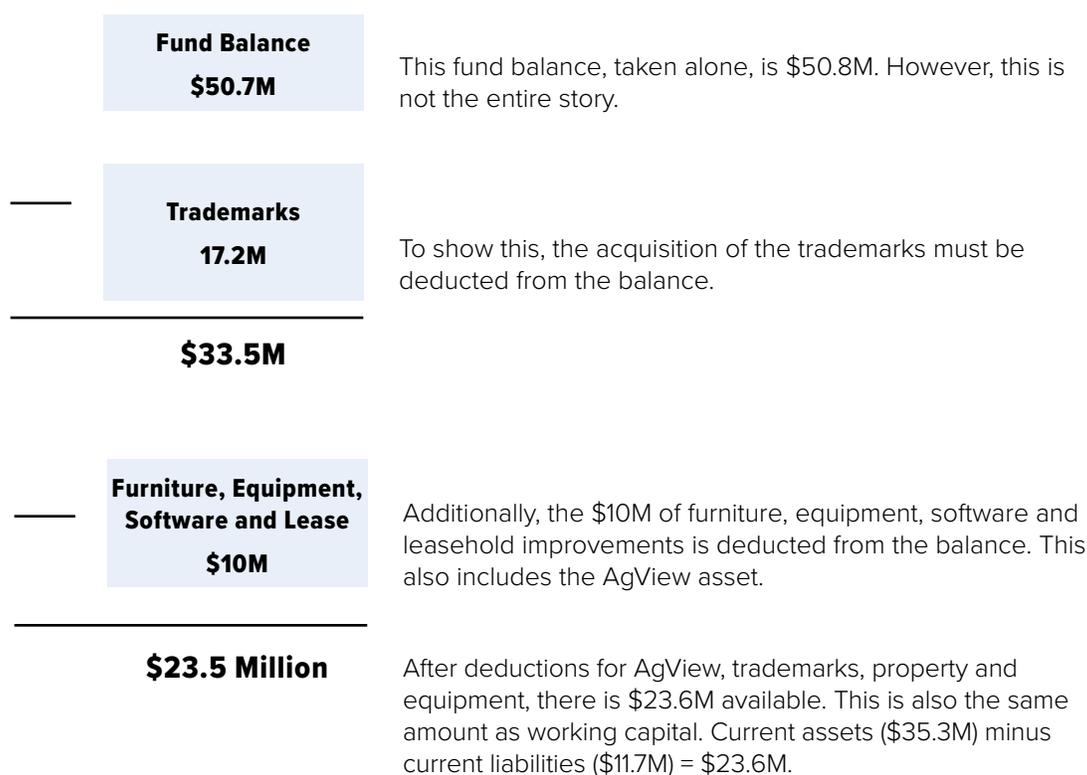
Current Assets	\$35,296,489
Less: Current Liabilities	(\$11,774,569)
Total Working Capital	\$23,521,920

Undesignated Reserves	\$41,189,273
Less: PPE & Software	(\$10,000,024)
Net Undesignated Reserve balance	\$31,189,249

A. Explanation of National Pork Board Balance Sheet Fund Balance

NPB's balance sheet changed dramatically in 2020. This change is driven by the addition of two main assets. The largest addition comes from purchase of the iconic blue Pork logo, "The Other White Meat™" taglines and the We CareSM logo, which are listed as intellectual property on the balance sheet. This increased the intellectual property line item (and thus overall assets) by \$17.2M. This value is based on robust market analyses by independent experts and acknowledges a rich history of use, strong public recognition and the future worth of the collective marks as cornerstones of the industry's master brand strategy, Real Pork. The second asset added in 2020 was related to the roll-out of the AgView software to users. This resulted in an increase of \$6.2M in noncurrent assets. It should be noted, the value assigned to AgView is based on the amount spent on the completion of phase I of the software development; it does not represent an evaluation of the program overall. Also of note, the trademark assets (intellectual property line on the balance sheet) will not be amortized/depreciated, but the AgView asset will be amortized/depreciated over the next seven years.

These material changes to NPB's balance sheet in 2020, changed NPB's working capital. We believe working capital tells the true story of the reserve balance. Similar to running your farm, you would not sell your assets, like barns or essential equipment, to meet short-term financial obligations, thus we are backing these assets out to help paint a clearer picture about available liquidity (i.e., working capital). The snapshot below shows NPB's total assets, total liabilities and working capital for 2019 and 2020. Total assets increased with the purchase of the trademarks intellectual property and with the capitalization of AgView, resulting in the decrease of working capital for 2020. This shows that while the reserve floor is \$14M, NPB has a working capital of \$23.6M. As previously stated, the difference between these two figures enables the organization to respond to events such as a foreign animal disease outbreak or other crises.



NATIONAL PORK BOARD INCOME STATEMENT

Summary by Project For the Period Ending December 31, 2020

REVENUE	2020 Original Budget	COVID adjusted budget	2020 Year-end	VARIANCE
Checkoff	\$ 83,346,000	\$ 64,497,000	\$ 72,331,877	\$ 7,834,877
Interest Income-Short Term	550,000	550,000	342,545	(207,455)
Interest Income-Long Term	50,000	50,000	-	(50,000)
Other	100,000	4,424,247	7,407,071	2,982,824
Total Revenue	\$ 84,046,000	\$ 69,521,247	\$ 80,081,493	\$ 10,560,246
PROJECTS				
Build Trust	\$6,449,000	\$2,671,000	\$2,706,086	\$35,086
Add Value	28,098,000	28,534,000	22,776,875	(5,757,125)
Total PROJECTS	\$ 34,547,000	\$ 31,205,000	\$ 25,482,961	\$ (5,722,039)
PROGRAMS				
Domestic Marketing	\$ 3,310,037	\$3,206,804	\$ 2,728,736	\$(478,068)
Strategy & Innovation	2,033,563	1,750,688	1,544,748	(205,940)
Sustainability	1,502,278	1,426,826	1,438,945	12,119
Swine Health & Production	2,324,712	1,992,986	2,251,631	258,645
International Marketing	730,423	674,815	675,476	661
Producer & State Engagement	5,394,301	4,717,304	4,408,398	(308,906)
Communications	3,673,481	3,423,671	2,955,101	(468,570)
Total PROGRAMS	\$ 18,968,795	\$ 17,193,094	\$ 16,003,035	\$ (1,190,059)
Total SUPPORT	\$ 9,497,205	\$ 8,344,028	\$ 7,471,299	\$ (872,729)
SUPPLEMENTALS				
Management Oversight	\$-	\$1,000,000	\$943,502	\$(56,498)
COVID-19 State We Care SM Grants	-	3,000,000	1,880,331	(1,119,669)
COVID-19 Proactive Comm & PR Strategy	-	750,000	713,228	(36,772)
DM COVID-19 Response & Pork Brand Positioning	-	4,000,000	4,000,000	-
Total SUPPLEMENTALS	\$-	\$8,750,000	\$ 7,537,061	\$ (1,212,939)
Trademark Lease	\$-	\$200,478	\$262,978	\$62,500
State Funding	16,029,000	12,297,900	13,278,082	\$980,182
Total	\$ 16,029,000	\$ 12,498,378	\$ 13,541,060	\$ 1,042,682
Total Operating Expenses	\$ 79,042,000	\$ 77,990,500	\$ 70,035,416	\$ (7,995,084)
Asset IMPAIRMENT Loss	\$-	\$-	\$513,406	\$513,406
Impact to Reserves	\$ 5,004,000	\$ (8,469,253)	\$ 9,532,671	\$ 18,001,924

RESERVES

Impact to Reserves	\$ 5,004,000	\$ (8,469,253)	\$ 9,532,671
Designated Reserves	-	-	
Undesignated Reserves	40,595,709	40,595,709	\$ 41,189,273
Ending Balance	\$ 45,599,709	\$ 32,126,456	\$ 50,721,944

B. Explanation of National Pork Board Income Statement Reserves

Again, the reserve balance here shows \$50.7M. However, as explained above with the balance sheet, this is not the complete story. NPB's current working capital balance is \$23.5M (as calculated above). The working capital as a percentage of expenses is 34%, which means approximately one-third of yearly expenses could be covered by these funds in the event of a crisis.

VARIANCE is the difference between "Covid-19 adjusted budget" and the "2020 Year-end figures."

III. Programming Resource Availability

NPB programming is funded by collections from the Pork Checkoff, the sale of live pigs at a 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 do not outpace available funds.

A. 2021 Target Revenue

The industry forecast for 2021, at the time the budget was adopted, suggested 129 million hogs (compared with 126 million in 2020) will be marketed at a carcass weight average of 214 pounds. Market prices are expected to range from \$61 to \$57 per cwt. When added to seedstock and imports, Checkoff collections would range from \$67.5M to \$71M in 2021. NPB used the low-end of the revenue projections when allocating spending for 2021. If higher revenue would be realized, the Board of Directors would work to deploy additional dollars to support the industry.

NPB sets the annual Pork Checkoff revenue target with a goal of establishing a consistent, sustainable national spending level. The revenue target consists of a Checkoff revenue forecast, interest revenue forecast and use of unrestricted reserves to assist in achieving consistent annual spending levels.

The budgeted Checkoff gross revenue for 2021, as adopted by the Board of Directors, is \$67.5M. Additional income is realized through investments of the Checkoff reserves, with budgeted interest revenue of \$400K and other revenue of \$100K. The U.S. government has strict guidelines on how the reserves are invested, so a rate of return is not substantial. However, investment dollars are added to the available spending total.

B. 2021 Total Available Funds Calculation

Checkoff assessments are collected nationally, and a percentage of the collections are returned to state pork associations to support local programs.

A formula determines each state's allocation, ranging from 16.5% of state collections for larger states to 39% of state collections for smaller states. On average, 20% of the national collections are returned to state pork associations. Available funds for national programming are:

\$67.5 m	Gross Checkoff collection revenue
0.5 m	Investment & other income
\$68.0 M	Total funds available
(\$12.8M)	Return to state
\$55.2M	Net funds available
(\$55.7M)	Budget Adopted by Board of Directors
(\$0.5M)	Impact to Reserves

C. Support Costs

There are necessary costs of doing business for any organization. These costs include employee compensation, overhead, depreciation of assets and central services for items such as accounting, information technology and USDA oversight. The following is a summary of those costs.

Compensation: Compensation includes salaries, bonuses, payroll taxes, health and dental benefits (cost-share with employees), retirement fund contributions, and life and long-term disability insurance.

Overhead and Depreciation: Overhead and depreciation consist of expenses such as building rent, utilities and insurance; building equipment and ground maintenance; telecommunications; depreciation of technology including but not limited to computers, servers and copiers.

Central Services: Central services are costs supporting the Pork Act annual delegate meeting, Board of Director meetings, board committees, state administrative reviews, legal, intellectual property, economic and market forecasting services, leadership development and anticipatory issues management, IT and finance/accounting/risk management support, meeting and travel coordination, and human resources.

D. 2021 National Programming Availability

After deducting overhead, central services and compensation from available national funds, the balance of \$40.4M represents what is available to implement 2021 Checkoff programming.

\$55.7M	National fund availability
(\$9.3M)	Program support staff
(\$6.0M)	Support/overhead cost
\$40.4M	2021 Checkoff program funding

IV. 2021 Budget

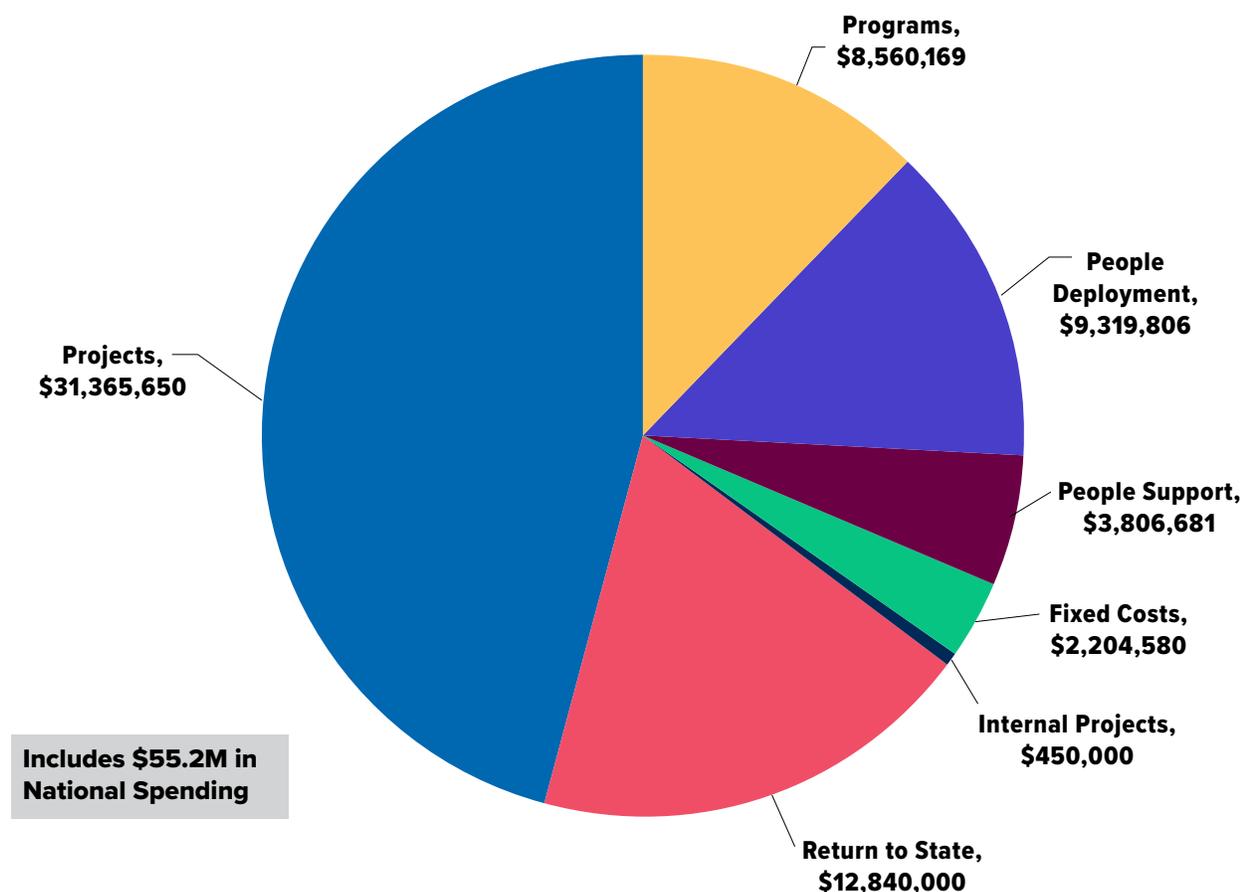
2020 was a challenging year for the U.S. pork industry, and NPB was proud to assist producers during the pandemic. NPB reduced its budget by over 20% and reallocated Checkoff dollars to support emergency producer, state and consumer needs in 2020. Now in 2021, the Board of Directors continues to budget conservatively and focus producer dollars on high priority areas recommended by producers during the annual planning process

A. Budget and Operating Plan

The Board of Directors adopted a \$68M expenditure budget for calendar year 2021 based on a conservative Checkoff revenue estimate of \$67.5M, with a \$500K reserve spend. The 2021 Budget and Operating Plan is aligned with the strategic vision and the input we received from producers during the annual planning cycle. The Board sets a strategy first and then applies Checkoff dollars to objectives based on priorities. The new annual producer input process is based on actively getting 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	Foodservice
State Pork Associations	Processors	Retail Grocery
National Pork Board of Directors	Allied Industry	

2021 Overall Spending: \$68.5 Million



B. Spending types:

Projects – Objective-based items determined through the annual planning process to support the industry. Tend to be single-year focused.

Programs – Recurring items that help support the industry. Examples include:

- PASLWACO (Pigs Across State Lines Without a Change in Ownership): Program designed to ensure state associations receive funding to support local hog farmers who typically send pigs to other states for finishing.
- PQA (Pork Quality Assurance)/TQA (Transport Quality Assurance): Programs designed to ensure producers, handlers and transporters are certified in leading practices in the pork industry.
- State Support: Additional funds provided to the state associations based on needs. Largely done through state matching grants.

People Deployment – Cost of personnel including salaries, benefits and taxes to deploy projects and programs throughout NPB to support the industry.

People Support – Cost of personnel including salaries, benefits and taxes to support the operations of NPB.

Fixed Costs – General overhead of NPB. This includes items such as utilities, rent and maintenance.

Internal Projects – Designed to improve the operating effectiveness of NPB.

Return to State – Dollars disbursed from NPB back to the state associations to carry out Checkoff-related initiatives.

C. 2021 Project Summaries by Objective:

Project Spending: \$31,365,650

	FAD / ASF - Prevent & Prepare	Promote Pork through Real Pork Masterbrand	Diversify Export Markets	We Care	Market Intelligence & Communications	Strengthen Grassroots Engagement	Labor		
Animal Well-being				\$1,681,100				\$1,681,100	5%
Public Health & Food Safety				\$1,254,550				\$1,254,550	4%
Environment				\$800,000	\$250,000			\$1,050,000	3%
Our People						\$1,050,000	\$500,000	\$1,550,000	5%
Community						\$1,275,000		\$1,275,000	4%
Swine Health & Production	\$5,110,000			\$600,000				\$5,710,000	18%
Domestic Marketing		\$6,250,000			\$2,175,000	\$30,000		\$8,455,000	27%
International Marketing			\$7,980,000		\$250,000			\$8,230,000	26%
Technology & Innovation					\$400,000			\$400,000	1%
Risks & Opportunities					\$860,000			\$860,000	3%
Human Nutrition		\$900,000						\$900,000	3%
	\$5,110,000	\$7,150,000	\$7,980,000	\$4,335,650	\$3,935,000	\$2,355,000	\$500,000	\$31,365,650	
	16%	23%	25%	14%	13%	8%	2%		100%

★ Does not include \$450k for Internal Projects, such as Financial Force, HRIS Implementation, and Cap Ex.

Objective	Key Tactics
Prevent & Prepare for Foreign Animal Diseases	<ul style="list-style-type: none"> Continued collaboration with the U.S. Customs & Border Protection; fund multiple research studies on African swine fever exposure pathways and mitigate transmission routes Promote AgView as the industry-recognized pig traceback tool of choice
Promote Pork Domestically through Real Pork master brand	<ul style="list-style-type: none"> Implement consumer marketing plan showcasing key brand attributes and business to business engagement plan to provide downstream partners with credible insights Develop a nutritional research roadmap to fill industry nutritional information gaps
Diversify Export Markets	<ul style="list-style-type: none"> Leverage partnership with U.S. Meat Export Federation and allied partners to boost confidence in U.S. Pork Showcase the U.S. Pork industry via in-depth farm and plant tours; perform new market assessments in collaboration with USDA's Emerging Markets program
We CareSM & Sustainability Goals	<ul style="list-style-type: none"> Fund multiple research studies on depopulation to fill industry gaps discovered during the COVID-19 crisis and proactively communicate plans Analyze and share results of research conducted on the public health implications of live production, including influenza-related work Develop foreign animal disease outbreak management plans for managing infected manure and mass disposal
Market Intelligence & Communications	<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 Conduct a post-COVID-19 grocery shopper journey study 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 Launch the new producer focused porkcheckoff.org website
Labor	<ul style="list-style-type: none"> Provide dozens of scholarships that support a broad, multi-discipline approach to training students and have established relationships with pork production companies
Internal Operations	<ul style="list-style-type: none"> Consolidate multiple financial systems into one platform, Financial Force; update the current Human Resources Information System Improve networks, online security and computer hardware

Download the entire financial budget at pork.to/budget

