

2021 Financial Summary

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

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. In accordance with the Board's policy, these funds require a minimum balance of five months of operating expenses (currently \$24.25M).

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 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 food service 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. NPB will share results with the industry to help enhance the value of pork.

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, PB will lead a new path for the pork industry, particularly among Hispanic and Asian consumers, for whom pork is a cultural staple protein. This work aims to position pork as a nutritious and sustainable protein of choice among these populations.

Working Capital and Designated Funds

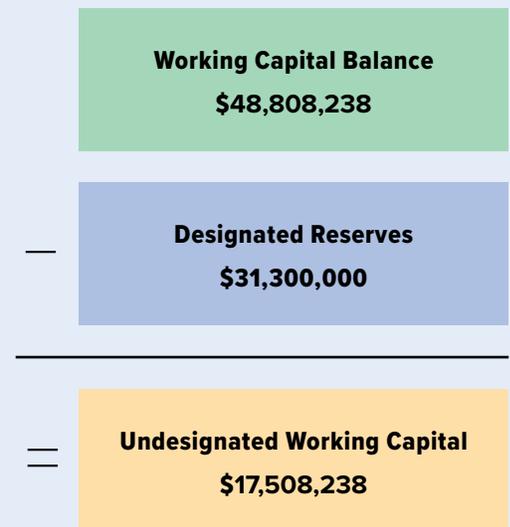
Working capital is a measure of an organization's liquidity and short-term financial health. Working capital is the net amount between current, liquid assets and current, short-term liabilities. It is the funds readily available to pay liabilities and continue operating, without divesting long-term,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

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



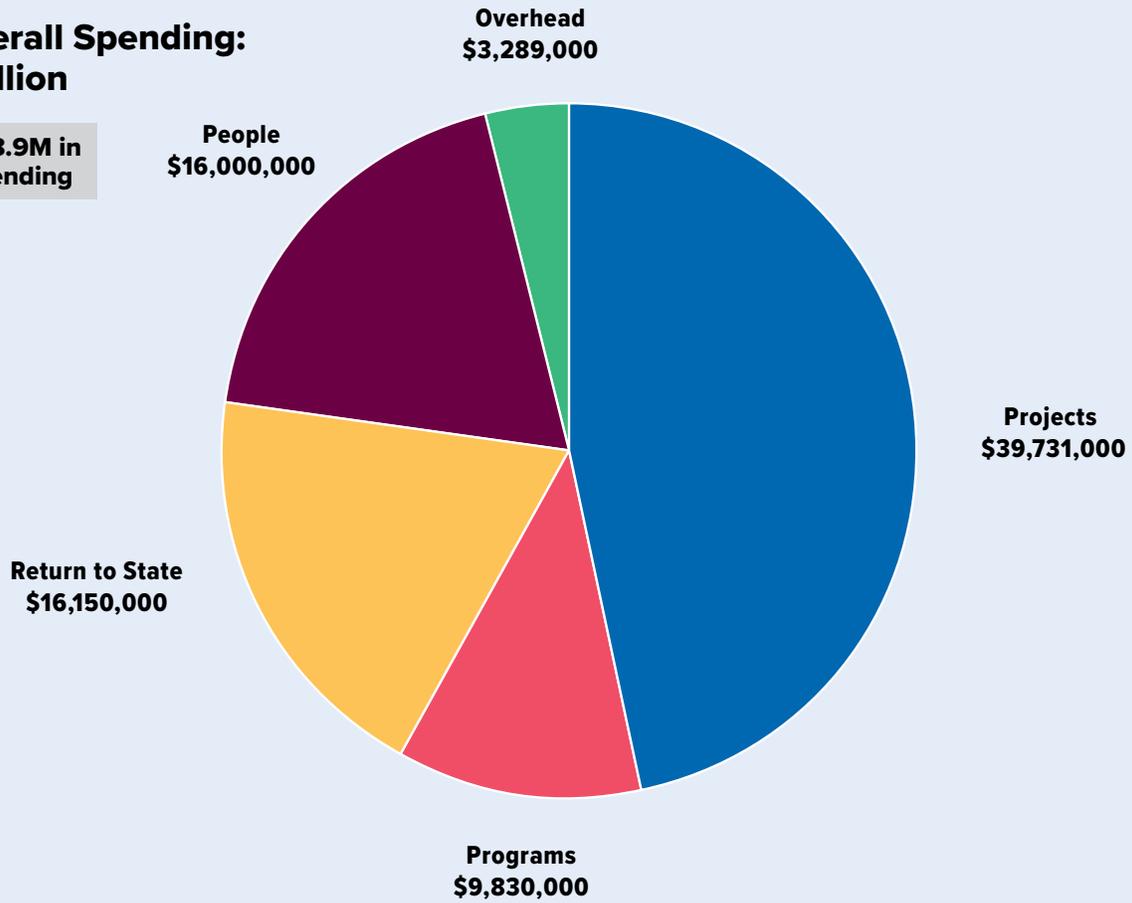
Adjusted Working Capital Reserve Calculations (Table WC.1):	
2021 NPB Current Assets	\$ 67.9M
Less: 2021 NPB Current Liabilities	\$ (19.1M)
2021 NPB Working Capital	\$ 48.8M
Less: 2022 Designated Funds	\$ (31.3M)
2021 Undesignated Working Capital	\$ 17.5M
Less: Emergency Reserve Floor	\$ (9.7M)
2021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

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

Includes \$68.9M in National Spending



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

