

The Eggciting Adventure to Preserve Consumer Choice

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NOSTALGIC FOR 2015...MAYBE?



MET FOR BREAKFAST IN NEW ORLEANS...



Scott was determined to preserve choice in the egg case in Ontario and across Canada

“Success is ... in 10 years, the egg case looks just as it does now.”

- Scott Graham



Building Consumer Trust and Stakeholder Support **STRATEGIES**

Leverage collaborative interests in a coordinated approach to engage with a variety of stakeholders concerned about hen housing and choice.

Demonstrate the prevailing commitment and passion of farm families and egg company employees by capturing and sharing their stories with full transparency of on-farm practices.

Present hen housing from a variety of perspectives, including impacts on hen well-being, food safety, the environment, affordability of eggs and economic impacts.



Building Consumer Trust and Stakeholder Support

STRATEGIES *Continued*

Engage consumers on digital platforms, in a way that showcases farmers demonstrating shared values (with a focus on animals).

Empower graders and brands to engage with retailers/egg customers, utilizing the strategic plans and resources provided.

Support retailers by providing perspectives and materials to understand consumer purchase decisions and encourage conversation with consumers about choice.

Develop short-term and long-term objectives and tactical elements to establish a **coordinated, multi-year commitment** to promoting hen housing choice.



Building Consumer Trust and Stakeholder Support

2016 PROGRESS

Digital ethnography of consumer beliefs and motivations, to effectively segment audiences for engagement

Eight on-farm videos featuring Ontario egg farmers telling their own stories about housing hens in enriched colony, free range, free run and aviary environments

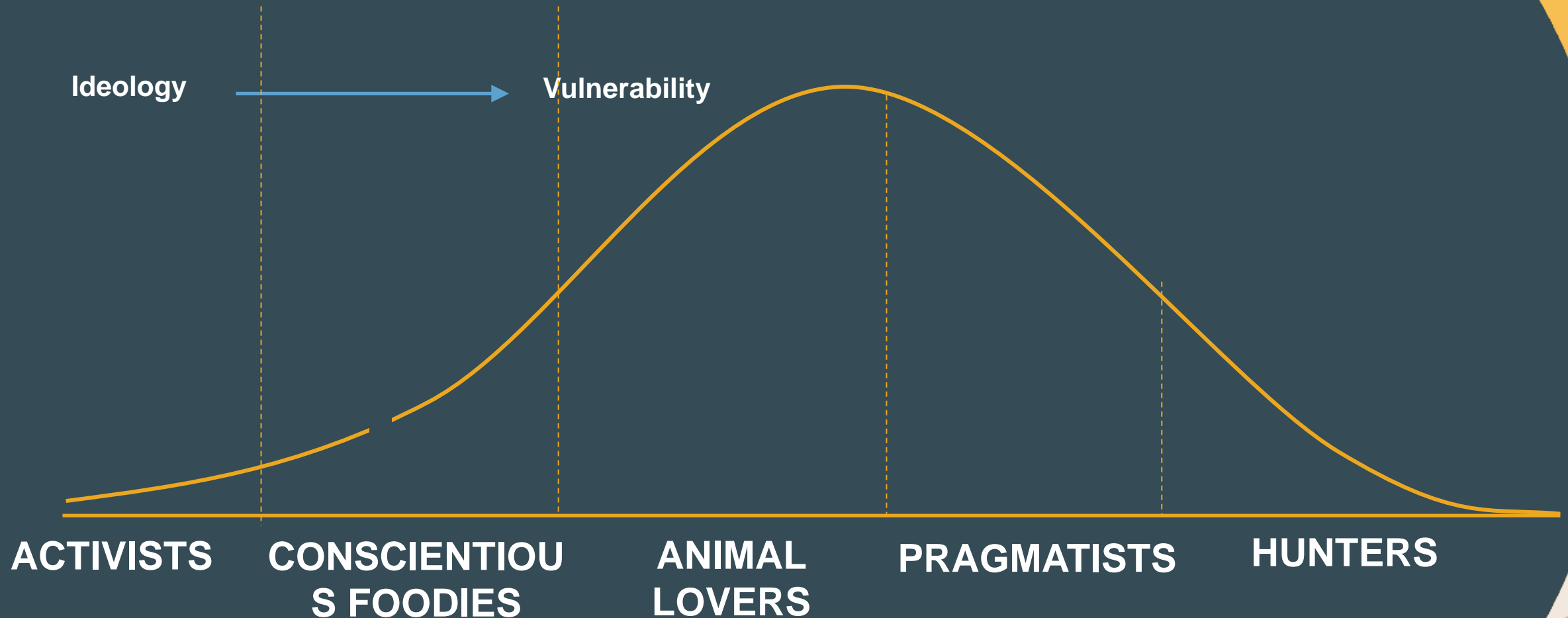
Detailed engagement plans for a variety of stakeholders, including food system, academia, NGOs, media and consumers

Qualitative research with 1000 consumers to measure purchase drivers

Message development and testing with consumers to determine how messages resonated for confidence in egg purchases and hen housing



ONTARIO CONSUMER SEGMENTS AND THEIR MOTIVATION IN HEN HOUSING



Uncovering True Motivators for Consumer Beliefs

CONNECTING WITH SHARED VALUES

Ontarians assume egg farmers fall into “Pragmatist” or “Hunter” groups.

Ontarians are not confident that egg farmers share their values...

- **Conscientious Foodies** believe an egg farmer cannot empathize with their concerns or their guilt about hen housing
- **Animal Lovers** believe an egg farmer cannot be an animal lover

Rather than changing what others believe, we can better align what we do and how we engage to show shared values

- Demonstrate we understand their concerns
- Brand farmers as **animal lovers**



BRAND THE EGG FARMER

**Remember, it's not just
about loving animals.
It's about demonstrating
a shared set of values.**



Understanding Purchase Decisions

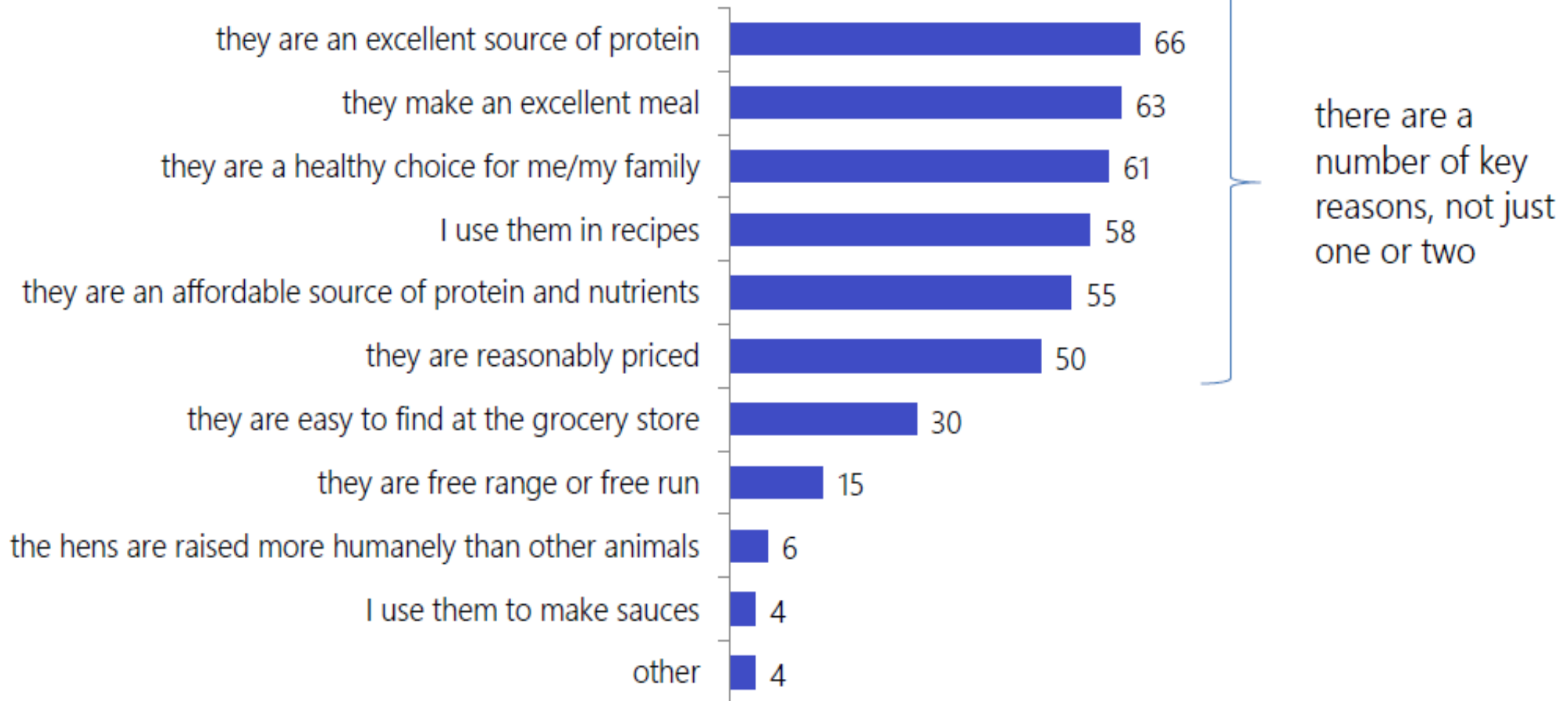
CONSUMER PURCHASE RESEARCH

Conducted research among 1,000 Canadian consumers who are primary grocery shoppers (August 2016)

- Understand factors Ontario consumers use as they make egg purchase decisions
 - At retail, at restaurant and food service
 - Price per dozen had the greatest impact on purchase at retail
- Findings communicated with retailers and food system stakeholders



WHY ONTARIANS BUY EGGS



Identifying Effective Consumer Messages

MESSAGE TESTING

Conducted research with 1000 consumers (September 2016)

- Identify message components that provide a believable, credible and favourable impression of egg farming and hen housing
 - Egg farmers love animals
 - Quality care can be provided in enriched colony **and** large group housing
 - Choice in available egg types should be maintained
- Assess awareness and reaction specifically to:
 - Impressions about reduced choice and the role of activists
 - Egg farmers' voluntary commitment to phase out conventional cages



Messages That Resonate Most Positively

BEST FOR THE BIRDS

“Ontario’s egg farmers weigh what is best for the birds when they decide how to house their hens, knowing the pros and cons of all housing environments.”

“Egg farmers in Ontario believe it’s their responsibility provide the best care for their hens, so over time, farmers have modified the way hens are housed as new information and research becomes available.”

“Egg farmers in Ontario believe high-quality care and safe, wholesome eggs can be achieved in a variety of hen housing environments.”

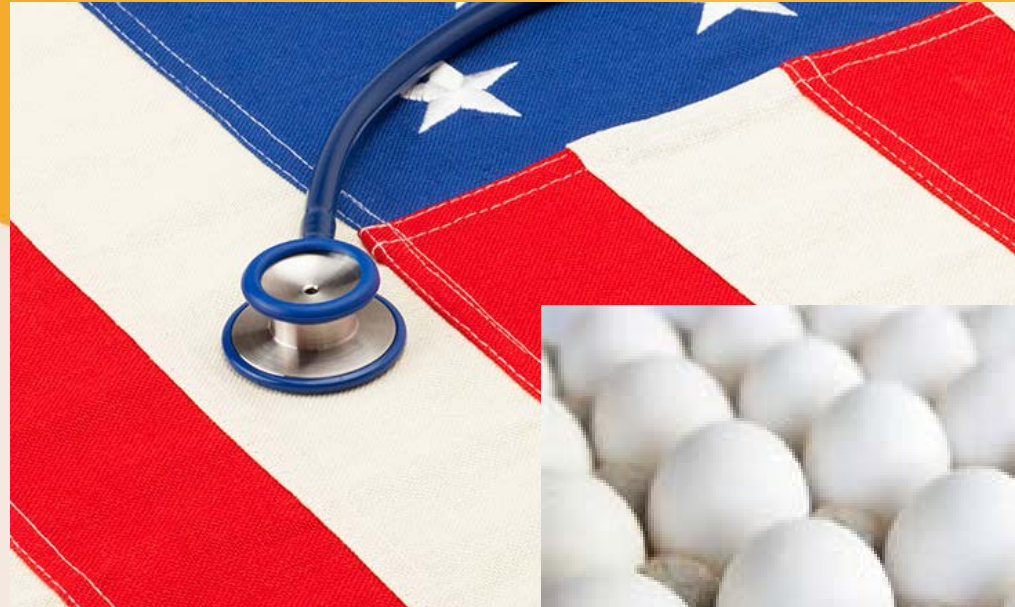


Building Consumer Trust and Stakeholder Support

GREAT PROGRESS IN 2017 – MORE TO COME!

- Housing videos launched
- Website sections added
- Certification research
- National uptake
- National project team
- National program and policy development





More Adventure Ahead!

U.S. SUPPLY IMBALANCE

McDonald's 2015 announcement started a cascade of cage-free commitments

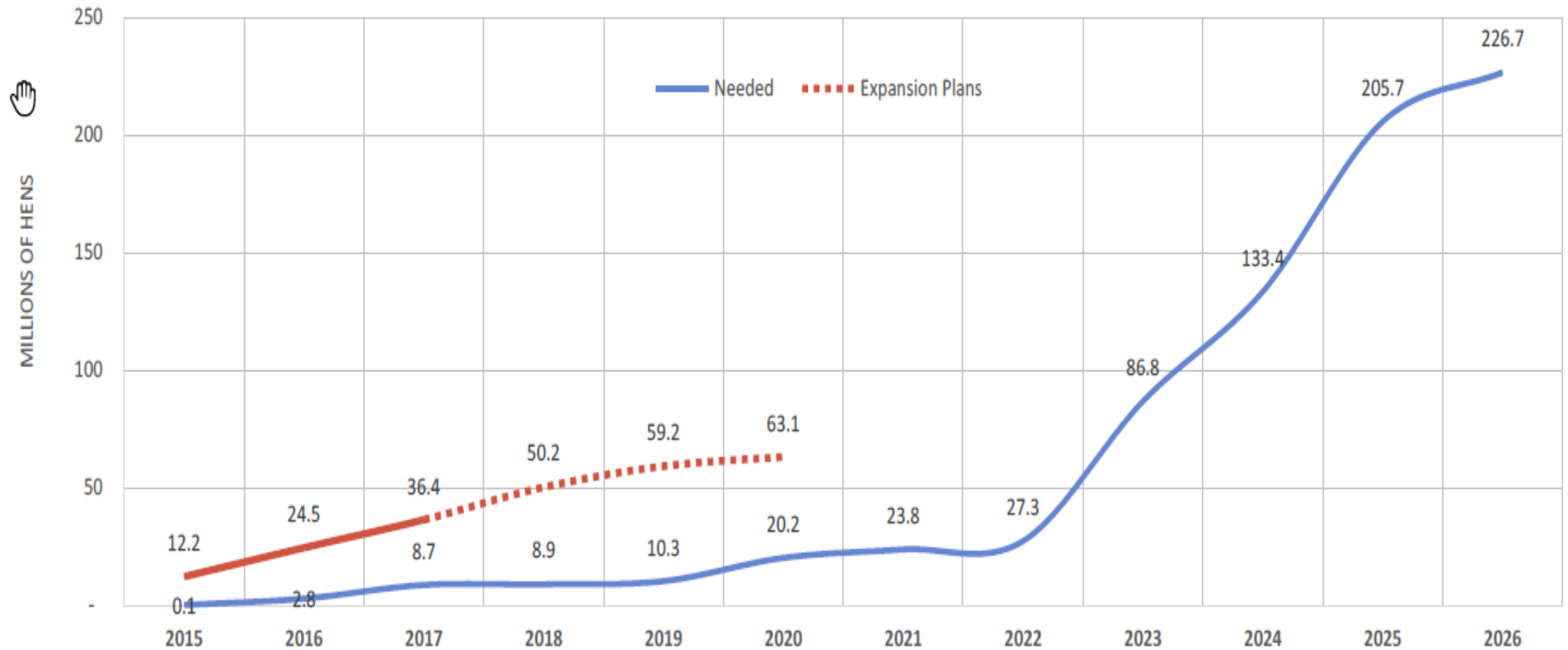
Approximately 110 grocery chains/distributors, 58 restaurants, 18 foodservice providers, 11 hospitality and travel firms, 14 food manufacturers, 17 convenience/drug chains, and 4 dollar variety stores in the U.S. have made commitments to go cage-free by 2026

In November, 2017 there were an estimated 36.4 million non-organic cage free hens in the U.S., ~11.5% of the 300 million hens in the U.S. flock

Assuming production rates and demand remain constant (a dangerous assumption) it would take 227 million hens by 2026 to meet the projected demand. At that point, 72% of the U.S. flock would be cage free



PROJECTED EXPANSION OF CAGE-FREE IN U.S., RELATIVE TO CURRENT COMMITMENTS



USDA Agriculture Marketing Service, November 23, 2017

CAGE-FREE BY FOOD SECTOR

Combined Estimated Cage-Free Requirements by Sector

Food Category		Annual Eggs	Hens Needed	% of Current Flock
1	Foodservice (18)	3,522,000,000	12,700,000	4.0%
2	Hospitality & Travel (11)	223,000,000	800,000	0.3%
3	Food Manufacturers (14)	2,240,000,000	8,100,000	2.6%
4	Convenience & Drug (17)	754,800,000	2,700,000	0.9%
5	Dollar/Variety (4)	581,000,000	2,100,000	0.7%
6	Restaurants (58)	7,626,000,000	27,500,000	8.7%
7	Grocery (108)	47,870,000,000	172,700,000	54.8%
Totals:		62,816,800,000	226,600,000	71.8%

USDA Agriculture Marketing Service, November 23, 2017

No one told consumers
they were supposed to start
buying more...a whole lot
more, cage free eggs!



ALIGNING SUPPLY AND DEMAND

Industry in the early stages of a \$10 billion transition to cage free

According to Egg Industry Center, cage-free averaged \$2.77/dozen while conventional eggs were \$1.43 in 2017

The imbalance is impacting producers with losses in 16 of the last 24 months

Some cage-free have gone to food banks and breakers because of supply/demand imbalance

Some large producers (Cal-Maine, Rose Acre) announced a pause on further cage-free until demand warrants



IMBALANCE IMPACT

As reported, many food service providers, national restaurant chains, and major retailers, including our largest customers, have made public commitments to transition away from conventional eggs and exclusively offer cage-free eggs by future specified dates. However, the higher price gap between conventional eggs and specialty eggs has resulted in reduced demand for specialty eggs. We have adjusted our production levels in line with current customer demand for cage-free eggs, and we are well positioned to increase our capacity when demand trends change.

- CalMaine Foods, October 2017

(the company reported a loss of \$16 million in the previous quarter)





Returning to Choice

POWERFUL U.S. RESEARCH SUPPORTING CONSUMER CHOICE

Catalyst for the project was the Food Marketing Institute, the trade association for the grocery retailers in the U.S.

The results clearly show multiple market segments consisting of consumers with distinct preferences for various egg attributes

More to come soon...

Consumers Want Choice!



IOWA MANDATES CHOICE

The legislation applies to grocers participating as vendors in the special supplemental food program for Women, Infants, and Children, known as WIC. The program is administered by the U.S. Department of Agriculture in cooperation with state officials, and the bill would allow state officials to seek a federal waiver if necessary.

Des Moines Register
PART OF THE USA TODAY NETWORK

Bill requiring sale of conventional eggs gets final Iowa Senate OK amid complaints it's anti-free market



THE POWER OF EQA

Kudos on the launch of a national certification program!

Having a platform to systematically address issues facing the industry is much better than the “whack-a-mole” approach to issues management

Having multi-stakeholder buy-in is crucial to long-term success, even if it’s not as efficient as a producer-only process

EQA gives consumers “permission to believe” all eggs are responsibly produced





The National Dairy FARM Program:

Farmers Assuring Responsible Management™

NATIONAL DAIRY FARM PROGRAM

FARM

- Created in 2009
- U.S. dairy farmers, processors and cooperatives
- Demonstrate and verify that U.S. milk producers are committed to the highest standards of animal care and quality assurance

Three “Silos”

- Animal Care, Environment and Antibiotic Stewardship



At the end of 2017, **98% of the U.S. milk supply** came from farms participating in the FARM Animal Care Program.



NATIONAL DAIRY FARM PROGRAM

Launch

- Communications and branding strategy
- Participant, farm evaluator and train-the-trainer tool kits
- Farmer resources
 - Comprehensive animal care manual and quick reference user guide, animal care videos, brochures, mailers
- News conference World Dairy Expo
 - News release and media outreach



NATIONAL DAIRY FARM PROGRAM

Ongoing Support

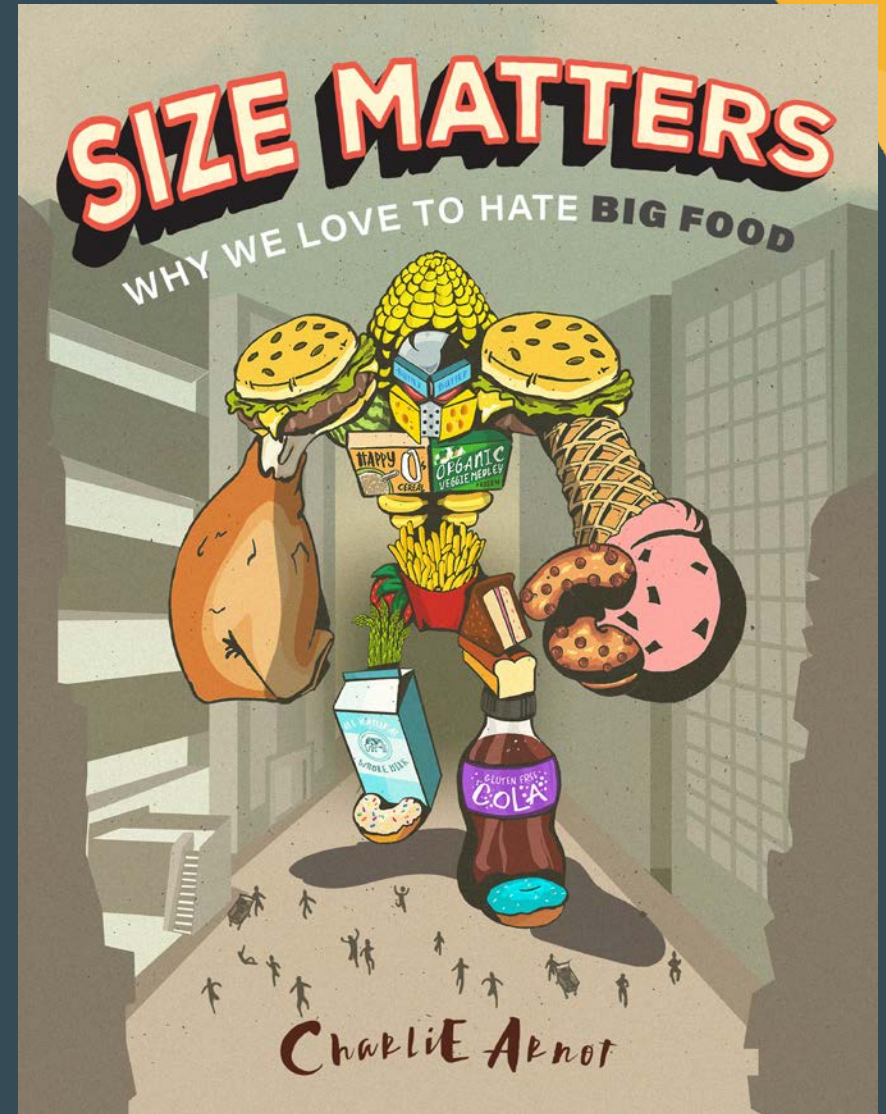
- Website management
- Promotional animated video production
- New and updated farmer manuals and other resources
- Social media strategy, content and posting
- Revised branding (New logo and on-package logo and launch/roll-out strategy)



SHAMELESS SELF-PROMOTION

Despite food being safer, more affordable and more available than at any time in human history, consumers are increasingly skeptical and critical of today's food system. In *Size Matters*, Charlie Arnot provides thought provoking insight into how the food system lost consumer trust, what can be done to restore it, and the remarkable changes taking place on farms and in food companies, supermarkets and restaurants every day as technology and consumer demand drive radical change.

Print and digital editions available in July



Thank You!



Questions?