A CLEAR VIEW OF TRANSPARENCY

AND HOW IT BUILDS CONSUMER TRUST

2015 CONSUMER TRUST RESEARCH

THE CENTER FOR FOOD INTEGRITY℠

THE CENTER FOR
FOOD INTEGRITY℠

OUR MISSION

To build consumer trust and confidence in today's food system

WE STRIVE TO...

- *Be a leading voice in a balanced public conversation about food*
- *Align the culture of today's food system with consumer expectations*
- *Convene and empower food and ag stakeholders to operate in a manner that builds consumer trust*

CFI's annual consumer trust research is funded by sponsors through the Foundation for Food Integrity, a non-profit foundation created to conduct research and provide educational outreach about today's food system.

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WHAT WE LEARNED & WHY IT'S IMPORTANT

It's simple: If you increase transparency, you will increase trust. *The latest consumer trust study from The Center for Food Integrity (CFI) provides the statistical data to prove it.*

This year's research is the culmination of three years of work on the concept of increasing food system transparency. Consumers have been asking for greater transparency and there have been varying attempts to define it. CFI's research not only defines it, but now provides a clear path to achieve it and address the growing skepticism about food.

In this report we will share results of our 2015 consumer trust research and highlight some best practices that the food system can use as a guide for increasing transparency. The study also reveals who the public holds most responsible for demonstrating transparency, specific areas where they expect transparency, and precisely where consumers want to access information that is most important to them.

TRANSPARENCY: THE RESEARCH

KEY CATEGORIES & PRACTICES THAT MATTER

CFI explored transparency as it pertains to:

- ***Food Safety***
- ***Impact of Food on Health***
- ***Environmental Impact***
- ***Labor and Human Rights***
- ***Animal Well-Being***
- ***Business Ethics***

To identify the practices consumers associate with demonstrating trust-building transparency, survey participants were asked to rate a list of practices in each area. Here are some highlights:

Food Safety and Impact of Food on Health

Consumers rate these two categories as the most important. For these issues, they want information on the product label. That includes all ingredients regardless of quantity, allergens, preservatives and whether ingredients were derived from GMO seed. For other issues, engagement and access to information are key themes. Consumers want to be able to engage via the company's website and they expect information to be provided in easy-to-understand language.

Environmental Impact

Consumers want the opportunity to ask questions about environmental performance via the company website and they want answers provided in easy-to-understand language. When regulations are violated, corrective actions should be provided on the company website.

Labor and Human Rights

Consumers want the opportunity to ask questions about labor practices and human rights via the company website and they want answers provided in easy-to-understand language.

Animal Well-Being

Results of third-party audits on animal care should be shared on the company website. Consumers want the opportunity to ask questions via the company website and they want answers provided in easy-to-understand language.

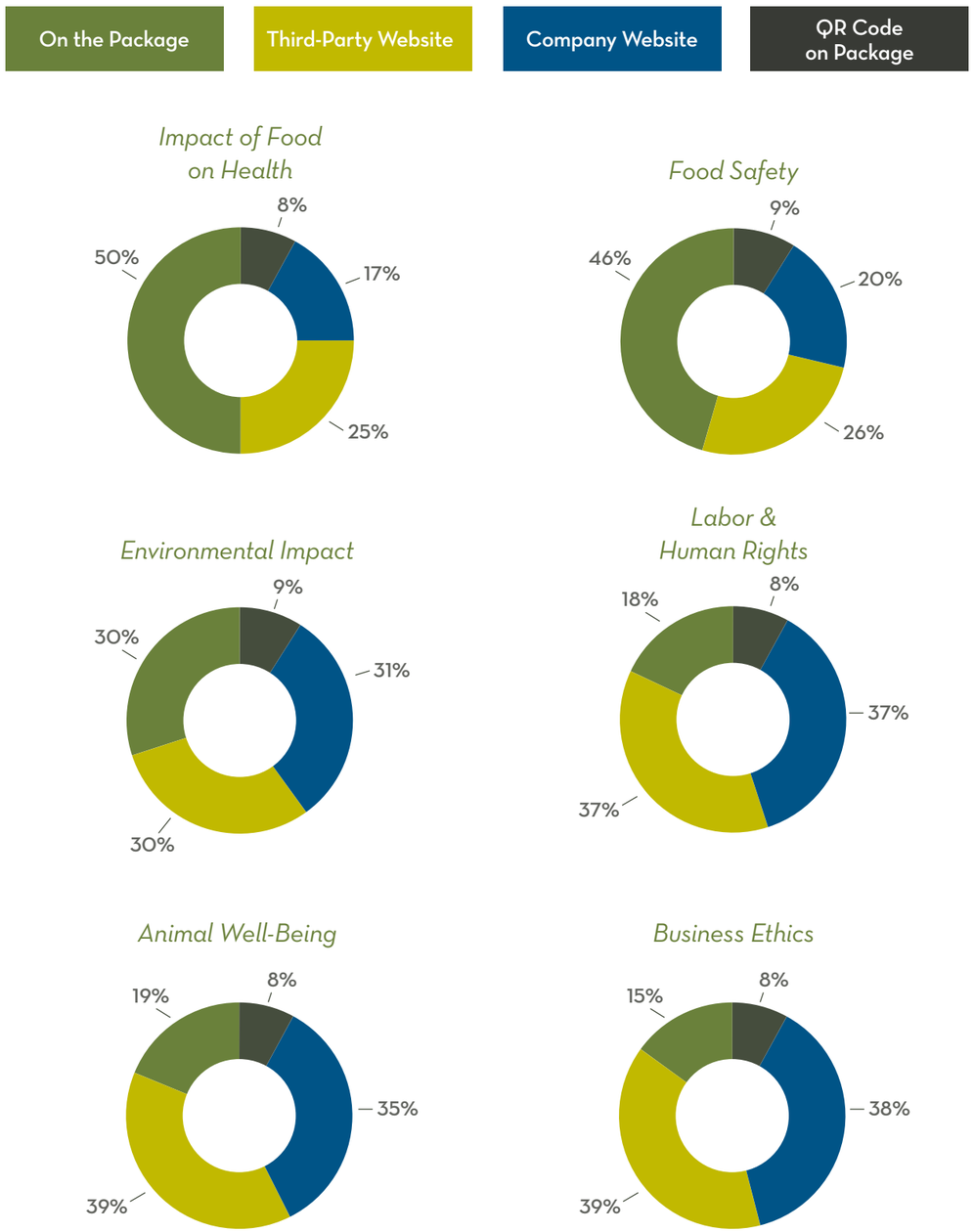
Business Ethics

Consumers want companies to accept responsibility on the company website for all business activity. They also expect whistleblowers to be protected.

The information in this report is a small snapshot of the complete results. CFI members have access to the full results, including ratings of additional practices in each category. Members may contact CFI for additional information.

The 2015 web-based survey was completed in August and September by 2,001 respondents who reflect the general U.S. consumer population.

We also asked consumers how they want to access information. On the package? Is it the company website? A third-party website? Here's what they told us.



CONSUMERS PRIMARILY HOLD FOOD COMPANIES RESPONSIBLE FOR TRANSPARENCY

We also asked consumers who they hold most responsible for demonstrating trust-building transparency. This study shows consumers look to food manufacturers to provide transparency in all aspects of food production, whether it's safety, impact on health or even on-farm animal well-being. Farmers were second, and nearly tied, on Environmental Impact.

Respondents allocated 100 points across the groups responsible for providing information in each transparency topic. The numbers shown are the average number of points allocated to each group, across all respondents.

Some transparency activities are more important to consumers than others. CFI's research provides insight into which activities are most important – valuable information as food system leaders develop plans to address consumer questions and concerns. For example, providing food safety audit results by a third-party verifier is a stronger indicator of transparency than providing cooking instructions on a package. A detailed analysis is available to CFI members.

While the 2015 CFI research shows the highest level of consumer concern about the issues of Food Safety and the Impact of Food on Health, ***this study proves that consumers expect companies to be transparent about all six topics tested.*** Consumer trust in your products, people and brands depends on it.

THE CONNECTION BETWEEN TRANSPARENCY & SOCIAL OUTRAGE

CFI's analysis of transparency began in 2013 when we studied the causes of social outrage and how to effectively manage it to build trust.

We learned that two ingredients are necessary to trigger outrage: a high level of concern about the issue and a strong belief that the issue will have a personal impact, or impact vulnerable populations like children and the elderly. A video showing animal abuse, for example, may trigger a high level of concern but doesn't directly impact "me and my family." A food safety incident that results in sickness, however, is more likely to be a catalyst for outrage as it both causes concern and potentially impacts the health of "me and my family."

That's why Food Safety and Impact of Food on Health top the list of issues in 2015. There's nothing quite as personal as the food we consume and feed our families.

The study further revealed that effectively managing situations that cause social outrage directly influences public trust. Key to that effective management is … you guessed it … transparency. The actual public impact of two situations might be the same, but the outcome for a company or organization can be dramatically different based on preparation and the ability to manage the public outcry that ensues.

The Maple Leaf Foods deli meat listeria outbreak of 2008 provides a good example. It was a devastating incident that resulted in loss of life, many illnesses and a massive recall of Maple Leaf products. The company openly accepted responsibility, apologized publicly and redoubled efforts to assure food safety. After $13 million in losses the year of the recall, the company rebounded with $22 million in profits the following year. The stock price took only three months to return to pre-recall levels. While you can never reduce the loss of life to dollars and cents, the stock price is one indicator of how well the company recovered from an incident that could devastate or destroy an organization less prepared, or unwilling to accept responsibility.

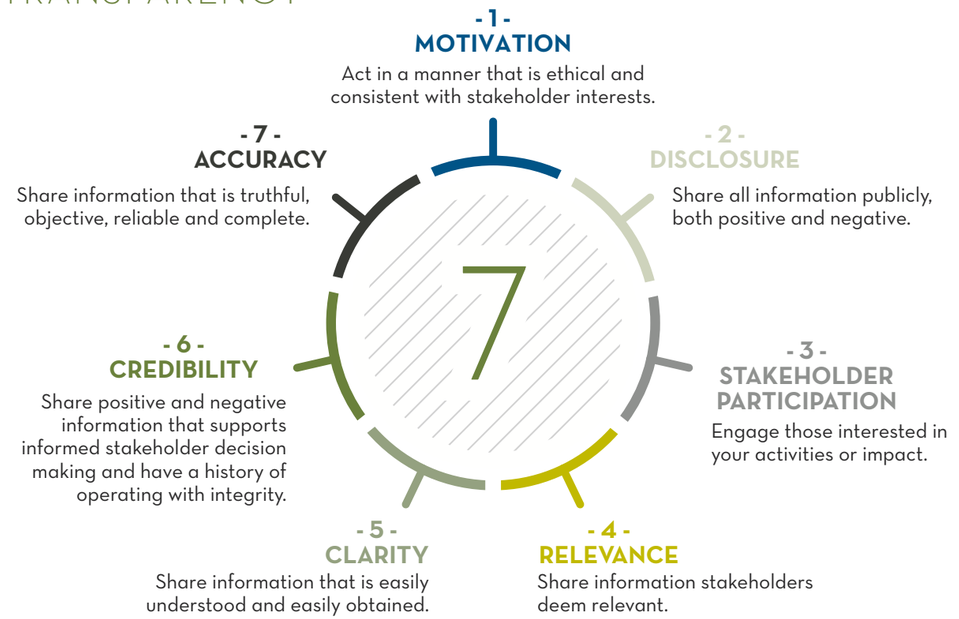
CFI research has consistently confirmed what we've known intuitively for years – that Americans have a "big is bad" mindset. Whether comparing local food companies to national food companies or small farms to large farms, the results are the same: a significant percentage of the public (in some cases a majority) feel smaller companies and farms are more likely to share their values. Big Food is susceptible to growing public perception that profit is being placed ahead of public interest. When this perception collides with a triggering event, such as a food recall, social outrage expressed by consumers can have profound effects.

But Maple Leaf Foods, which employs 12,000 people in Canada and exports its packaged meats to more than 20 global markets, proved that being transparent can trump the "big is bad" bias on the road to building trust, even in very difficult circumstances.

HOW TRANSPARENCY OVERCOMES THE BIAS AGAINST SIZE

Implementing CFI's Seven Elements of Transparency is an effective strategy to overcome bias against size that can result in social outrage.

SEVEN ELEMENTS OF TRUST-BUILDING TRANSPARENCY



Motivation is only one of the Seven Elements, but it's a dominant one. The prevalent consumer perception that big companies are motivated more by profit than public interest must be overcome before consumers are willing to consider the other six.

The formula is not complex. Companies and organizations must share information that is accurate, easily understood and relevant to consumers. No cherry-picking. Both positive and negative information must be presented. Perhaps less obvious to some is the importance of an open dialogue and engaging consumers. The importance of consumer engagement will only increase as personalized digital communication becomes the dominant way consumers connect.

Consumers want to know if companies are listening, acknowledging their questions and feedback, and explaining how and why they make decisions. A commitment to engaging quickly and consistently is necessary to show that your motivations are aligned with consumers and that you are being transparent.

CFI has integrated the Seven Elements of Trust-Building Transparency with specific best practices in six core areas detailed on page 5. This report provides a glimpse of the best practices. CFI members have access to the full report.

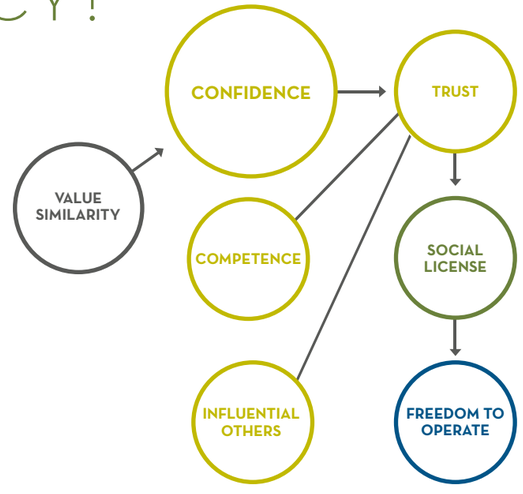
The new best practices are also detailed in a first-of-its-kind transparency index tool that measures transparency and provides specific guidance to companies and organizations on how best to provide the information consumers are looking for in a way that increases trust. (See page 13.)

WHAT DEMONSTRATES TRUST-BUILDING TRANSPARENCY?

Story-telling and providing consumers concrete examples of business practices are important. Actually showing and talking about what you do is key to being transparent. Merely making your policies available to the public isn't enough. Policy is the way a company or organization articulates motivation. Practice is the way you demonstrate your commitment. Consumers are saying, "Show me your practices and explain to me how you're verifying them."

When it comes to transparency that actually increases trust, sharing specific practices was most predictive of trust in five of the six areas. Why? Practices are a reflection of a company's internal motivation; they are a demonstration of a company's values in action. ***And, as scientifically proven in CFI's trust model, demonstrating shared values is the foundation for building trust.***

Consumer Trust Model



Of the three primary drivers of trust – Confidence (shared values and ethics), Competence (skills and ability) and Influential Others (family, friends and credentialed individuals) – Confidence is most important in building trust.

UNDERSTANDING THE AUDIENCE FOR TRUST-BUILDING TRANSPARENCY

THERE IS NO SINGLE CONSUMER GROUP

Understanding the differing mindsets of consumer food tribes, as identified by CFI research, is key to successfully reaching them.

The internet has fostered the formation of online communities where people whose values and interests align can gather and share information. Marketer and digital expert Seth Godin calls them "tribes." According to Godin, a group needs only two things to be a tribe: a shared interest and a way to communicate.

Today's consumers are diverse, yet engage and communicate similar viewpoints on food by forming tribes. Each consumer is unique and every consumer will display characteristics of other tribes, but ultimately everyone has a primary tribe to which they return. People may also switch tribes as events and circumstances affect their lives.

CFI used qualitative and quantitative research to better understand consumer beliefs and attitudes toward the food system. We identified eight population segments, or tribes, that provide a framework for engaging specific groups of consumers in a manner that is most meaningful to that group.

In our 2015 quantitative research we segmented the population into three tribes based on their attitudes toward food products and five tribes based on their attitudes toward the food system.

SEGMENTING ATTITUDES TOWARD FOOD PRODUCTS

MINDFUL MASTERS™ – 24%

- More than two-thirds classify as Early Adopters
- Level of concern with all issues is significantly higher than other segments
- Most common sources of information include websites, Google, friends not online, family not online and food-specific TV

DELIGHTED INDULGERS™ – 14%

- Just under half identify as Early Adopters
- Level of concern about issues such as humane treatment of animals, obesity and global warming is significantly higher than Cynical Skeptics
- Most common sources of information include websites, local TV, friends not online, Google and food-specific TV

CYNICAL SKEPTICS™ – 12%

- About one-third identify as Early Adopters
- Level of concern is lower across most issues than other segments
- Most common sources of information include websites, family not online, local TV, Google and friends not online

All three tribes generally hold food companies most responsible for transparency in four of the six categories, excluding Environment and Animal Well-Being, where farmers share that responsibility.

When it comes to the correlation between trust and transparency, Mindful Master strongly agree that increasing transparency builds trust. Cynical Skeptics and Delighted Indulgers are less convinced, but increasing transparency will help build their trust.

The numbers do not total 100% because only part of the consumer population can be classified into these three groups. They are only a subset of the overall consumer population.

SEGMENTING ATTITUDES TOWARD THE FOOD SYSTEM

SYSTEM SATISFIED™ – 17%

- More than half identify as Early Adopters
- Level of concern with all issues is significantly higher than most other segments
- Most common sources of information include websites, Google, family not online and local TV

BIG FOOD SKEPTICS™ – 15%

- Less innovative than other segments
- Level of concern with all issues is significantly lower than all other segments
- Most common sources of information include websites, local TV, family not online and friends not online

SMALL FOOD SKEPTICS™ – 14%

- 40% classify as Early Adopters while 33% are Late Majority
- Level of concern with many issues is significantly higher than Big Food Skeptics and Socially Sensitive
- Most common sources of information include websites, local TV, family not online and friends not online

COST CONSUMED™ – 25%

- More than half classify as Early Adopters
- Level of concern with all issues is significantly higher than most other segments
- Most common sources of information include friends not online, websites, family not online and Google

SOCIALLY SENSITIVE™ – 29%

- 44% classify as Early Adopters while 20% are Early Majority and 28% are Late Majority
- Level of concern with many issues is significantly lower than all but Big Food Skeptics
- Most common sources of information include websites, local TV, friends not online, and family not online

Like Mindful Masters, Cost Consumed strongly agree that increasing transparency builds trust. Increasing transparency helps build trust for Socially Sensitive and System Satisfied, but is less impactful for Big Food Skeptics and Small Food Skeptics.

Mindful Masters, System Satisfied and Cost Consumed are groups we believe deserve special focus because they have a high level of interest in food and food issues, they represent a significant portion of the population and increasing transparency builds their trust.

LEADING COMPANIES PUT THEIR TRANSPARENCY TO THE TEST IN 2015 USING CFI'S NEW TRANSPARENCY INDEX

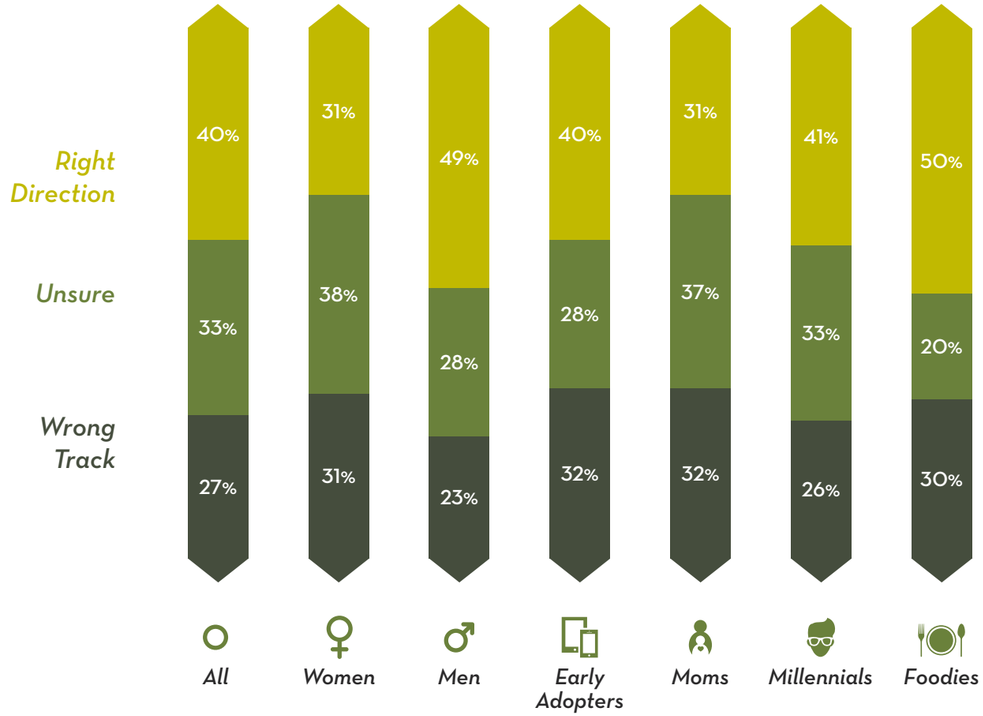
- Campbell Soup Company
- ConAgra Foods
- DuPont
- Kroger
- Monsanto
- Phibro Animal Health
- Smithfield Foods
- The Hershey Company
- Tyson Foods

To learn more about the transparency index contact us at 816-880-5360 or learnmore@foodintegrity.org.

CONSUMER CONCERNS

Survey results show a slight dip in the number of consumers who feel the food system is headed in the right direction – 40 percent this year compared to 42 percent in 2014. The drop off was even greater among Women and Moms with five percent less than a year ago saying they think the food system is headed in the right direction. The percentages were steady among Men, Early Adopters, Millennials and Foodies.

IS THE U.S. FOOD SYSTEM **HEADED IN THE RIGHT DIRECTION** OR **DOWN THE WRONG TRACK?**



TOP 5 TRUSTED INFORMATION SOURCES

Websites (21%) are the top-ranked source of information for food system issues followed by Local TV (15%), Family Not Online (13%), Friends Not Online (13%) and Google (10%).

MOST CONCERNING LIFE ISSUES

Survey participants are asked annually to rate their level of concern on several life issues including broad areas such as healthcare costs, unemployment, food safety and food affordability. Consumers are generally less concerned about most of the 12 life issues in 2015 compared to 2014. Rising Cost of Food and Keeping Healthy Food Affordable are the food-related issues that made the top five.

MORE FOOD SYSTEM CONCERNS

Food Safety

62%

Having Enough Food to Feed the U.S.

53%

Humane Treatment of Farm Animals

47%

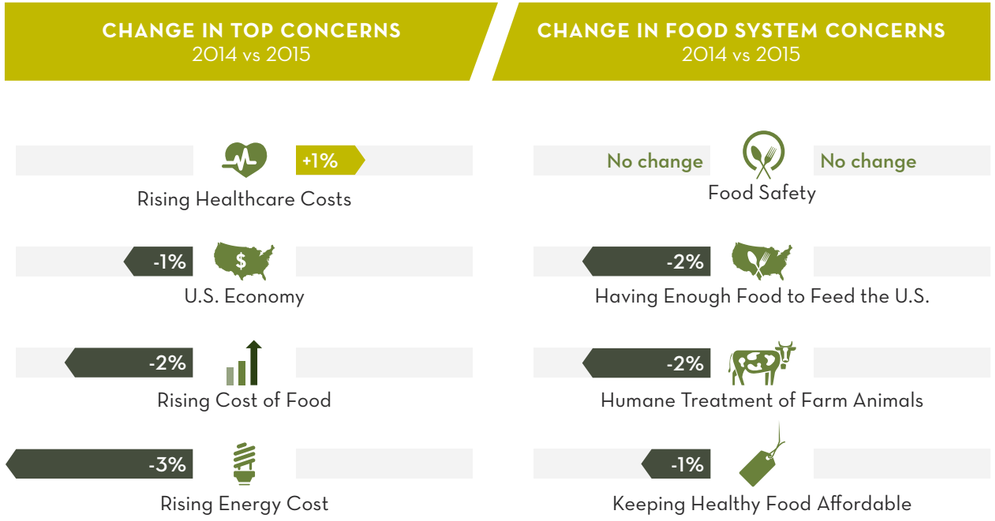
WOMEN were more concerned about most issues than **men**

EARLY ADOPTERS were more concerned about all issues than **later adopters**

31% **LOWEST CONCERN** was for having enough food to feed people outside the **U.S.**

The numbers reflect the percentage of those who gave the issues a "top box" rating, or an 8-10 rating on a 0-10 scale where 0-3 is a low level of concern, 4-7 is a moderate level of concern and 8-10 is a high level of concern.

CONSUMERS ARE LESS CONCERNED ABOUT MOST TOP ISSUES IN 2015



TOP CONCERNS ABOUT ISSUES BY SEGMENT

MOMS

- Rising Cost of Food 8.59
- Rising Healthcare Costs 8.51
- Keeping Healthy Food Affordable 8.51
- U.S. Economy 8.34
- Food Safety 8.22
- Rising Energy Costs 8.18

MILLENNIALS

- Keeping Healthy Food Affordable 8.15
- Rising Cost of Food 8.01
- Rising Healthcare Costs 7.95
- U.S. Economy 7.91

FOODIES

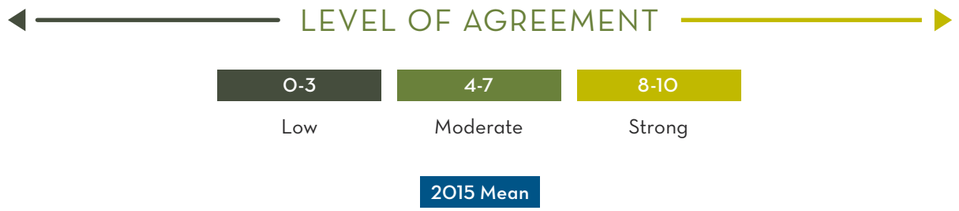
- Keeping Healthy Food Affordable 9.12
- Rising Healthcare Costs 9.08
- Rising Cost of Food 9.00
- Food Safety 8.98
- U.S. Economy 8.98
- Rising Energy Costs 8.86

**Foodies expressed a higher level of concern on all issues*

CONSUMER TRENDS

CFI's research tracks consumer attitudes on food system issues over time. Survey participants rated their level of agreement with statements on a 0-to-10 scale with 0-3 reflecting low level of agreement, 4-7 moderate and 8-10 strong. Here are a few issues showing trend lines of note. CFI members have access to all 31 statements.

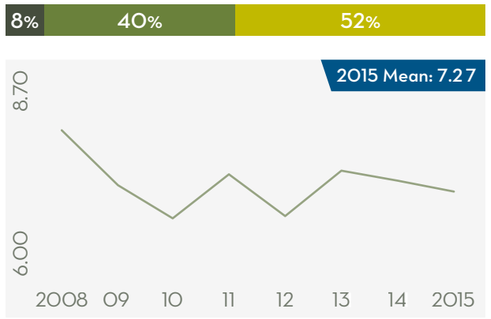
Percentages may total more than 100% as graphs contain whole percentages that are rounded.



The vertical axis of each graph represents 1 point above the highest year and 1 point below the lowest year

"Food prices are a greater concern to me now than they were a year ago."

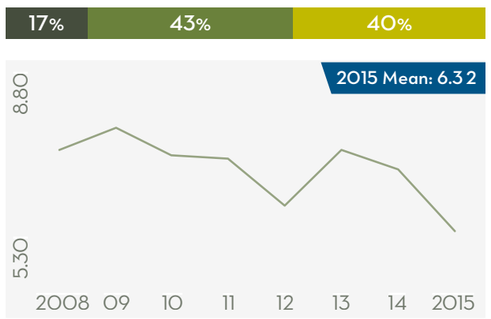
More than **half** strongly agree



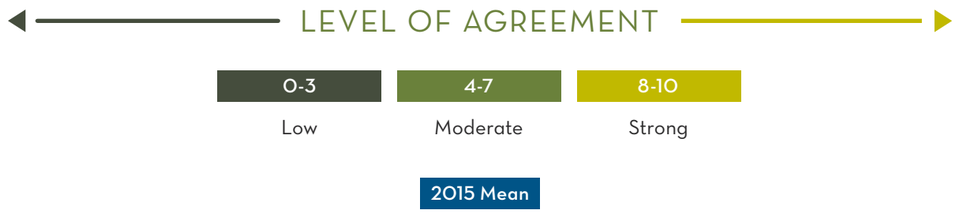
A majority of consumers are less concerned about food prices than they were a year ago.

"With the increase in food prices, we tend to eat out less often than one year ago."

More than **1 in 3** strongly agree



The trend line shows food prices are having less of an impact on decisions to eat out than any time since 2009.



"I am concerned about the affordability of healthy food."

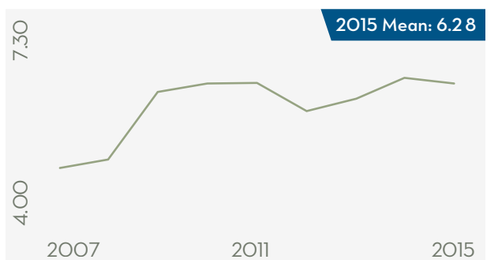
More than half strongly agree

2015 Mean: 7.49

Almost six in ten Americans are highly concerned about the affordability of "healthy" food.

"I am as confident in the safety of the food I eat as I was a year ago."

More than **1 in 3** strongly agree



While the response is only minimally changed from last year, it's interesting to note the significant *(and positive)* change since 2007.

"I have access to all of the information I want about where my food comes from, how it is produced and its safety."

More than **1 in 4** strongly agree

While down slightly from last year, there has been more than a full-point increase in the last eight years. People continue to feel more empowered and feel better about their ability to access information on food, but still less than 30 percent strongly agree with this statement.

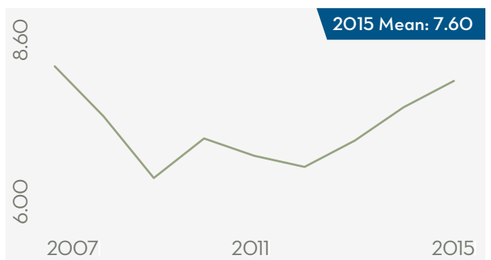
"I don't care where my food was produced as long as it is affordable, safe and wholesome."

Fewer than **1 in 3** strongly agree

More people strongly disagree than strongly agree, reflecting that people are increasingly concerned about where their food is produced.

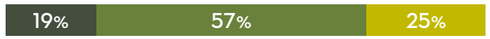
"If farm animals are treated decently and humanely, I have no problem consuming meat, milk and eggs."

Nearly **2 in 3** strongly agree



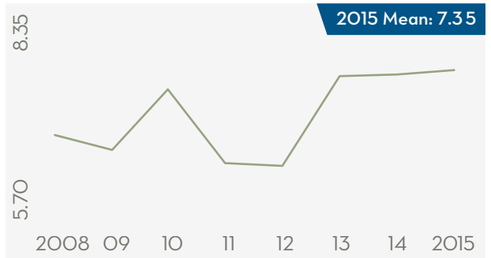
"U.S. meat is derived from humanely treated animals."

Only **1 in 4** strongly agree



"I would support a law in my state to ensure the humane treatment of farm animals."

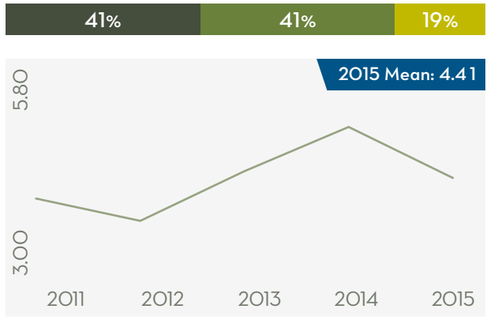
Over **half** strongly agree



Support for eating meat, milk and eggs from animals treated decently and humanely is at a seven-year high with 60 percent of consumers strongly agreeing. The five-percent increase in strong agreement from last year is significant. But it is problematic that only 25 percent of consumers strongly agree that meat in the U.S. actually comes from humanely treated animals and that more than half would support a law in their state to ensure humane treatment of farm animals.

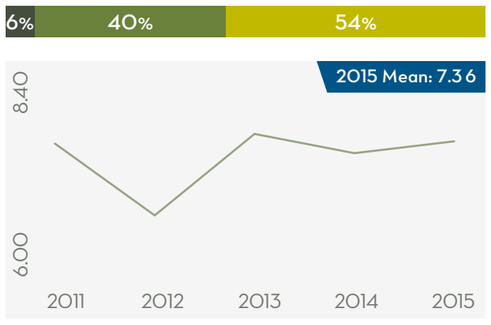
"The U.S. has a responsibility to provide food for the rest of the world."

Less than **1 in 4** strongly agree



"It is more important for the U.S. to teach developing nations how to feed themselves than to export food to them."

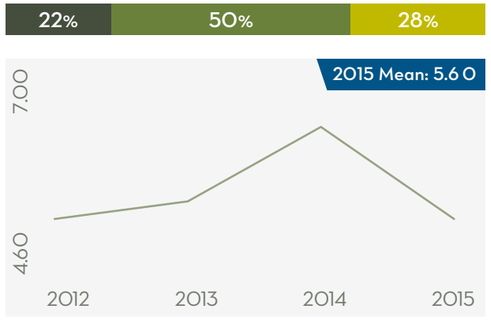
More than **half** strongly agree



There was a nine-percent increase in the number of consumers who strongly disagree that the U.S. is responsible for feeding the world while there continues to be strong support for teaching developing nations how to feed themselves.

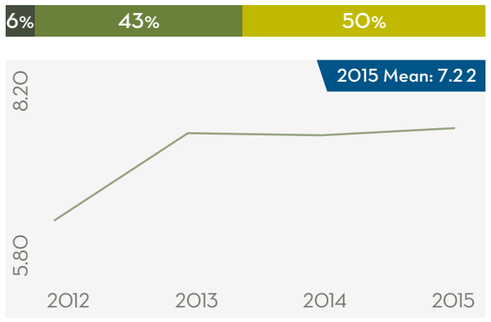
"Family farms are likely to put their interests ahead of my interests."

50% only moderately agree



"Commercial farms are likely to put their interests ahead of my interests."

Half strongly agree



The "big is bad" mindset is still strong among consumers. Only one-fourth think family farms are likely to put their interests ahead of the public compared to half who feel that way about commercial farms. The survey shows similar trends when comparing small food companies with big food companies, small farms with large farms, and local food companies with national food companies.

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