Food, Consumers and Their Influence on Agriculture

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Montana State University

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FOOD CONSUMERS
General Customer Demands
James Womack and Daniel Jones: Lean Solutions: How Companies and Customers Can Create Value and Wealth Together, c. 2005

1. Solve my problem completely
2. Don’t waste my time
3. Provide exactly what I want
4. Deliver value where I want it
5. Supply value when I want it
6. Reduce the number of decisions I must make!!

“THE” Consumer?
Market Segmentation Increasingly Complex

- Palatability / eating satisfaction
- Health / wellness attributes
- Food safety
- Animal welfare / social aspects
- Convenience
- Product story
- Brand recognition
- Consistency
- Low price / high value
- Personalized shopping experience

All occur to varying degrees!!!!
The Working Environment

- Food is complex
  - Mix of science, business and values
- Consumers are time-starved
  - Difficult to make meaningful assessment of food production systems, products and processes.
- Facts often get overlooked
  - Neither easily or quickly understood
    - Default: push back against science and/or productivity
  - Conversation devolves into intangibles
    - Emotion / Fear
  - Food ends up battling bad science and half-truths
- Erosion of connectedness
- Consumers clamoring for meaning
  - Farmer’s Markets

Perception Matters!
Comments referenced from Larry Pope, CEO (SFD)
February 21, 2008 – USDA Outlook Forum

- “[In the grocery store] it’s our product being sold…we feel the real market”
- Customers care about the background of their food
  - It’s a family consumable!
  - That’s “radically different” than it was previously
- Each incident causes consumers to trust us a “little bit less”

- “We can’t do business that way [i.e. segmented] going forward….The consumer is forcing us [to change]…”
  - Producers can’t remain independent
NEW EMPHASIS

Consumers want narrative with food purchases
Communicate to turn tide of cynicism
Honest dialogue facilitates survival
Ignoring reality of consumer sentiment will be costly

BOTH!!! QUALITY AND STORY!!!

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<tbody>
<tr>
<td>External fat</td>
<td>Overall uniformity</td>
<td>Overall uniformity</td>
<td>Traceability</td>
<td>Food safety</td>
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<td>Seam fat</td>
<td>Overall palatability</td>
<td>Carcass weights</td>
<td>Overall uniformity</td>
<td>Eating satisfaction</td>
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<td>Marbling</td>
<td>Tenderness</td>
<td>Instrument grading</td>
<td>How, when, where cattle were raised</td>
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<td>Tenderness</td>
<td>Marbling</td>
<td>Market signals</td>
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<td>External and seam fat</td>
<td>Reduced quality due to implants</td>
<td>Segmentation</td>
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<td>Marbling</td>
<td>Cut weights</td>
<td>External fat</td>
<td>Carcass weights</td>
<td>Cattle genetics</td>
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Change in requirements / focus / emphasis over time
How have your attitudes about the following food issues changed over the past few years?

Adapted from SMG / WFCF

- Safety / impact of antibiotics
  - Much more concerned: 29%
  - More concerned: 35%

- Safety / impact of hormones and growth promotants
  - Much more concerned: 31%
  - More concerned: 32%

- Safety / impact of genetically modified foods
  - Much more concerned: 29%
  - More concerned: 34%

- How humanely animals are raised and handled
  - Much more concerned: 22%
  - More concerned: 34%

- Supporting farms or producers whose values are similar to my own
  - Much more concerned: 21%
  - More concerned: 32%

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Concern Regarding Specific Production Practices (% respondents)
Adapted from Sullivan, Higdon & Sink and FoodThink and Where Food Comes From

- Pesticides and Insecticides: 86% (2012), 78% (WFCF 2013), 69% (2014)
- Animal Antibiotics: 79% (2012), 78% (WFCF 2013), 77% (2014)
- Animal Hormones: 79% (2012), 80% (WFCF 2013), 66% (2014)
- Animal Treatment: 79% (2012), 79% (WFCF 2013), 66% (2014)
- GMOs: 79% (2012), 79% (WFCF 2013), 60% (2014)
TRUST / WORRY!

General Attitudes Among Consumers (% respondents)
Adapted from Sullivan, Higdon & Sink - FoodThink

Feel Food Companies are Transparent about Production Practices
Feel Agriculture Industry is Transparent
Want to know more about where their food comes from
Want food industry take more action in educating people on how food is...
Think it's important to understand how their food is produced

<table>
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<th>Statement</th>
<th>Percentage</th>
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<tr>
<td>Feel Food Companies are Transparent</td>
<td>30</td>
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<tr>
<td>Feel Agriculture Industry is Transparent</td>
<td>34</td>
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<tr>
<td>Want to know more about where their food comes from</td>
<td>65</td>
</tr>
<tr>
<td>Want food industry take more action in educating people on how food is...</td>
<td>66</td>
</tr>
<tr>
<td>Think it's important to understand how their food is produced</td>
<td>67</td>
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</table>

“Two out of three consumers think it's very or somewhat important to understand how their food is produced.”

“And 66 percent want to see more action from the food industry to educate people on how food is produced.”
How Much Do You Trust The Food Industry To... (% Respondents)
Adapted from Sullivan, Higdon & Sink - FoodThink

<table>
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<th>Behavior</th>
<th>SA/A</th>
<th>N</th>
<th>D/SD</th>
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<tr>
<td>Be Transparent About How Food Is Produced</td>
<td>32</td>
<td>39</td>
<td>29</td>
</tr>
<tr>
<td>Be Committed to Welfare and Well-being of Animal Livestock</td>
<td>33</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td>Care About Health and Wellness of Consumers</td>
<td>41</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Grow Raise Produce Quality Food</td>
<td>49</td>
<td>35</td>
<td>16</td>
</tr>
<tr>
<td>Grow/Raise/Produce Safe Food</td>
<td>51</td>
<td>32</td>
<td>17</td>
</tr>
</tbody>
</table>

General Effectiveness in Building Trust (% respondents)
Adapted from Sullivan, Higdon & Sink - FoodThink

- Company leaders appearing on news program to explain how food is produced: 33%
- Website honestly answering food production questions: 43%
- Public tours of farms and/or food production facilities: 50%
- Better labeling of key production and nutritional information: 56%

"Food companies should proactively share their food production story.
"54% of consumers say they will still give the food producer the opportunity to tell their side of the story."
"The world makes much less sense than you think. The coherence comes mostly from the way your mind works."

Kahneman, Daniel: Thinking, Fast and Slow

Disconnect: Trusted Sources of Knowledge: 2014 vs 2012 (% Respondents)
Adapted from Sullivan, Higdon & Sink - FoodThink

"Americans still overwhelmingly trust information about food production that they receive via word-of-mouth, especially from friends and family."
Food Gossip

• Rate and scope of information transfer has increased immensely!
  – Says nothing to quality of information

• Consumers get bombarded by loads of information
  – Food gossip
  – Never positive!

The Power of the Post Recession Consumer
John Gerzema and Michael D’Antonio, Strategy + Business

• “Say hello to a lifestyle more focused on community, connection, quality and creativity.”
• “People are returning to old-fashioned values to build new lives of purpose and connection.”
• “They also realize that how they spend their money is a form of power, and are moving from mindless consumption to mindful consumption, increasingly taking care to purchase goods and services from sellers that meet their standards and reflect their values.”
Sitting thru CFI's meeting...the only, only, only way we really get to consumers is directly thru the products they buy - it's the primary area of engagement.

And the only way that really is effective is thru traceability!!! If we want to tell our story (the correct story) and back-fill the huge knowledge gap between consumers and the food they buy, we have to implement traceability - market-driven, capitalist, entrepreneurial!!!

Let’s quit wringing our hands in animal agriculture about all the misperceptions and just do it.
THE TIME IS NOW

“Change is not made without inconvenience, even from worse to better.”
Richard Hooker

Customer Centricity:
Creating A Positive Consumer Experience –
At The Point of Sale AND Post-Sale

“The path to sustainable, profitable growth begins with creating more promoters [happy customers] and few detractors [unhappy customers]….It’s that simple and that profound.”
1. Don’t blame the consumer!  
   – Not their fault  
   – Safe / easy thing to do is trust the skepticism  
   – When you’re time-starved but not hungry, best strategy is to avoid versus evaluate

2. Win hearts and minds  
   – Outflank the media and go directly to consumers  
   – Create a compelling message on the other side  
   – Best place for that to occur is at the point of purchase

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Be A Step Ahead of The Questions

- More knowledge is essential  
  - Often the answers is to, “Educate the consumer”  
    - That’s typically a top-down, talk-at, propaganda-esque approach  
    - Ineffective at winning over consumers  
  - “…the most effective strategy for reaching consumers who care about [food] is back-and-forth dialogue that answers their questions, not mass marketing. These are engaged consumers who want to have a conversation about the issues they care about – like what our practices mean for their long-term health – rather than just seeing pretty images or hearing short sound bites.”
    - (Murray and Lundeen, Beef Issues Quarterly)  
  - Relationship (yes, it’s squishy!)
Become A Food-Producer Partner!!!
Shelf-Centered Collaboration

• The overarching goal is for each function and each business in the value chain to think end-to-end about the entire network of participants, from the first supplier to the end consumer.

• [by doing so] **they can now contribute to making the entire value chain more effective and responsive.**

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IMI Global Ticker:
WFCF

Third-party verified
Farmer/Rancher
IMI Global audits programs for consistency and accuracy

Message

Consumer
Consumers benefit by knowing where food comes from

Third-party verified
Processor
USDA verifies program compliance

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MARKET DIFFERENTIATION!!

The more fully traceable attributes endure through the supply chain and impact the ultimate end-user the more valuable traceability becomes.

ANTIBIOTICS

Antibiotics need all-inclusive solutions
Should We Continue to Feed Antibiotics to Livestock?

Currently 80 percent of all antibiotics sold in the U.S. are given to poultry and livestock.

By Kelsey Nowakowski
Published February 10, 2010

Standard Talking Point

• Remove ionophores from consideration
  ✓ Moves the ratio to 3-to-1
• Sales includes companion animals
  ✓ Dogs, Cats, Horses
• Comparison
  ✓ Animals = ~135 B lb
  ✓ Humans = ~46.5 B lb
  ✓ Ratio = 3-to-1
• Pound for pound: equal sales!!!!
Standard Talking Point #2

- 60% of deaths directly attributable to C. difficile
  - CDC: “unique bacterial infection…not significantly resistant to the drugs used to treat it, is directly related to antibiotic use and resistance.”
  - Human medicine, not veterinary medicine
- Other two urgent threats outlined by CDC:
  - Carbapenem-resistant Enterobacteriaceae (typically resulting in patients with devices – e.g. ventilators)
  - Drug-resistant Neisseria gonorrhea

CASES OF ANTIBIOTIC RESISTANCE IN AMERICANS, 2013

<table>
<thead>
<tr>
<th>Illnesses</th>
<th>Deaths</th>
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<tbody>
<tr>
<td>2,049,400</td>
<td>23,000</td>
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THE POULTRY CASE STUDY

Americans today eat three times as much poultry as they did in 1960. Since most U.S. chickens are raised in large, crowded facilities, farmers feed them antibiotics to prevent disease as well as speed their growth.

Standard Talking Point #3

- Resistance is complicated!
- Dr. Steve Solomon, CDC: “…single most complex problem in public health.”
- Lancet: “Antibiotic resistance arises because of actions in health care, the pharmaceutical industry, agriculture and the community…[there exists] interconnectedness of the problem.”

3. Superbugs can be passed to humans in many ways.
   - Farmers often have direct contact with animals.
   - Drug-resistant bacteria can linger on improperly cooked meat.
   - Fertilizer or water containing animal feces can spread superbugs to food crops.
PRESERVE THE CORE / STIMULATE PROGRESS

If an industry is to meet the challenges of a changing world, it must be prepared to change everything about itself except its basic beliefs...

The only sacred cow in an organization should be its basic philosophy of doing business.

PRESERVING THE PAST
FIGHTING FOR THE FUTURE

EntreLeadership
Charismatic
Passionate
Integrity
Humble
Servant
Inspiring
Faithful
Persevering
Positive
Flexible
Driven
“From my perspective, the scene was profound. It served as a reminder of the behind-the-scenes intricacy involved in getting food to our tables – something we often take for granted. The fact that we can take it for granted is something for which we all should be thankful.”

Nevil Speer, PhD, MBA