



# THE PASTURE POST

October 2020

*At Vital Farms, our mission is to bring ethical food to the table. Our valued and trusted stakeholders are the core of our business.*

Dear Stakeholders,

It's been a historic year for Vital Farms, our country, and our world. Our hearts are with the millions of people who have been affected by COVID-19 and we are deeply grateful to the essential workers and everyday heroes who have uplifted so many during this challenging time. We would also like to thank you, our valued stakeholders, who have remained dedicated to serving others:

***Our crewmembers*** who have led with passion, agility, and a values-driven mindset through the significant demand we experienced as a result increased at home consumption due to COVID-19

***Our growers*** who demonstrate that small family farms are critical to a sustainable food system which we believe is more important now than ever before

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**Our retail customers, foodservice partners, and vendors** who work on the frontline to ensure people across the country have access to the food they need

**Our community** that includes the non-profit organizations helping those who are food insecure

**Our stockholders** who support and believe in the importance of ethically produced food and

**Our consumers** who have stood by us, sharing uplifting stories of the joy and gratitude they feel when cooking with Vital Farms

Our stakeholders are the core of Vital Farms and we are committed to consistent, honest communication with you. I am pleased, therefore, to introduce *The Pasture Post*, a review of company and brand highlights to ensure that you always feel informed and connected to our mission. We plan to send this newsletter every few months.

Finally, on behalf of our entire crew, we thank you for your role in enabling us to become a public company, a milestone we achieved in August 2020. We believe our next chapter as a public company is a positive step for us to continue managing in the best interest of our stakeholders and raising the standards of the food system.

We've included much more below. I hope you enjoy our first newsletter and look forward to staying in touch in the months and years to come.



Russell Diez-Canseco  
President and CEO, Vital Farms

# Highlights

- ★ In August, we launched *Egg Bites*, a new line of single-serve, refrigerated bites made with Vital Farms pasture-raised liquid whole eggs, pasture-raised cheese, humanely raised meats, and vegetables. From pasture to plate in just 45 seconds, Egg Bites are our newest ready-to-eat innovation that include the ethically sourced ingredients we believe consumers love and expect from Vital Farms, with an emphasis on convenience. They are the “I don’t have time to cook eggs” eggs!
- ★ We continue to be the *#1 pasture-raised egg brand* and the *#2 egg brand in the U.S.* by retail dollar sales. Our products are sold in more than *14,000 retail stores* nationwide and more than 3M households are cooking with Vital Farms. We’ve heard from many consumers who tried our eggs and butter for the first time when sheltering in place during COVID-19 that they plan to only buy our products in the future.
- ★ As our company grows, we remain committed to fostering a strong connection between consumers and our brand. Our farm videos received *more than 150,000 views* between January and June through our *Traceability program*, which we believe demonstrates that consumers want to feel connected to the small family farms their eggs come from. And our recent *Vital Thanks carton inserts*—that enabled consumers to thank farmers or ECS crewmembers directly—has already received *over 3,000 letters of gratitude!*
- ★ At the onset of COVID-19, our Operations team at Egg Central Station scaled our facility, and the crew has *achieved new records for production, attendance, and quality metrics*, all while new protocols have been implemented to ensure their safety.
- ★ We added new talent to our crew, *building competencies in Dairy Operations and Communications*, and strengthening existing functions including: *Finance, Accounting, Supply Chain, Marketing, Operations, and Poultry Health*.



Highlights  
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★ As our country navigates a pandemic and a nationwide reckoning with race, we are doing as much as we can to support vulnerable and marginalized communities in need.

- We have donated over seven million eggs to food banks including *Central Texas Food Bank* and *Ozarks Food Harvest* to help provide hunger relief to those who are food insecure at a time when so many need fresh food.
- In June, we announced a *commitment to addressing systemic racism*. This work will be ongoing and rooted in a commitment to listen, learn, and educate ourselves. As we took time to reflect on how we can have a meaningful impact, we made several commitments including taking an honest assessment of diversity across our crew and supporting organizations that directly impact Black communities and communities of color. To date in 2020 we have:
  - Teamed with *Feeding America* to donate \$1 million (4.4 million) eggs to 17 food banks that primarily serve Black populations and people of color. This includes food banks in Atlanta, Houston, New Orleans, Memphis, and Birmingham.
  - Donated \$100,000 to the *NAACP Legal Defense and Educational Fund*, supporting its mission to expand democracy, eliminate disparities, and achieve racial justice in a society that fulfills the promise of equality for all Americans.
  - Donated \$100,000 to *Boys & Girls Club of America* (BGCA) across three chapters in Austin, TX, Springfield, MO and St. Louis, MO, communities that are close to our hearts. These donations will support BGCA's youth programming including gardens in Austin and the culinary center at the Teen Center of Excellence in Ferguson, MO.

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- Partnered with the *National Diversity Council*, a national non-profit, to begin understanding how we can build a more diverse and inclusive crew, and work with their experts to build thoughtful plans against these learnings.

## FROM THE VITAL FARMS COMMUNITY

 I just visited the 360 cam at the farm my eggs came from and then made my way over here to Instagram - everyone needs to see their farm cams ! So relaxing in these crazy times ❤️

5d Reply

 It's all I buy! We love them but we love that you love those girls even more!! 🌱❤️

1w 2 likes Reply

 And this is why your eggs are amazing. The difference blows me away. I'm so glad I can make a conscious choice to buy from a company who treats its animals as they should be treated.

2w 8 likes Reply

 Your eggs are the only eggs I buy now. They are the best tasting eggs ever! I'm addicted! ❤️

3w Reply

 I love your eggs, and above all, your ethical commitment to giving hens a wonderful life. (And "Vital Times" is absolutely terrific!!! Big fan). :)

7w Reply



# Stakeholder **SPOTLIGHT**

***Meet Trevor, Vital Farms Farmer  
from Bough Family Farms!***

Armed with a mechanical engineering degree, Trevor never saw himself pursuing agriculture, a common trade in his hometown. After spending some time exploring the food industry and learning more about food systems, Trevor and his wife began to consider ways they could help make farming better. Seven years later, Trevor and his family own their own farm and have been farming with Vital Farms for over a year. The whole family — Trevor, his wife, their parents, and two kids — all play a role in taking care of the girls. From cleaning out the egg room to everyday upkeep, BFF is powered by the Bough family.



# Vital Farms in the News

APRIL – AUGUST 2020



## Vital Farms launches its first finished consumer product

The microwaveable protein-packed Egg Bites are designed to bring convenience to the consumer who places a premium on ethical animal treatment and clean label eating, the company said.



AUTHOR

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PUBLISHED

Aug. 12, 2020

Vital Farms, a company best known for its pasture-raised eggs, has built its brand on transparency, ethical treatment and quality.

So when the company decided to move into the packaged food space, it developed a product based on its core eggs and dairy that meets all of those standards — plus consumer demands for different, convenient and tasty items. Vital Farms' new Egg Bites, which are coming to stores now, serve both the Vital Farms core consumer and anyone else looking for an easy breakfast or pick-me-up, said Meghan Shookman, the company's director of innovation.

“There’s a lot of convenient foods out there, but not a lot of convenient foods that our consumers — especially the Vital Farms consumer, who is really mindful of ethical sourcing and animal treatment — ...can actually feel good about,” Shookman said. “So there was this void in the marketplace for convenient foods that didn’t make you compromise on your core values.”

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Egg Bites are exactly what they sound like: 2.3-ounce bites of eggs mixed with other ingredients. They come in four varieties: Uncured Bacon & Cheddar Cheese; Roasted Red Pepper & Mozzarella Cheese; Uncured Ham, Bell Peppers, Onions & Cheddar Cheese; and Sun-Dried Tomato, Basil & Mozzarella Cheese. The bites are refrigerated and packaged in a recyclable plastic tray. They can be cooked in the microwave in less than a minute.

Shookman said the bites are clean label, featuring ingredients that all consumers would recognize. This was especially important with more consumers paying close attention to what they're eating and wanting to stay healthy during the coronavirus pandemic, she said.

Vital Farms had long wanted to go into the consumer product space, Shookman said. Previously, the company's products were limited to what consumers might consider ingredients: eggs, butter and ghee. Vital Farms was working for about a year to develop its first finished product, a process Shookman said was grounded in ways to raise the standards in existing categories while addressing consumer needs.

In order to research this new product, Shookman said the company talked to consumers about their breakfast routines and spent time with them in their kitchens at home. Vital Farms developed about 150 ideas, and Egg Bites rose to the top. One of the things Vital Farms heard multiple times was that freshly cracked eggs made the ultimate breakfast, but consumers don't always have time for that during the week.

"When we talked to consumers about what really got them excited, it was that once-a-week treat to a coffee shop where they'd pick up a mini quiche or something like an Egg Bite," Shookman said. "And we wanted them to have that experience and that opportunity and that option every day of the week."

It's been a big summer for Vital Farms, which went public last month. Vital Farms CEO Russell Diez-Canseco said the IPO will help raise money for Vital Farms' expansion, but it also seals the company's commitment to consumers. As a company, Vital Farms believes in conscious capitalism: making money through transparency and ethical business. Diez-Canseco said he believes Vital Farms can best serve this mission by being publicly funded and not having to be held accountable to anyone else.

Vital Farms is a Certified B Corporation, a coveted certification that shows the business holds the highest ethical values, considering all stakeholders including suppliers, consumers and the environment in its decision making. It's also a public benefit corporation, meaning its commitment to the world community at large is enshrined in its charter. Diez-Canseco said these certifications are important ways to show the world the company stands behind its mission.

The company's bet on ethics and transparency has paid off so far. The company's stock is currently trading at more than \$35, representing about a 60% increase from

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its initial offering of \$22.

Vital Farms products have a relatively low market penetration right now. According to the company's initial filing with the U.S. Securities and Exchange Commission, its pasture-raised shell eggs are in just 2% of U.S. consumers' homes.

The product launch has been in the works for about a year, and Shookman said it was timed based on when Vital Farms' retail customers were doing product resets. It's fortuitous that it coincided with the IPO, she said. Even though many consumers right now are staying home because of the pandemic and not on the go, consumers are likely just as busy while working from home and watching children whose schools and camps are closed.

While Vital Farms is still primarily a pasture-raised egg and dairy company — something Diez-Canseco said is unlikely to change — chances are good that it will develop more finished products as time goes on.

"All I can say is that we're gonna continue to invest in innovation, and you'll see us continue to expand into new, as well as existing, categories," Shookman said.

## Forbes

### Vital Farms' Blockbuster IPO Proves Wall Street Has An Appetite For Sustainable Farming



**Chloe Sorvino** Forbes Staff

Aug 1, 2020, 06:00am EDT

As investors rushed to pick up shares of Vital Farms just a few minutes after it started trading on Friday afternoon, founder Matt O'Hayer took a moment to share what he's

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# Forbes

learned about scaling his pasture-raised egg company from 20 hens to an IPO.

“Always be over-capitalized,” O’Hayer said during a live interview on Instagram with Forbes.

Friday’s public offering did exactly that, filling Vital’s coffers with \$200 million and giving it a market cap of \$1.3 billion at the close. Just two years ago, when Forbes profiled O’Hayer in 2018, Vital Farms had raised \$25 million in all, at a valuation Pitchbook estimated at \$136 million.

Now the largest pasture-raised egg brand in the U.S.—and one of food industry’s most anticipated IPOs—Vital Farms delivered: Its shares soared 60%, closing at \$35. Even before its public debut, it had to boost its opening stock price, initially planned between \$15 to \$17, to \$22.

The company’s success proves that more ethical standards, like paying farmers and plant workers at a premium and not using futures contracts to hedge on prices are appealing to consumers—and investors.

And it can be replicated.

Vital Farms’ line of products, including butter, ghee and hard-boiled eggs, brought in \$140 million in sales last year, with distribution in 13,000 grocery stores from Kroger to Whole Foods. Its network of family farmers now top more than 200.

“We wanted to produce food from small family farms at scale,” O’Hayer said on Friday from the Midtown Manhattan offices of Morgan Stanley. “There doesn’t have to be a tradeoff with being a profitable company and focusing on your stakeholders. We treat the hens like the sentient beings they actually are, not egg-laying machines.”

Vital’s net income margin last year was 2.3%, almost double that of Cal-Maine, the only other publicly traded egg company, which sells the brands Egg-Land’s Best, Land O’ Lakes and Farmhouse.

Give Beyond Meat some credit for the excitement, too. Its stock is up 175% since it went public last May, largely driven by outsized demand from institutional investors looking for more sustainable public investments.

O’Hayer remains the single largest shareholder, and owned 35% of stock ahead of the IPO, even after bringing in investors like Manna Tree Partners, cofounded by Gabrielle “Ellie” Rubenstein, the 32-year-old daughter of Carlyle Group cofounder David Rubenstein. It’s an impressive feat in the food industry, known for investors buying up big stakes early on and looking for quick returns.

“There’s an old adage that if you really believe in your company, equity is the most expensive thing you have. If you don’t believe in your company, it’s cheap,” O’Hayer said on Friday. “I have the advantage here of hindsight.”

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# Forbes

A lifelong entrepreneur (he started selling eggs door-to-door just before his 13th birthday, after his uncle paid his way through college doing so), this is O'Hayer's second IPO. He founded a travel bookings company that went public in 1998 and went into a friendly foreclosure after 9/11. The business wasn't ready for the crisis.

O'Hayer spent the next five years living on a catamaran where he and his girlfriend Catharine, now wife, sold vacation charters. In 2007 they moved to Austin—home of John Mackey, O'Hayer's good friend and the founder of Whole Foods, who inspired O'Hayer to think about conscious capitalism. As O'Hayer heard more about the growing demand for food raised humanely and how hard sourcing it was, he decided to take a shot at the business. He purchased 20 Rhode Island Red hens and a 27-acre plot of land in Austin and started selling the eggs to local restaurants and farmers' markets.

He wound up donating most of the eggs to a food bank because few people would pay the price he demanded—more than \$10. "I wasn't ready to sell them cheap," O'Hayer, who delivered the eggs from a 2005 Subaru he still owns, said in 2018. "I wanted to establish what they really would cost long-term."

Eventually mainstream consumers from Walmart to Albertsons became fans of his pasture-raised eggs, and the scale helped bring prices down by more than half to \$5.59 a carton today. Just 2% of American households buy Vital Farms today, and O'Hayer thinks going public will help him reach far more, quicker than if the company remained private.

"I was always looking for the exit. Instead of looking to get rich, I realized I could build a company where I was focused on employees, customers, shareholders, and the environment," O'Hayer said. "It's so much more fun than focusing on profit."



## How the coronavirus is impacting egg, dairy demand in America



**Heidi Chung** April 3, 2020

Most Americans are under forced or voluntary quarantine as the deadly COVID-19 pandemic engulfs the country, and that has people flocking to grocery stores to stock up on essentials like eggs and dairy.

“What we are seeing is order flow up between two and three times normal when compared to pre-COVID order levels,” Vital Farms CEO Russell Diez-Canseco told Yahoo Finance in an interview Friday.

Many restaurants across the country have been forced to shut their doors to diners, and as a result, people are spending more time in their kitchens cooking. “It is not necessarily that they are consuming more food but shifting where they are consuming it. It has left a lot of empty shelves at grocery stores,” Diez-Canseco said.

According to data firm Nielsen, sales for eggs in the U.S. soared nearly 48% for the week ended March 28 compared to the same period last year. In the prior week, egg sales jumped a whopping 85%.

Vital Farms is the largest pasture-raised egg brand in the U.S. and supplies eggs to 13,000 retailers and is partnered with more than 200 family farms. It also supplies eggs to meal-kit company Blue Apron (APRN). Meal kit companies like Blue Apron and HelloFresh have also seen a big spike in demand over the past several weeks as people shift from eating out to eating in.

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“During these uncertain times, we take providing customers with fresh ingredients and dependable service very seriously. We have been seeing an increase in demand for which we have been well prepared,” HelloFresh said in an email to Yahoo Finance.

Diez-Canseco explained that Vital Farms has also been able to keep up with demand through a stable supply chain, which he said is running smoothly.

“I would want to emphasize upfront we have seen no supply chain disruptions,” Diez-Canseco said. “No supply chain issues in terms of getting product out from our processing facilities to warehouses and to retailers. I think the biggest challenge is simply that the whole supply chain had to switch from supplying to food service outlets and grocery outlets to primarily grocery. So we are seeing that shift happen.”

As uncertainty and fear surrounding the global pandemic rise, corporations have been laying off workers at a rapid clip. The number of Americans filing for unemployment benefits spiked to a record-breaking 6.648 million for the week ending March 28, and the U.S. economy lost 701,000 jobs in March, according to the U.S. Labor Department.

“We have laid off no one. And being in the food business, we are one of the few sectors that frankly has seen increased demand,” Diez-Canseco said. “People are at the heart of our mission and what we do. We are strongly focused on making sure that our people are safe.”