



Consumer- Driven Insights

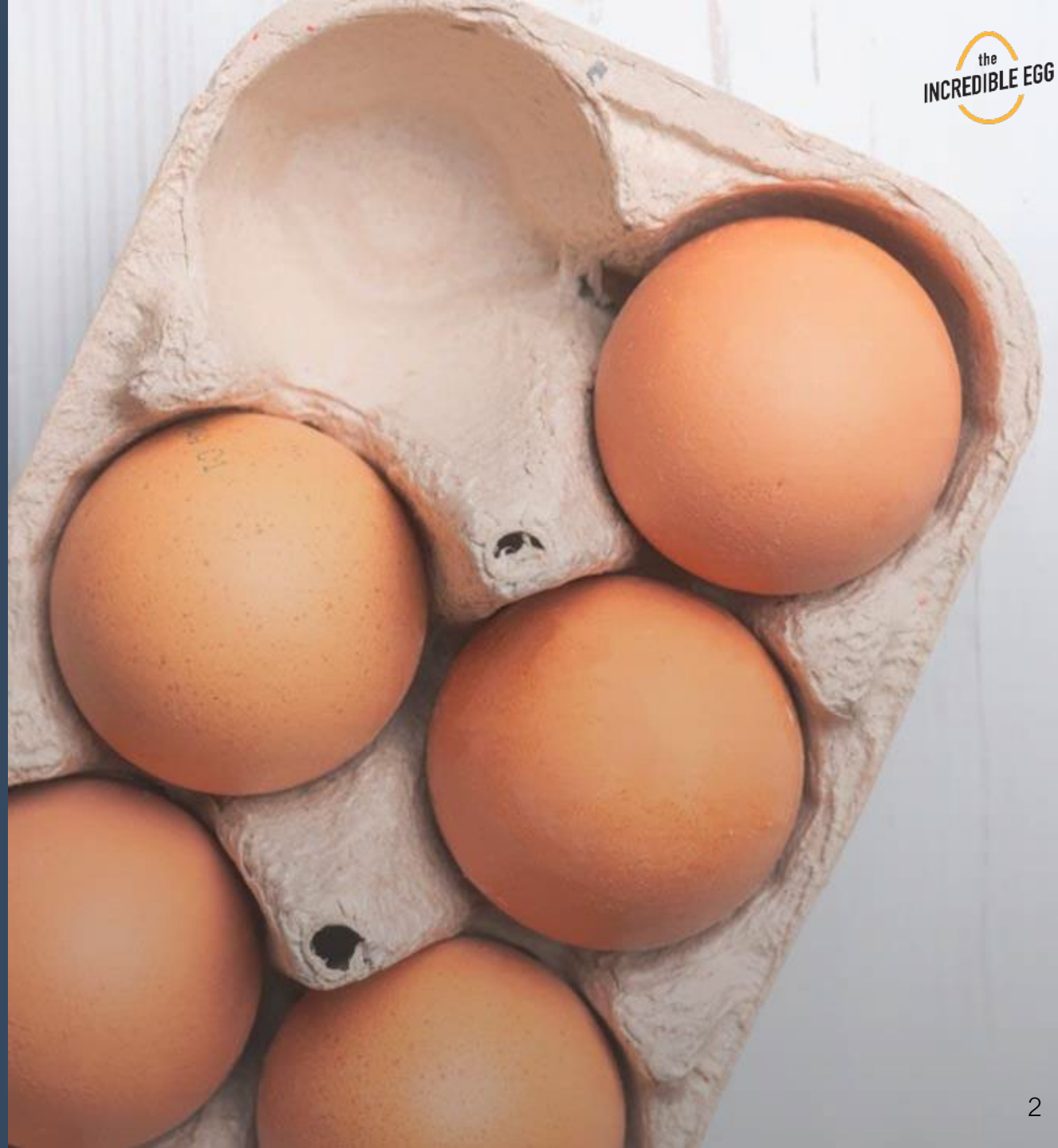
Mike Hostetler, AEB
VP of Consumer Insights



AMERICAN EGG BOARD

AGENDA

- AEB's insights hub
- State of the industry
- Industry evolution
 - Cage-free
 - Sustainability



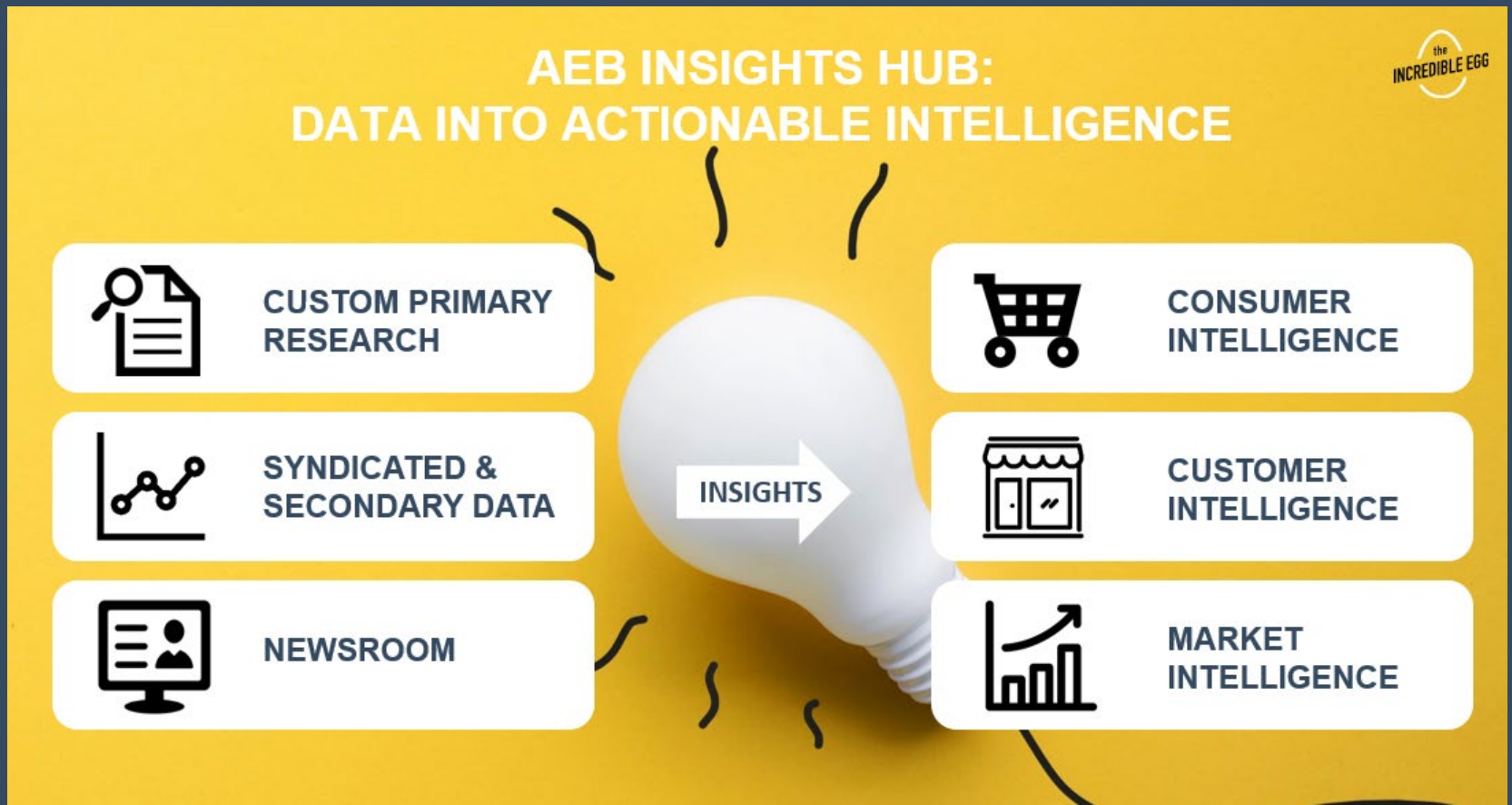


Who is the American Egg Board (AEB)?

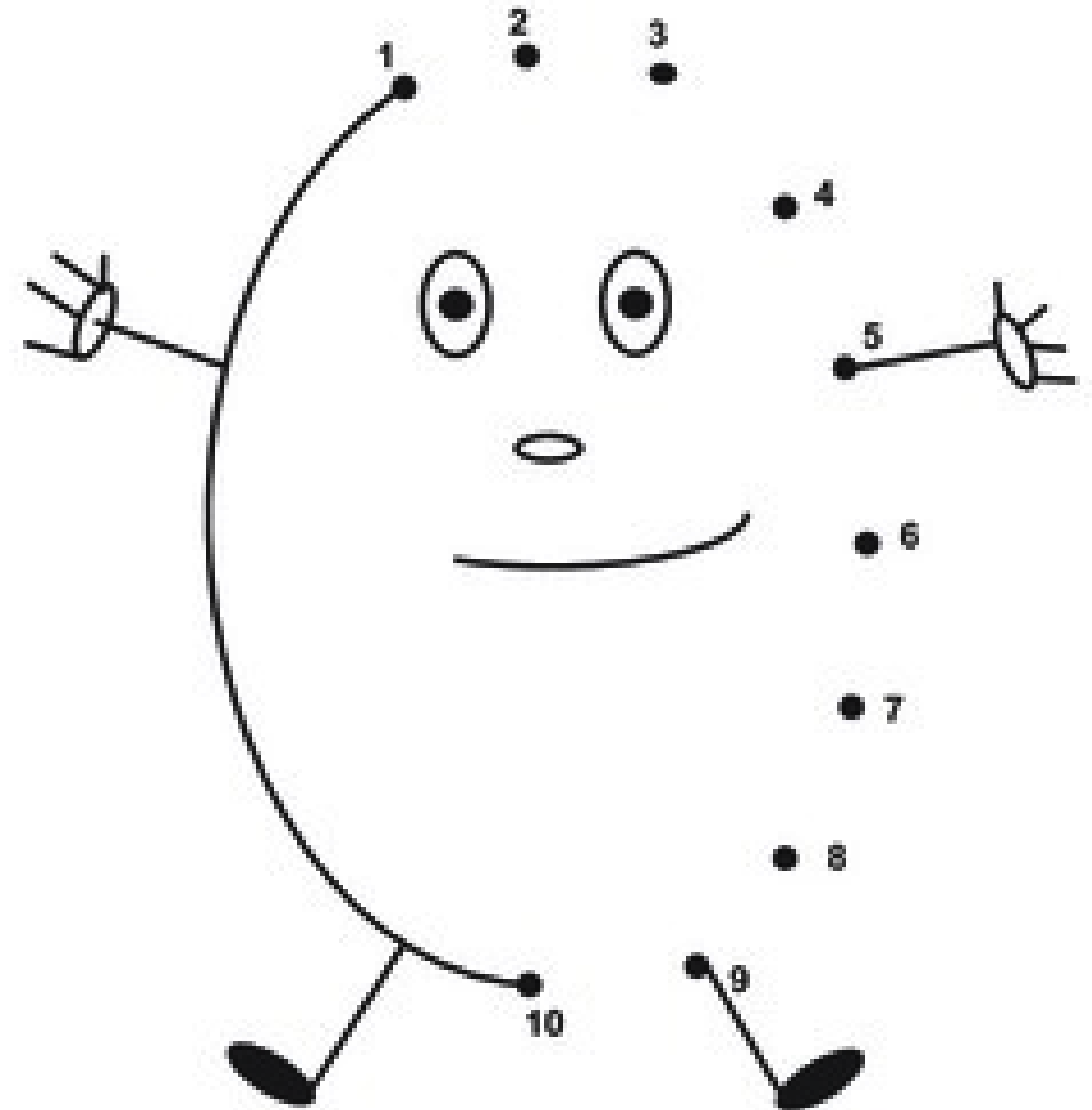
- An Act of Congress established AEB in 1976
- 100% farmer-funded
- Supports research, education, marketing, and innovation of U.S. eggs
- Governed by 36 egg farmers appointed by the U.S. Secretary of Agriculture
- Daily operations managed by professional staff

AEB's Insights Hub uncovers best-in-class consumer insights for the egg industry

- By better understanding consumers' goals, beliefs and attitudes, AEB develops marketing and communications messages as well and product and packaging innovation that will drive demand for eggs and egg products.



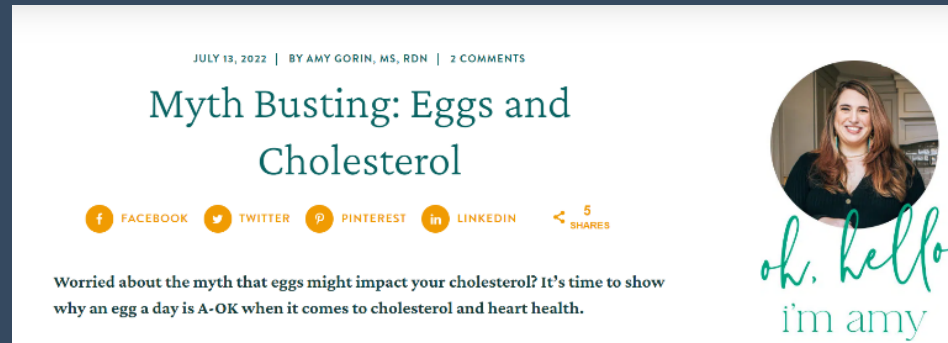
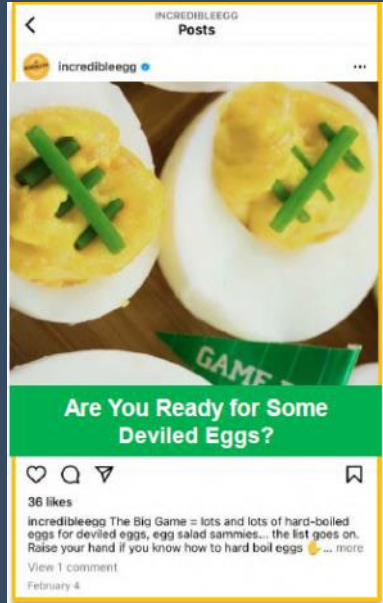
Connect the dots to fix the egg.



CONNECTING THE DOTS TO UNLOCK GROWTH

- Rooted in deep understanding of consumer
- Identified consumer behavior preventing growth
- Recognized underlying attitudes and beliefs driving consumer behavior

AEB's Insights Hub drives industry programs across marketing, communications, and innovation



Egg Industry Overview





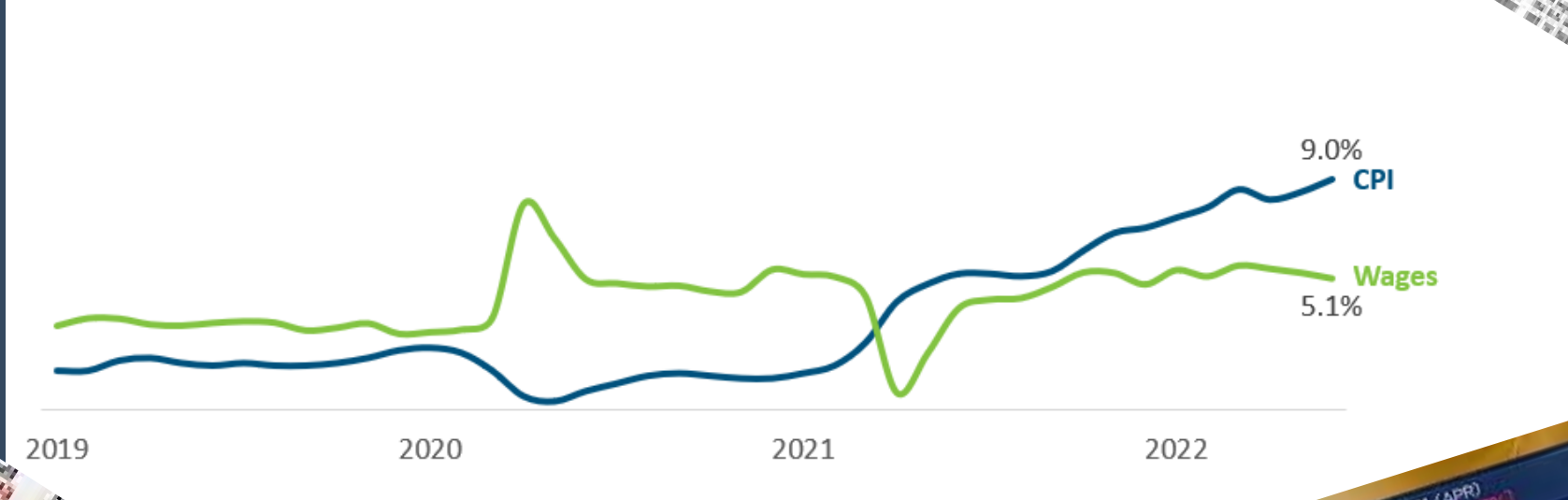


Yes, that cart of groceries is costing noticeably more

Price check shows \$9 increase for 48 items in just 3 months



% Change vs. Year Ago – CPI and Average Hourly Wages



Food prices are soaring, and that's changed how we eat



By Danielle Wiener-Bronner, CNN Business

Updated 12:45 PM EDT, Sat September 24, 2022



The cost of food at grocery grew faster than food away from home in 2022



Inflation at Home

+11.4%
2022

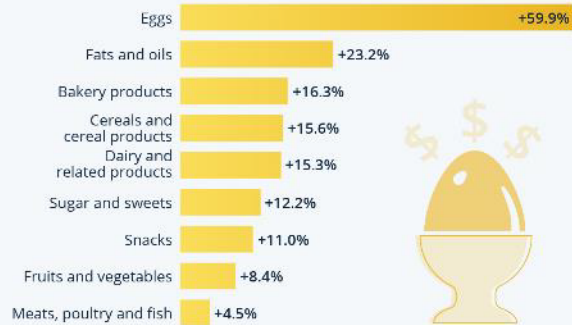


Inflation Away from Home

+7.6%
2022

Excuse Me, Are Those Golden Eggs?

Change in prices of selected food items in the U.S. between Dec. 2021 and Dec. 2022



Source: U.S. Bureau of Labor Statistics



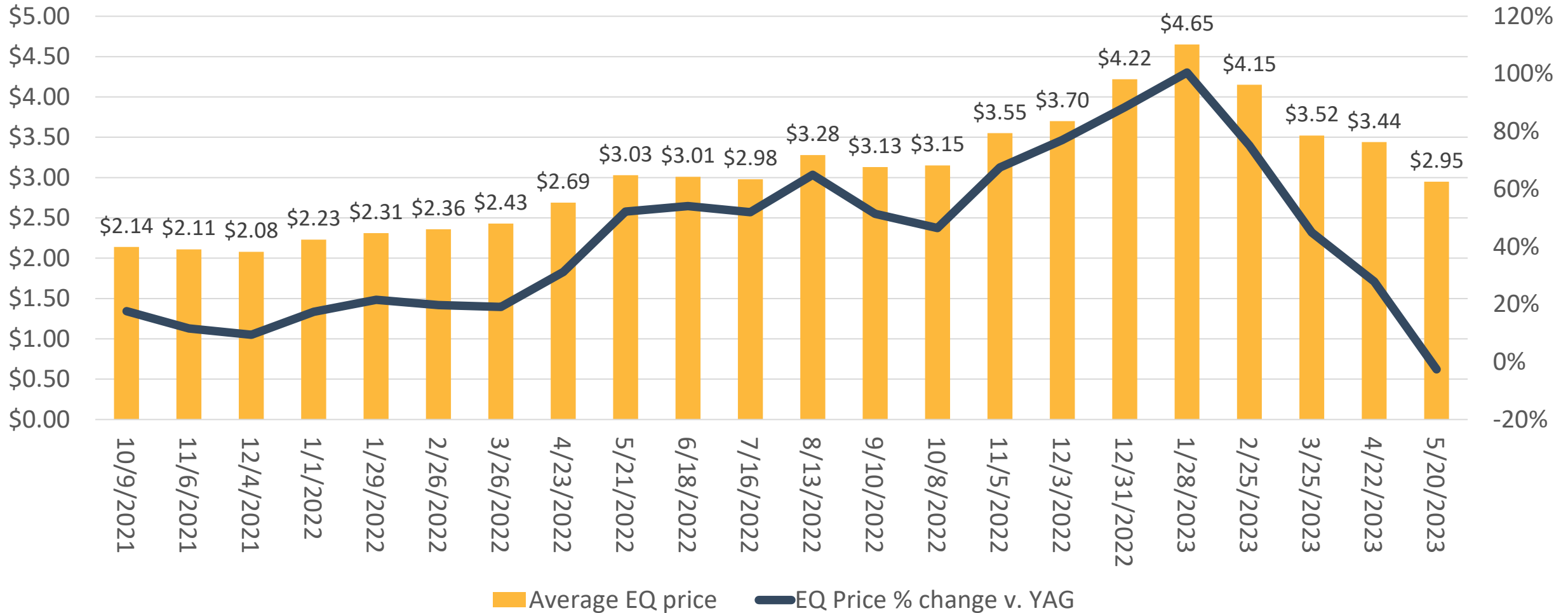
statista



Retail prices rose throughout 2022, escalating to \$4.65 EQ in January, more than 2x a year ago, but are down nearly 25% since



Average EQ price and % chg v. YAG (Latest 4 weeks ending)



What happened?

Early in the pandemic consumers focused on health and indulgence, but have shifted to prioritizing convenience



Top Growing Motivations at Breakfast

% Home/Retail Sourced Breakfast Occasions (Total Individuals)

Top Growing Motivations 2020 vs. 2019	%	Pt. Δ
Was healthy/nutritious	23%	+4.0
Provided nutrients I needed	15%	+3.8
Satisfied craving/specific taste	22%	+3.1
Was high in protein	13%	+3.1
Was refreshing	11%	+3.0
Was fresh	11%	+2.8
Looked/smelled really good	12%	+2.4

Top Growing Motivations 2021 vs. 2020	%	Pt. Δ
Could be consumed quickly	24%	+2.7
Was quick/easy to get or make	36%	+2.1
Was made with items on hand	19%	+1.1
It was a favorite	27%	+0.8
Wanted something hot/warm	12%	+0.7
Didn't feel like cooking	12%	+0.6
Was portable/could take to go	8%	+0.5

Eggs became the most common breakfast in 2020, but have slipped as consumers returned to the convenience of cereal

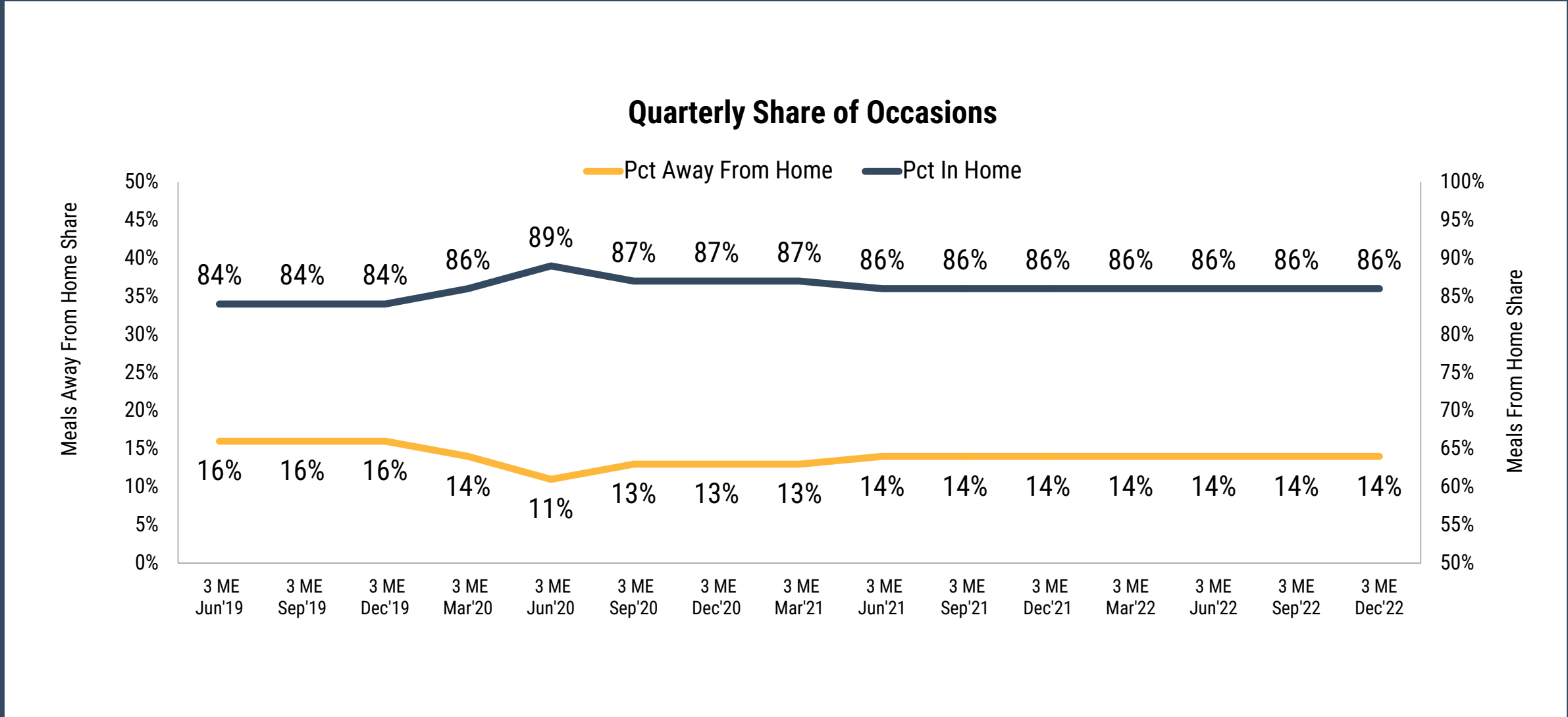


Top Foods - Sourced from Home/Retail Breakfast

July-December Trend - % Occasions

2019		2020		2021	
Cold Cereal	18.4	Eggs & Egg Dishes	17.2	Cold Cereal	18.4
Eggs & Egg Dishes	17.6	Cold Cereal	16.4	Eggs & Egg Dishes	16.4
Bread/Bagels	14.2	Bread/Bagels	14.3	Bread/Bagels	14.4
Fruit	12.0	Fruit	10.4	Fruit	12.7
Pancakes/Waffles/Fr. Tst	7.6	Pancakes/Waffles/Fr. Tst	7.7	Pancakes/Waffles/Fr. Tst	8.2
Hot Cereal/Grits	7.2	Hot Cereal/Grits	6.7	Hot Cereal	7.5
Yogurt	4.3	Sandwiches	4.3	Yogurt	4.3
Sandwiches	3.9	Yogurt	3.6	Sandwiches	3.7
Bars & Bites	3.5	Sausage	2.9	Bars & Bites	3.6

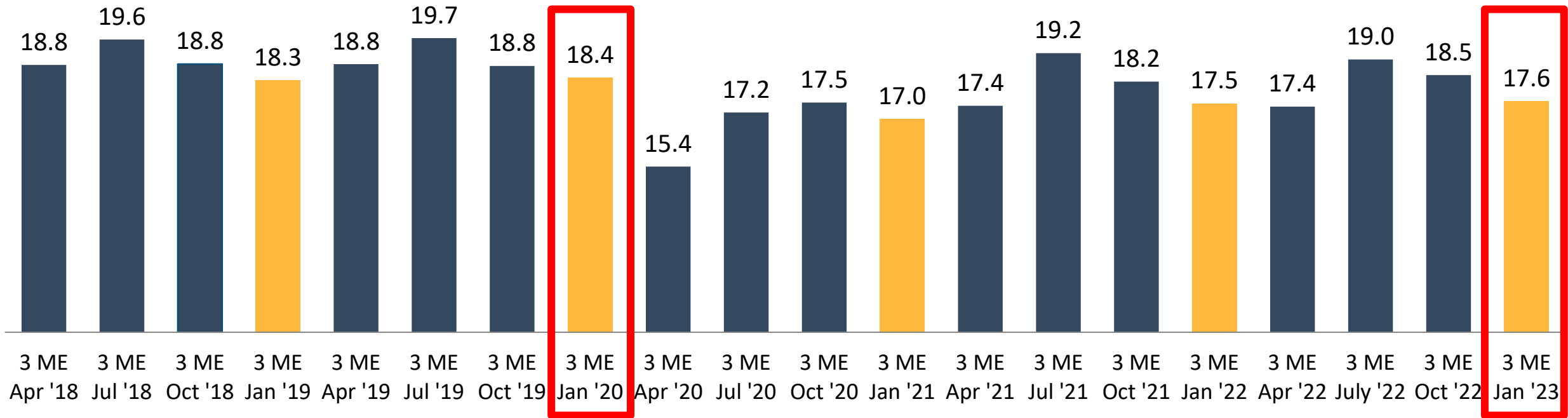
More eating occasions are sourced from home post-COVID



Foodservice traffic has not recovered to pre-pandemic levels; however...



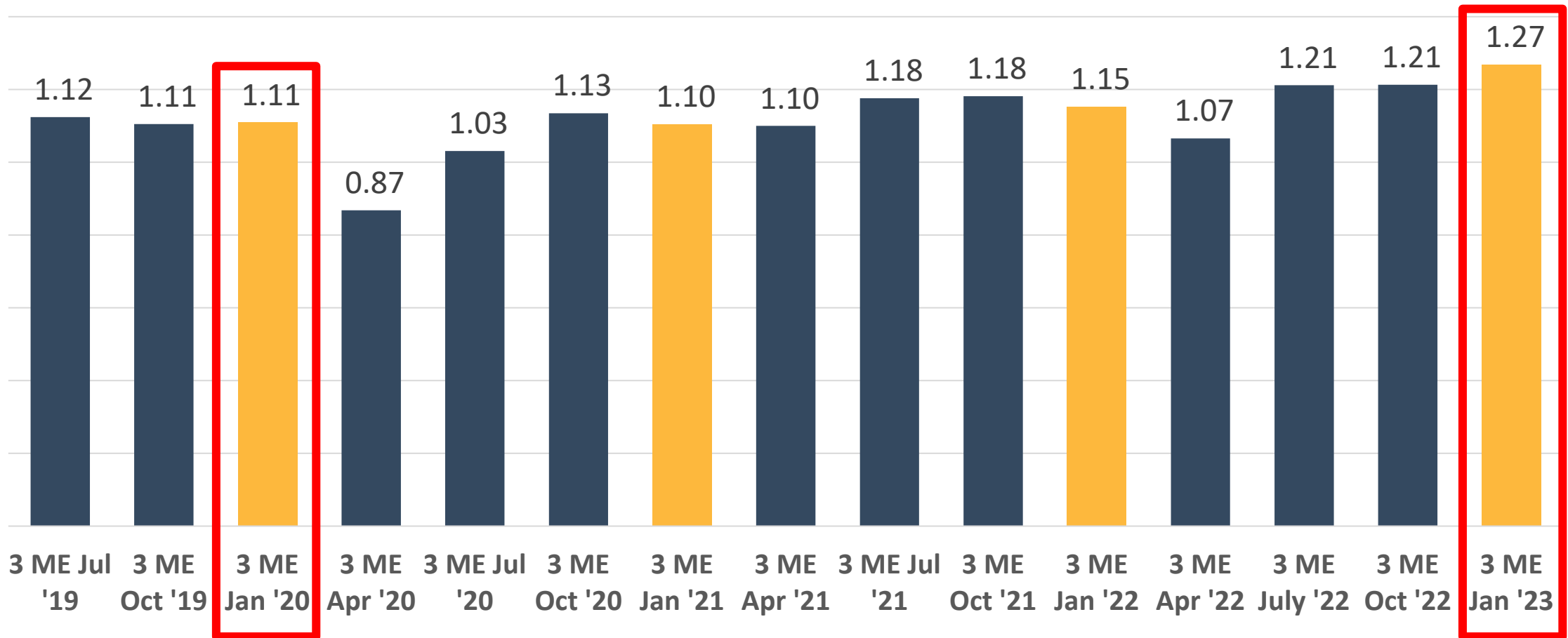
Traffic in Billions



...fast food (QSR) egg servings have increased nearly 15% since pre-pandemic



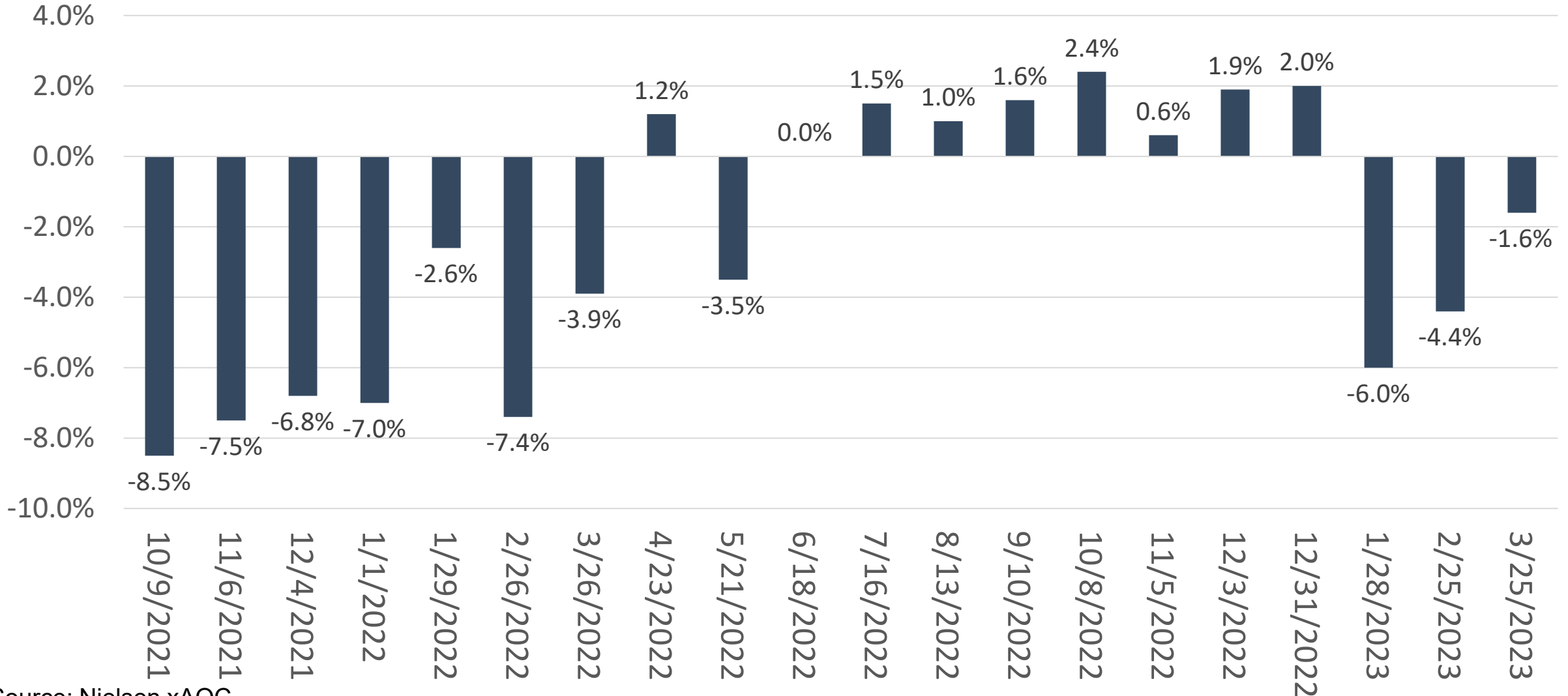
QSR Egg Servings (in Billions)



January ended a run of seven consecutive months of volume (EQ dozens) growth for retail eggs



EQ volume % chg v. YAG (Latest 4 weeks ending)



Consumer Sentiment

79%

HAVE FAVORABLE
PERCEPTION OF
EGGS

83%

EXPECT TO PURCHASE
EGGS IN THE NEXT MONTH

79%

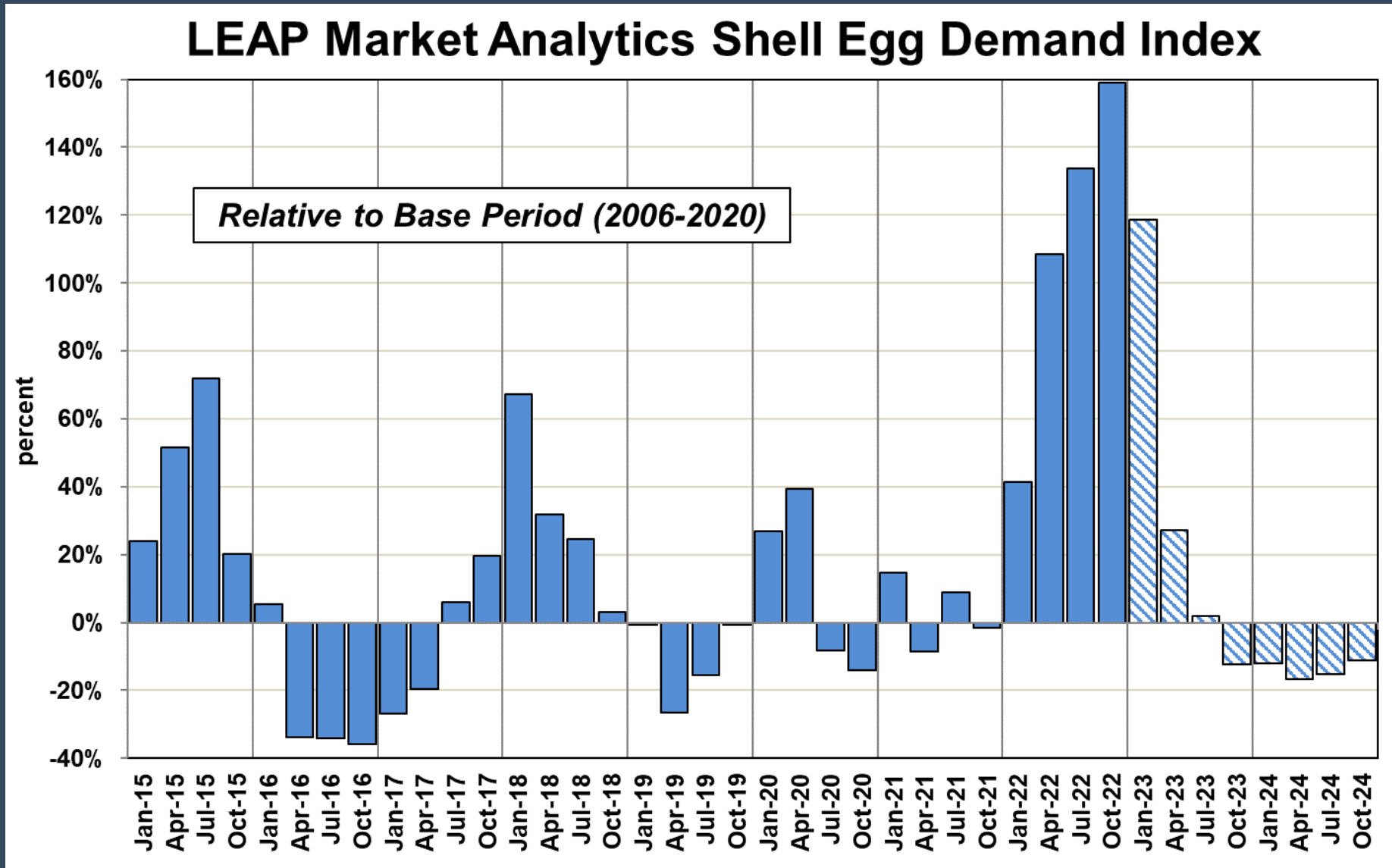
CONFIDENT IN THE SAFETY
OF EGGS

*(higher than any other
animal protein product)*

Looking forward...

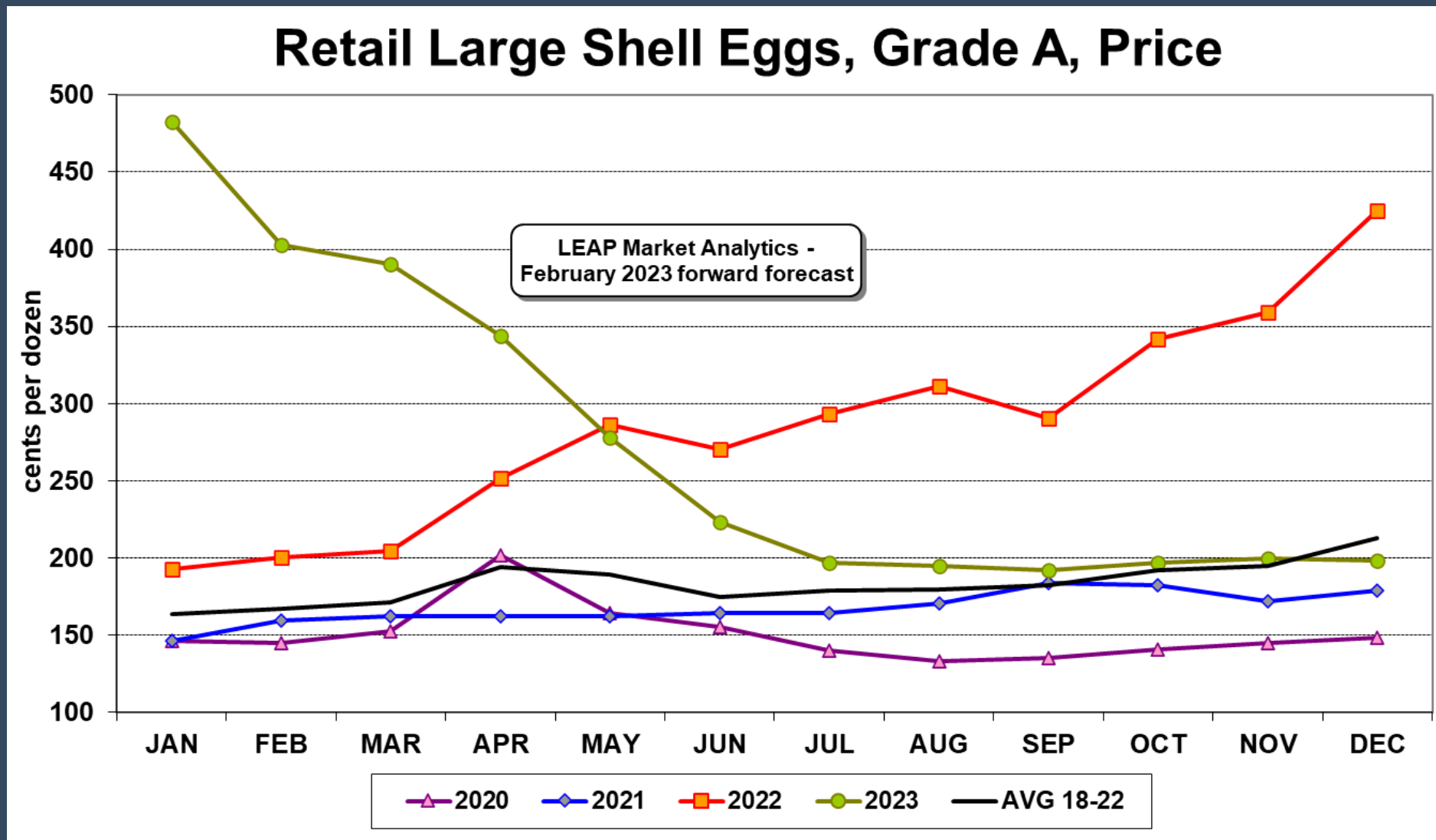


LEAP Market Analytics projects demand to drop significantly in 2023 and into 2024



Source: LEAP Market Analytics, Economic Analysis and Outlook for U.S. Egg Markets

Retail prices are expected to fall post-Easter, but remain above '20 and '21 levels



It's clear the egg industry is evolving

There's an egg for everyone





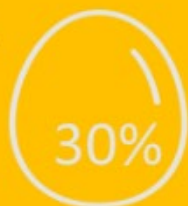
Egg Hummus Dip

Hummus-style dip and spread power packed nutrition with whole egg protein with legumes, healthy fats and seasonings served with crudite.

- Avocado Toast with Everything Bagel Sprinkles
- Smoked Beet with Horseradish Crème
- Spanish Pimenton & Limon with Olive Oil

Egg Insight: a creamy mouthfeel from egg's emulsion is perfectly suited to blended dips and snack spreads with less fat and more protein than hummus or dairy-based products

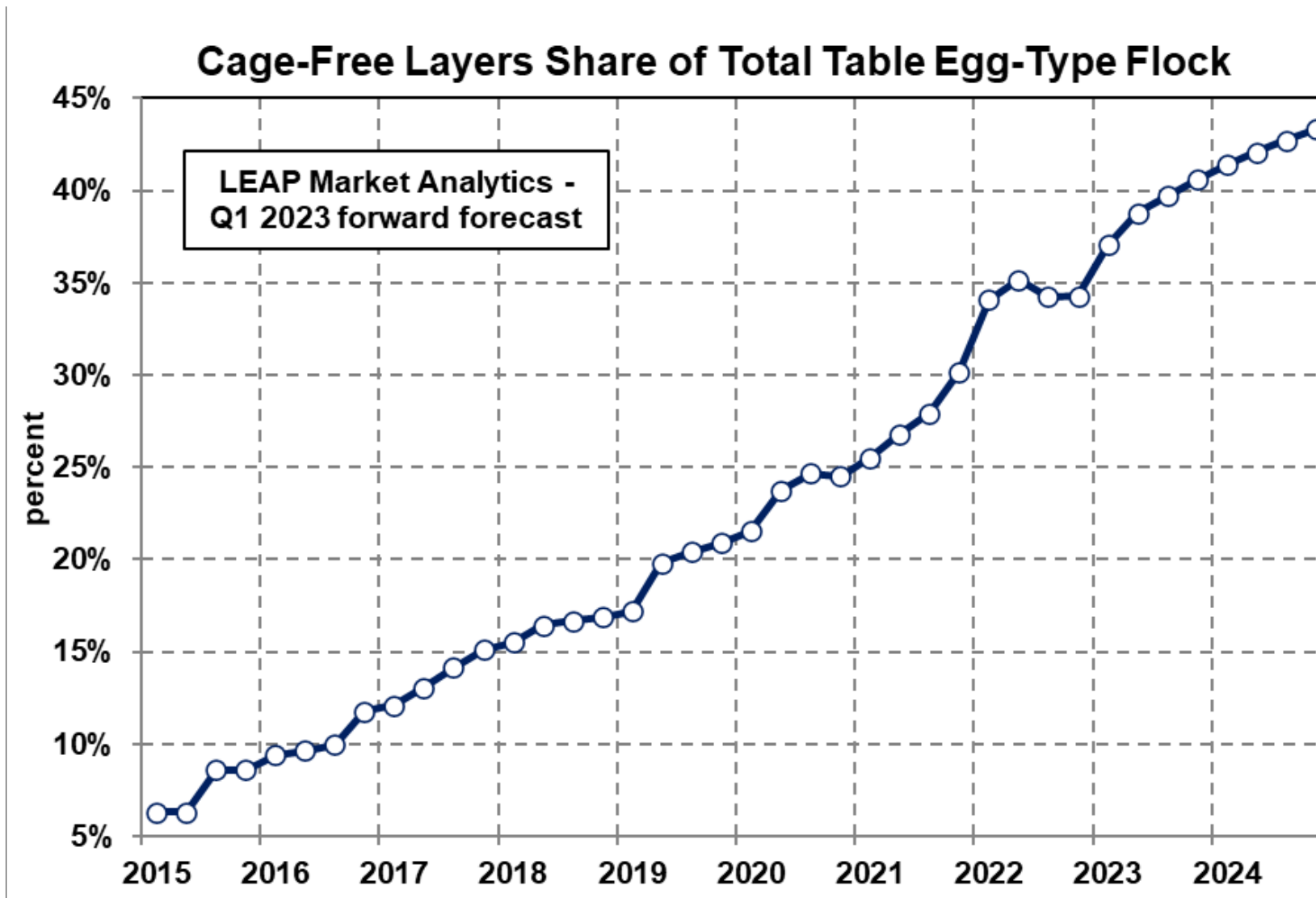
Egg Opportunity: multi-day part snack and sustained energy-booster sold in retail and club



Eggs aren't just center-of-the-plate breakfast food anymore

Cage Free

Cage-free represents nearly 40% of the egg laying flock

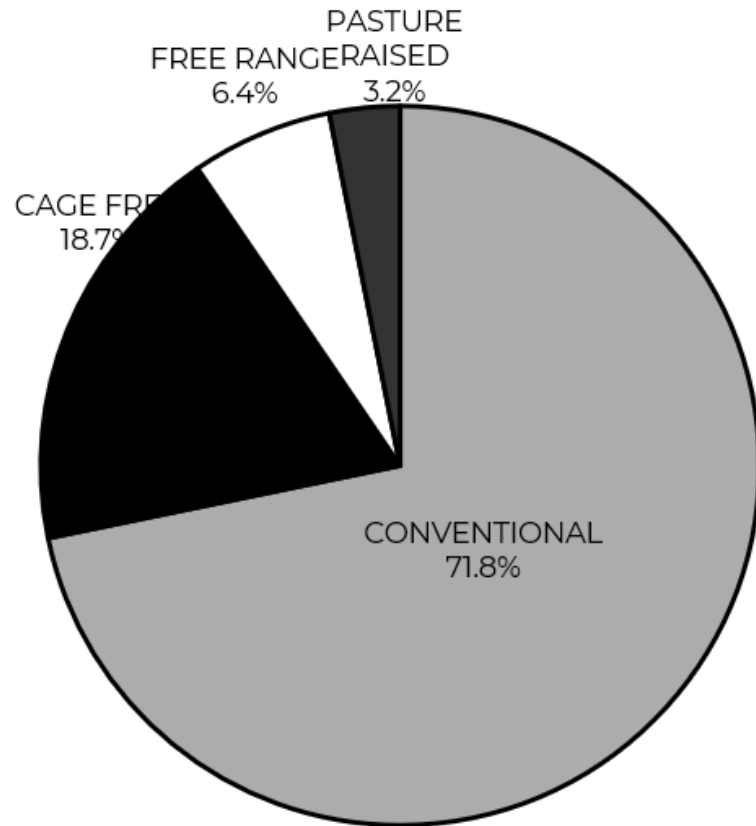


Conventional remains the dominant egg type, but cage-free and pasture-raised are growing



Shell Eggs by Product Segment

Total US xAOC + Conv EQ Volume - YTD



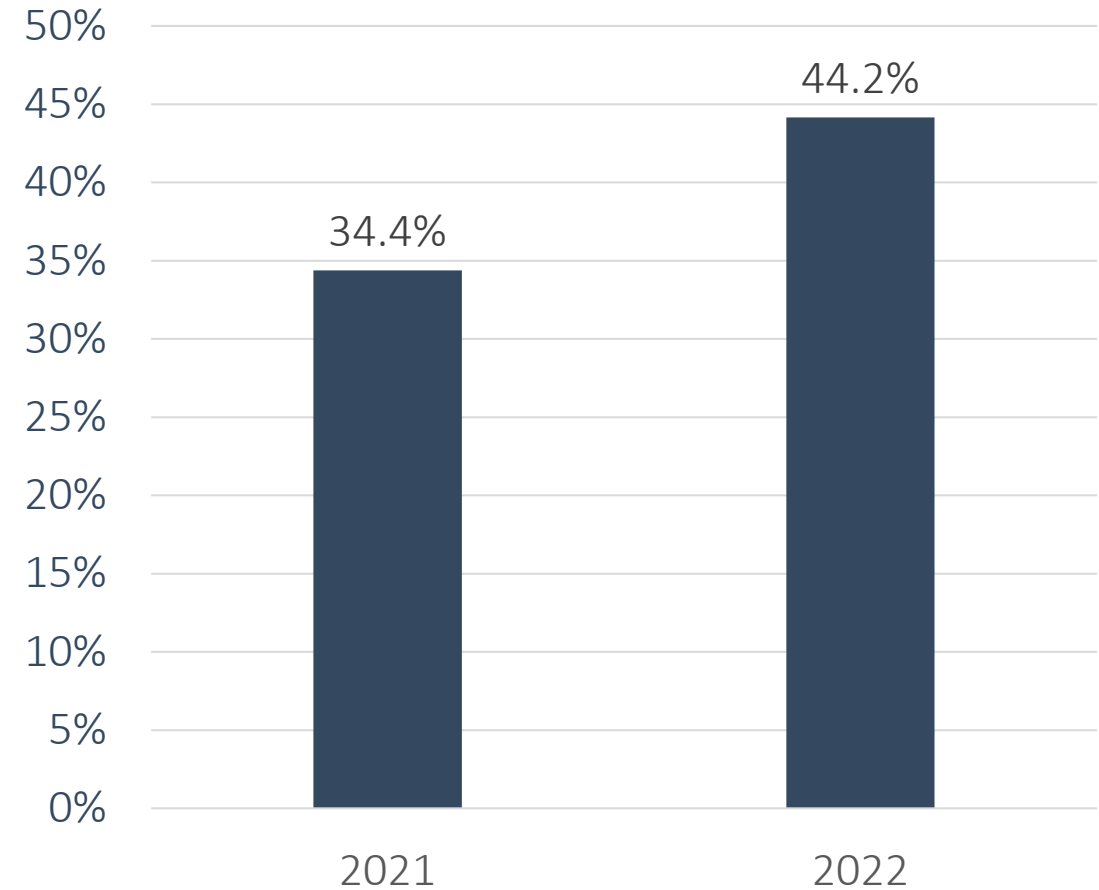
	EQ % Chg	EQ % Chg 2YA	\$ % Chg	\$ % Chg 2YA
CONVENTIONAL	-7.7%	-19.8%	97.4%	111.5%
CAGE FREE	4.0%	52.7%	64.6%	138.3%
FREE RANGE	-13.8%	-1.8%	19.3%	35.1%
PASTURE RAISED	35.0%	74.8%	55.5%	104.7%

Source: Nielsen Total US xAOC + Conv CYTD Week ending 02/25/23

Penetration

Roughly 44% of households purchased cage-free eggs in the past year, up 10 points from a year ago.

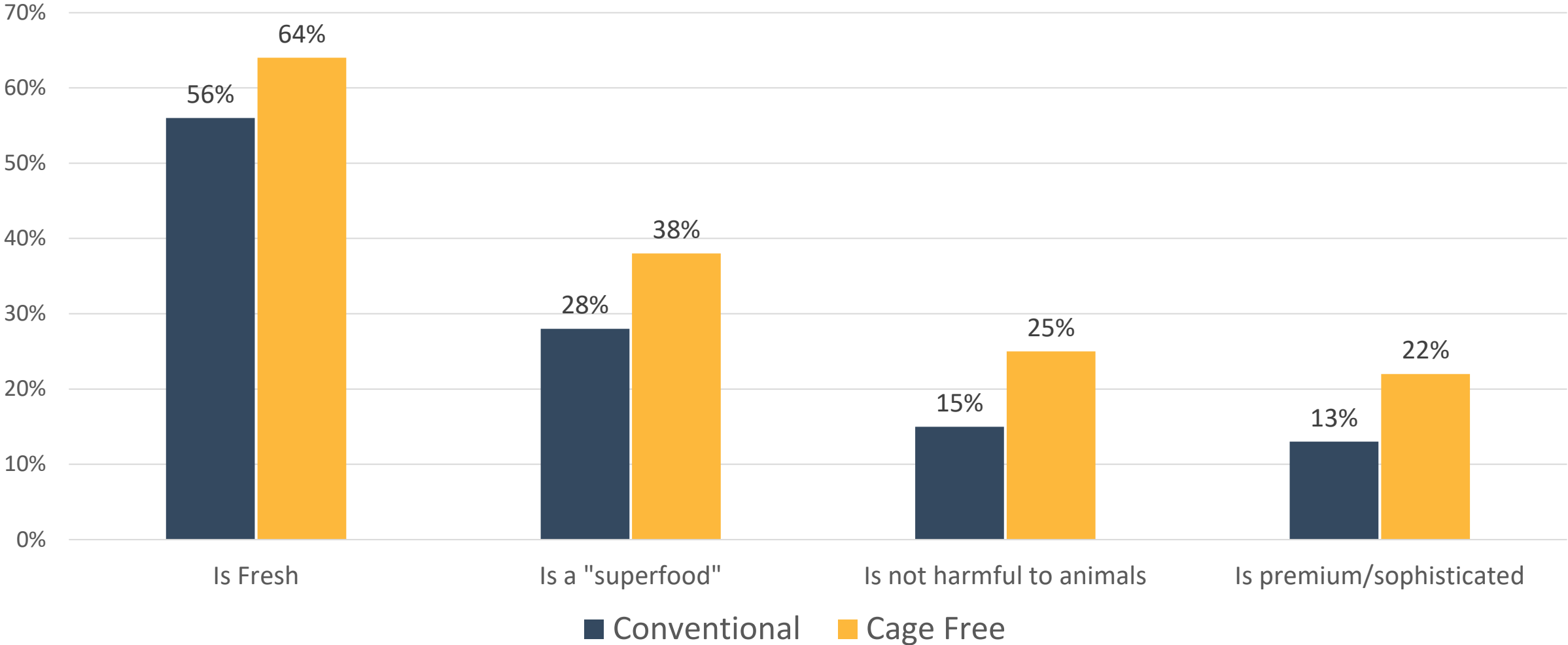
Cage Free Penetration



Consumers perceive cage-free eggs to be higher quality and coming from more humanely raised animals



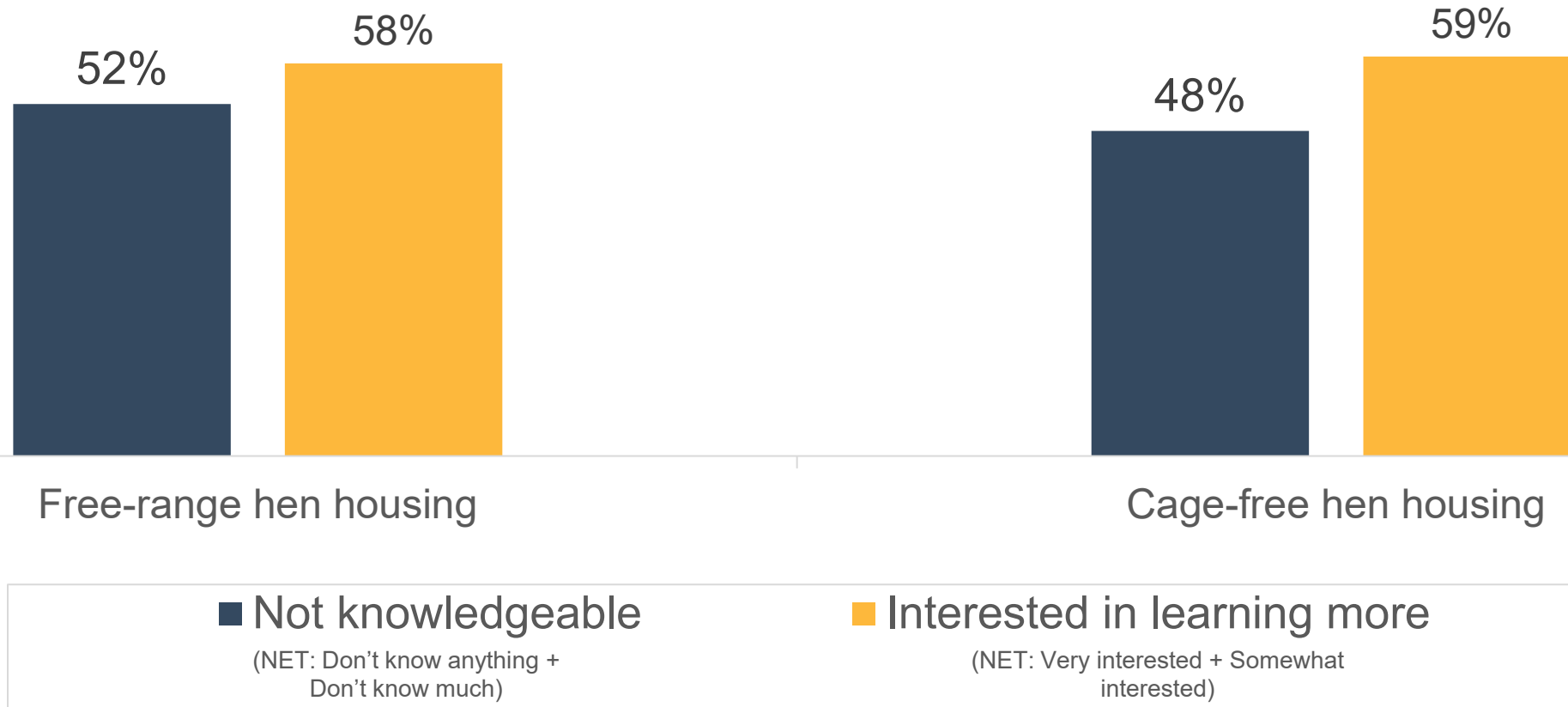
Consumer perceptions of conventional v. cage free eggs



Consumers admit having limited knowledge of hen housing options, but are interested in learning more



Low Knowledge vs. Interest in Learning More About Egg Production Topics



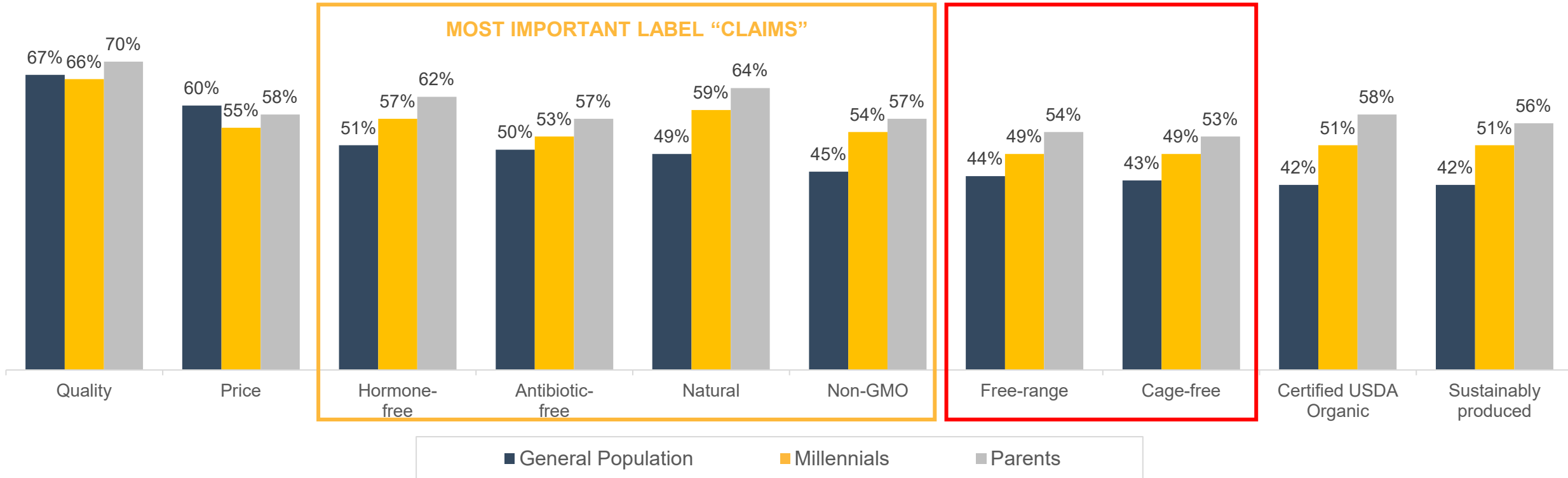
Q7. How much do you know about the following topics related to egg farming in the US? BASE: U.S. Adults (n=1005)

Q8. How interested are you in learning more about following topics related to egg farming in the US? BASE: U.S. Adults (n=1005)

Price and quality are table stakes, and second to that, consumers are looking for validation that their eggs are “pure,” and that hens are treated well



Important Factors When Buying Eggs
(T3B: 8-10 on a 10-pt. scale)



Q9. On a scale of 0-10, where 0 is “not important at all” and 10 is “extremely important”, how important are the following factors when deciding to purchase eggs? BASE: U.S. Adults (n=1005); Millennials (n=287); Parents (n=275)

Free-range



Pasture-raised



Cage-free



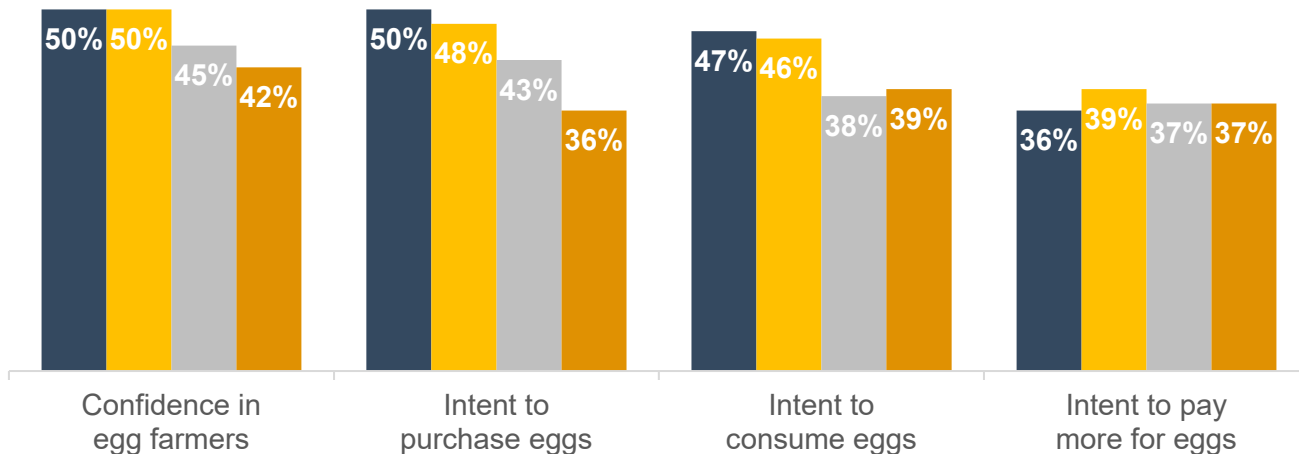
Conventional cage



IMPACT OF IMAGES ON BEHAVIOR/PERCEPTIONS

(T3B: 8-10 on a 10-pt. scale)

■ Free-range ■ Pasture-raised ■ Cage-free ■ Conventional cage



Information about hen housing provides consumers with reassurance of their purchasing decisions but doesn't necessarily encourage them to pay more for eggs.

No housing type really compels consumers to pay more; however, consumers say they want to learn more about cage-free and free-range eggs.

Consumer understanding of cage-free

- Consumers **care about small farmers** and believe they care about the foods they produce
- Across all consumers, there are **many misconceptions about cage-free**
- Consumers are **unaware of** and largely apathetic toward **corporate cage-free commitments**



Cage-free message reactions

- Consumers' reactions to tested messages ranged from **acceptance to confusion to skepticism**
- Appreciate **fact-based transparent** messages
- While **supportive of the movement** to cage-free, the **farmer business side of cage-free conversion is not known**, but when explained, it makes sense
- **Skeptical of definitive language** such as “all”, “always”, and “never”
- **Disbelief** that all eggs are nutritionally equal



Sustainability

Sustainability has a broad, and evolving, definition

Food Waste



Environmental Impact



Packaging



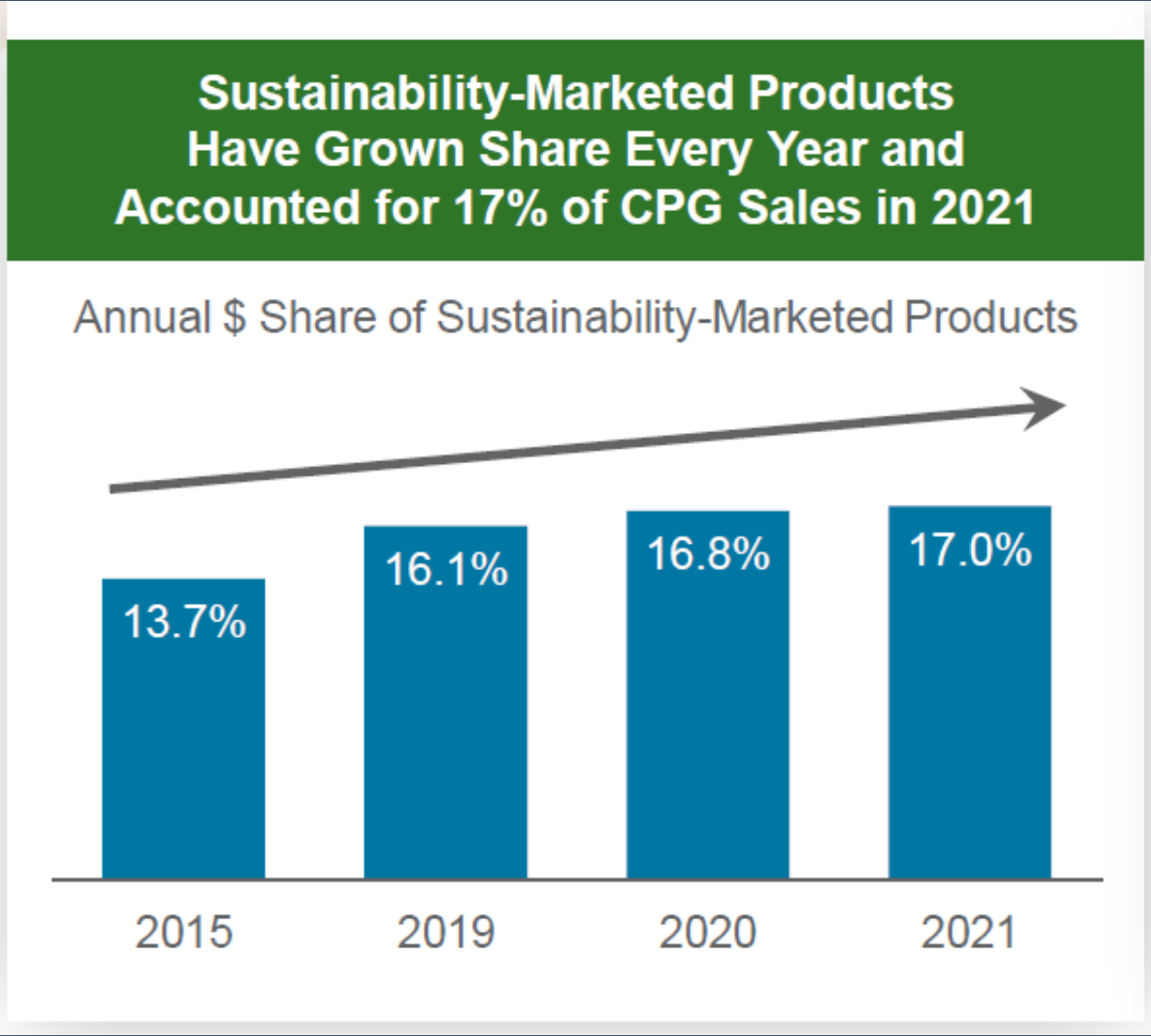
Animal Welfare



Human Welfare



Sustainability marketed products are growing share

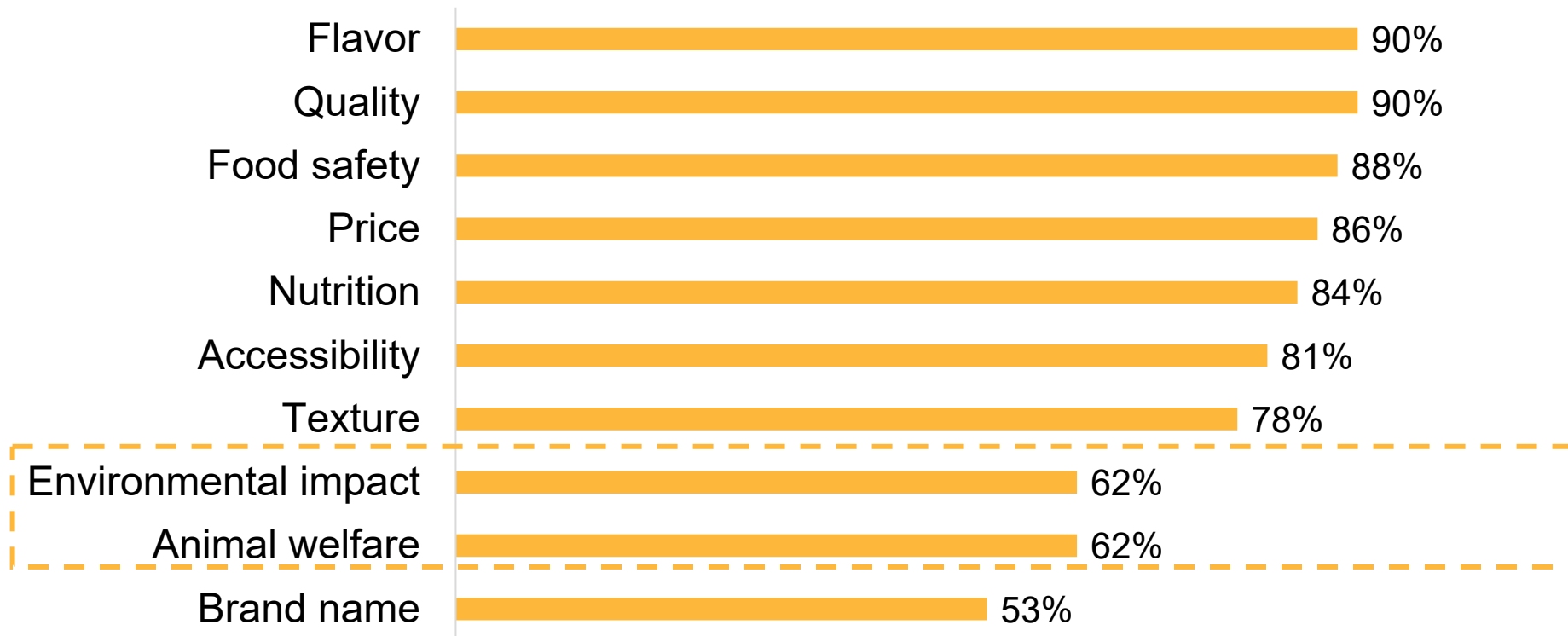


Source: IRI, Sustainability and the Consumer, September 2022

Despite consumers stating that sustainability is important, it is less important than quality, price, and nutrition



When considering what foods to eat, how important are the following characteristics to you?
Very + Somewhat Important Summary



Consumers aren't willing to pay a price premium for sustainable products

23%

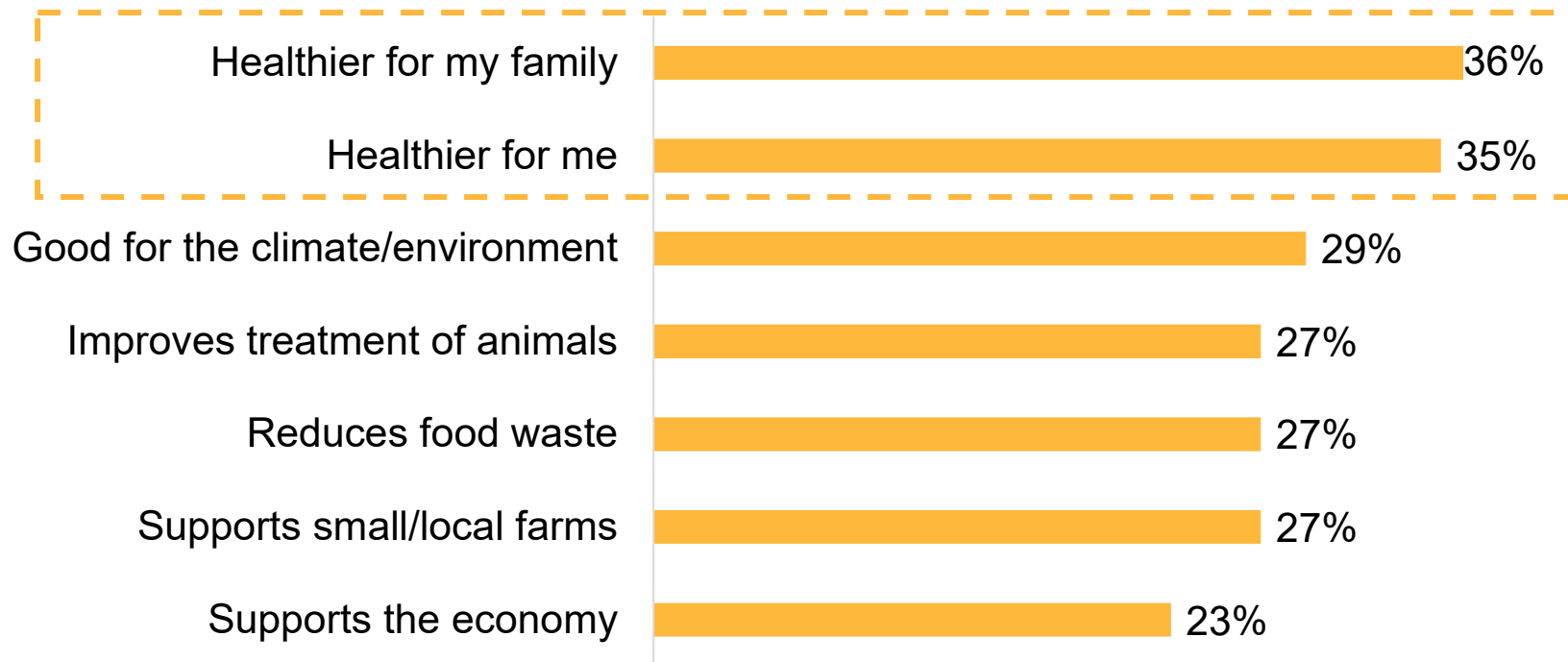
Consider transparency important and are willing to pay at 15% premium

35%

Among consumers who say sustainability is important, only 35% are willing to pay 15% premium

Health benefits are the most likely to drive increased consumption of sustainably-produced foods

What factors, if any, would encourage you to eat more sustainably-produced foods?



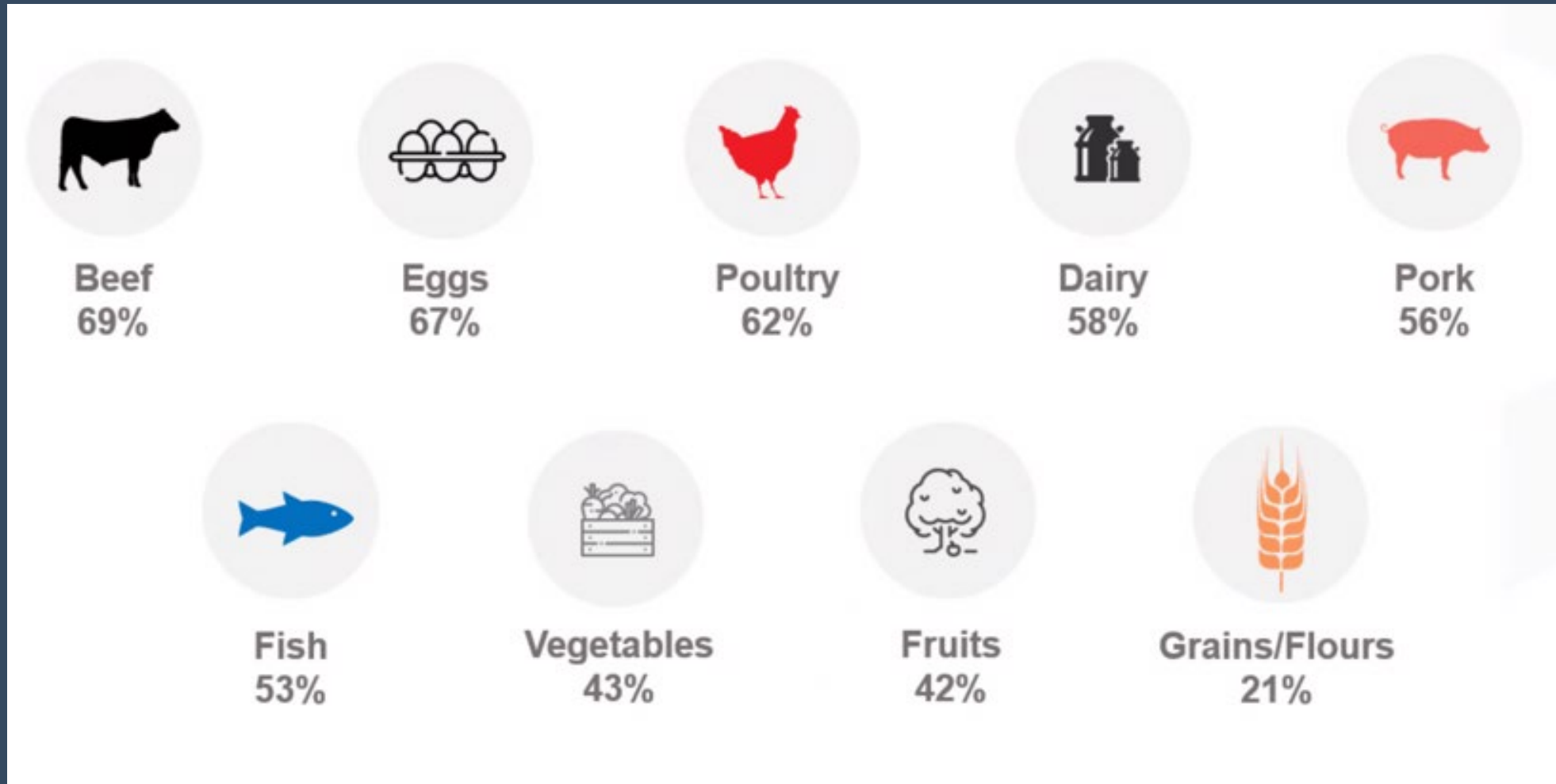
Parents would be more encouraged if these foods were healthier for their families



41%

Healthier for my Family
(Non-Parents: 33%)

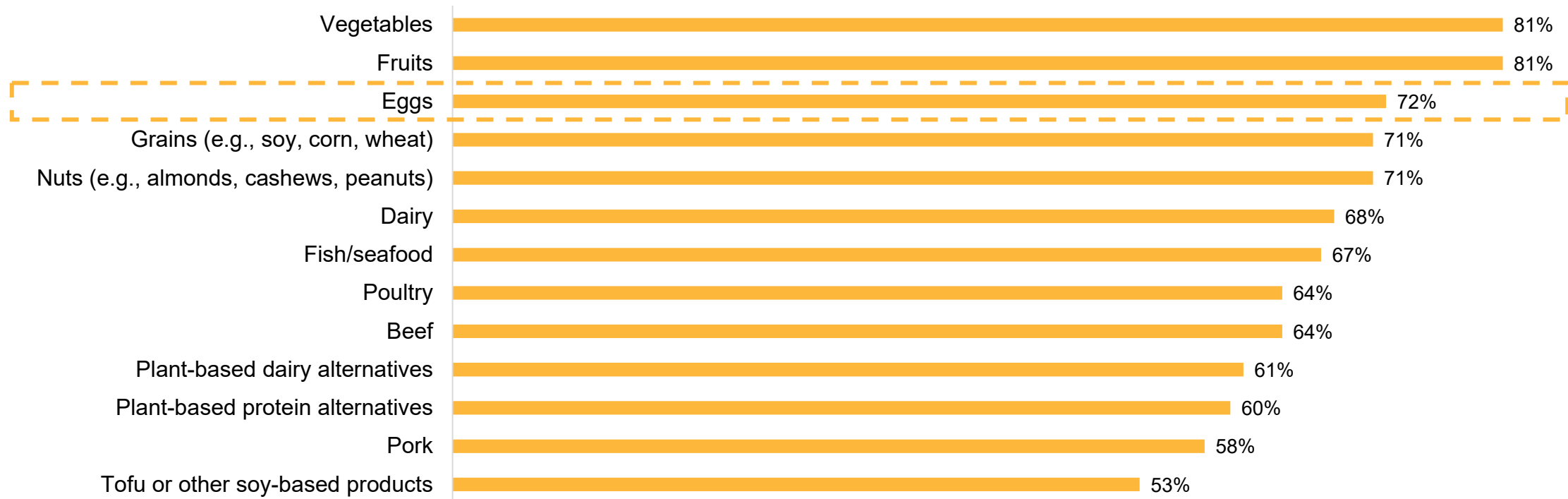
Eggs are among the agricultural products consumers most want to know the farm from where they are sourced



Trailing only vegetables and fruit, eggs have a positive sustainability perception among agricultural products



What is your perception of the following foods when it comes to sustainability?
Very + Somewhat Positive Summary



Egg producers are embracing sustainability in their operations and messaging



Vital FARMS EST. 2001
KEEPING IT BULLSH*T-FREE

ANIMAL WELFARE

We have longstanding relationships with organizations that advocate for animal welfare. We make annual contributions to The Humane Society of the United States, which advocates to end all forms of animal cruelty, The Humane League, which works to end the abuse of animals raised for food through institutional and individual change, and The Animal Legal Defense Fund, an animal law advocacy organization with a mission to protect the lives and advance the interests of animals.

Our animal welfare practices for the hens that lay our eggs are consistently and independently audited by Certified Humane and certain retailers.

CERTIFIED HUMANE
RAISED & HANDLED

PASTURE-RAISED

CONSCIOUS CAPITALISM

SMALL FAMILY FARMS



Morrisons unveil zero-carbon egg range from hens fed on insects

Regenerative farming

It is a set of farming principle and practices that prioritize preserving and regenerating topsoil, leading to better outcomes for farmers, animals, people and the planet



Happy hens and healthy humans; a humane and sustainable farming mission.



- 1 Animal welfare** is at the heart of the agenda for government, consumers and businesses
- 2 Closer loop farming: From waste to taste** CO2 footprint of our feed is 50% less than standard chicken feed
- 3 Carbon neutral egg** White eggs have 5% lower carbon footprint than brown eggs
- 4 Carbon neutral packaging** Box has a carbon footprint 90% lower than a recycled cardboard egg box
- 5 Sustainable farm** Our solar roofs provide a lot of energy and we reduce fine particle emission.

Consumers express interest in cage-free and sustainability, but...

- It's **not a simple** straightforward solution
- **Quality, price, and nutrition** remain king
- **Confusion and misperceptions** need to be addressed
- Most consumers **not willing to pay** the costs



AEB is at the ready to assist the industry with deeper consumer understanding



AMERICAN EGG BOARD

Mike Hostetler
mhostetler@aeb.org



Thank You!



Questions?

