Global Market Traceability Dynamics

Mr. John Saunders
CEO, Where Food Comes From, Inc.
So what can WFCF add to this conversation?

1. Not an animal health official...

2. Not a an ADT approved software or hardware manufacturer...

3. I am damn sure Not a Dr.!
Maybe WFCF can be?

1. “A little salt in the wound”
2. “A fly in your ointment”
3. “A hitch in your giddy up”
But WFCF...

1. Will S&A verify (and EID tag) >1M beef/dairy cattle in 2017 (10% 840)

2. Is only remaining USDA PVP who knows what NAIS, BIE and QSA

3. Is only US based auditing and verification company with expertise in all major proteins

4. Worked closely with APHIS and AMS to open China beef exports
Who are we?

Founded 1995 - Food Industry Verification and Certification
(>100 years of combined corporate experience)

Market leaders in traceability and verification services
(Beef, Poultry, Pork, Dairy, Lamb, Bison, Specialty Crops, Apiary and Eggs)

Primary Divisions:
- IMI Global
- International Certification Services
- Validus Verification Services
- Sterling Solutions
- SureHarvest
- A Bee Organic

> 15,000 farm and ranch customers in US
But even as good as all this sounds, source verification and even full traceability has a very dark side...
Where beef jerky comes from.
Key Global Traceability Value Drivers

• Complex International Consumer Demand
• Fierce Global Protein Competition
• Trade Agreements vs Bilateral Deals
• USA is only true tier 1 consumer AND producer of food-only country to import similar volumes/quality of food products that it exports.

Combined factors create unique situation for producers in USA
Global Consumers Want It All
Cheap/Safe vs. Purpose/Expensive
Significant International Competition
95% of the World Population is Outside of the US

U.S. Population:
4.6 pct.

Rest of World: 95.4 pct.
All of these moving parts of the global protein markets combine to create, what I would argue, the most important global market traceability dynamic...

Drumroll please...
USA vs. THE WORLD

Trump  China
Voluntary ID  Mandatory ID
Corn Fed Beef  Chicken and Pork
“Show Me”  Precautionary Principle
Sustainability(USA)  Sustainability(World)
Trump vs. China

1. President Trump has ordered a halt to free trade agreements (NAFTA, TPP, KFTA)-uncertainty for Mexico and Canada

2. China has been closed to US beef since 2003-14 years of stalemate

3. Last year (2016) China imported more than $2.5B of beef from countries other than US->half US beef exports

4. Reopening of China to US beef is biggest event in US beef since BSE and will be largest driver of ADT

5. Will create platform of traceability for US retailers to “piggy-back”-McKds, Walmart, Costco
#1 Global Traceability Dynamic

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- Trump
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- China
- Mandatory ID
- Chicken and Pork
- Precautionary Principle
- Sustainability(World)
ADT Exemption #1,000,001…
Voluntary ID vs. Mandatory ID

1. Voluntary drives acute value creation to early enrollers-US producers get premiums (except Source) Canada does not

2. Mandatory has quicker uptake but more producer fatigue-US producers are enthusiastic

3. Voluntary complicates trade negotiations-hard to explain

4. Mandatory complicates confidentiality-hard to secure

5. US is seen as “black sheep” of global exporters
$/CWT Premium Value for Beef Programs

- Source
- +Age
- +NHTC
- +VNB
- +GAP

<table>
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<th>Year</th>
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<th>+Age</th>
<th>+NHTC</th>
<th>+VNB</th>
<th>+GAP</th>
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<td></td>
<td>2.65</td>
<td>5.37</td>
<td>4.83</td>
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</tbody>
</table>

Legend:
- 2015
- 2016
- 2017
#1 Global Traceability Dynamic

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Scientists have pointed the finger at humans as the major cause of greenhouse gases and global warming.

DHEW... I thought they were going to try and pin it on us.
Corn Fed Beef vs. Chicken and Pork

1. US Beef is highest priced beef in world

2. Chicken and Pork are much cheaper ways to produce protein

3. As global consumers move into the “middle class” beef becomes the most desired protein

4. Grassfed beef, pork and chicken have avoided the health and environmental issues associated with consuming red meat
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Sustainability(World)
"Bovine Growth Hormone."
“Show Me” vs. Precautionary Principle

1. US use of “technology” to enhance production

2. EU has already banned several technologies including implants, betas, and GMO’s

3. Precautionary Principle can take years/decades to prove

4. Increasingly used as trade barrier
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HAVE SOME MORE BEANS, BESSY.

GLOBAL WARMING AXIS OF EVIL
Sustainability (USA) vs. Sustainability (World)

1. Industry and consumer “buzzword”

2. Sustainability (USA) means providing a viable future for your family to continue to farm

3. Sustainability (World) means to protect environment from global forces of evil (see previous slide)

4. World believes US needs to catch up
Is this true?

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US Animal Traceback

A quick and simple way for state veterinarians and other officials to confirm individual animals are traceable back to a unique source of origin. Cattle enrolled are compatible with both the USDA Process Verified Program Source Verification requirements for marketing and export verification requirements and APHIS Animal Disease and Traceability requirements. Utilize this site to quickly determine if an animal has a premise identification number on file and submit an inquiry to receive further information.

Click here to use your secure login to search a specific animal identification number.

Don't have a log in? Contact us!

Source of Origin
The Source of Origin, or Premise, is defined as the birthplace of an animal. Through the Cattle Identification & Source Verification program, each individual animal is tied to an official Premise Identification Number (PIN), which is their original place of birth. This ensures that sources can easily be traced and consulted when necessary.

Animal Identification
The Cattle Identification & Source Verification program recognizes all forms of Official U.S. Animal Identification. This means that all types of 640 tags, including metal clip tags, plastic clip tags, NUES tags, "brile" tags and both high and low frequency electronic identification tags are accepted.

Traceability
Traceability is the cornerstone of Cattle Identification & Source Verification. In order to provide any value-added information about an animal, or trace it back to its Source of Origin in the event of an animal health emergency, a secure and systematic traceability program is critical.

Marketing Claims & Process Verification

www.USAnimalTraceback.com
Questions?

Thank You!