
Q&A with Cargill's Warren Staley
The 2007 National Meat Case Study
PEI Pork Debuts at Costco
Poultry Processing Solutions
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The business journal for meat and poultry processors
October 2007
Retail perspective
A glimpse inside the meat departments of today's supermarkets and what's on the horizon
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A closer look

The 2007 National Meat Case Study sheds new light on retail protein offerings

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The 2007 National Meat Case Study, sponsored by Cryovac/Sealed Air, The National Pork Board and the National Cattlemen's Beef Association, in its third edition is possibly the most revealing look at what is being sold in the fresh meat cases of the best-known retailers in the United States. Last conducted in 2004 – and prior to that, in 2002 – the research provides a physical count of all beef, pork, veal, poultry, lamb, sausage and heat-and-serve products being sold at major supermarket chains in regions throughout the country.

For this year's study, auditors from Texas Tech Univ.'s meat science department, Cryovac and the NPB gathered data during the first quarter of 2007, at various times of day and on various days of the week. Teams of two auditors spent approximately two hours at each store collecting data on all products in the meat cases except for prices. This year, more audits were conducted in more markets throughout a larger number of states than in previous years. A total of 131 store audits were conducted in the 2007 study in 48 markets throughout 34 states, during which auditors measured linear feet dedicated to meat and poultry products in both self-service meat cases as well as space for full-service meat products. Auditors accounted for SKUs (stock keeping units) of products in the meat case where packages were not counted and documented merchandising practices, types of point-of-sale material available and labeling information on packages relating to nutritional information and cooking instructions.

Third time is a charm

Among the audits conducted in 2007, 10 club stores were included to provide a glimpse of how product offerings in the big-box stores compare to the other, more traditional retailers. This club-store data was gathered and compiled separately from the research conducted from the more standard retail stores. Other new information gathered for 2007 included counting linear feet dedicated to fresh offal as its own category. Also new was including SKU counts for ground beef, turkey, veal, lamb, "non-meats," fresh sausage and "other fresh meats." Roasts, steaks, value-added, chops, fillets and patties were also fresh-meat categories added this year in the data gathered from full-service meat cases. Researchers say this was necessary as it became evident how the full-service approach in meat departments is a marketing approach more retailers are taking to gain back market share.

The NMCS is presented in both an overview as well as "modules," which provide more in-depth information on certain segments. Modules focusing on specific species, product types within the species and types of venues (full-service, club stores, etc…) are part of the study available but not part of the overall findings presented here.

Being the third time this extensive study has been conducted, the project's partners are hopeful the trending information that has become evident, and often sited among major media outlets, will gain even more momentum. Jerry Kelly, national coordinator of the retail task force for Cryovac Food Packaging Division of Sealed Air Corp., says the purpose of the study is the same as it has been in years past, but "we've now done it three times so we're building scientific trend data over time. We have seen a lot of changes in the meat case between the first and second studies and now with the 2007 study."

Having been extensively involved in gathering and analyzing the data for all three studies, Kelly notes that 62 percent of the stores included in the 2004 study were also part of this year's NMCS. Even this trending data reveals trends in the retail industry related to the funneling, dynamic business climate in this segment. "It was interesting how many stores were no longer grocery stores or were shut down, vacant or in many cases, had changed names," says Kelly.

Indeed, the NMCS findings affirm many trends in today's meat and poultry industry, including increased demand for natural products among consumers, case-ready products among retailers and the important role of marketing material to both groups.

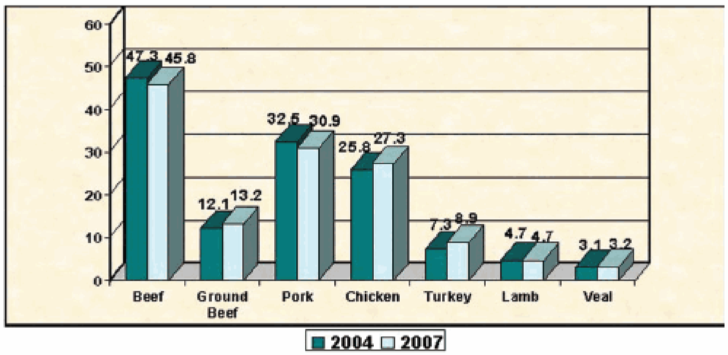
Measuring up

In terms of real estate dedicated to meat and poultry, fresh meat (defined as beef, pork, lamb, veal, poultry and "other") in the self-service case grew from 63 percent of the total linear feet in 2004 to 66 percent in 2007. The remaining space represented 37 percent and 34 percent, respectively, of "non-fresh" meat (defined as processed, sausage, ham, seafood, heat-and-serve, value-added and non-meat products). Kelly says the increase this year reflects, in many cases, more fresh meats specifically replacing heat-and-serve products and seafood that were more prominent in 2004. Upon closer review of share of linear feet by specie, ground beef stayed the same (8 percent) in 2004 and 2007, while whole-muscle beef cuts increased 1 percent (to 19 percent), and chicken and turkey each ticked up 1 percent (to 17 percent and 5 percent, respectively). The gain in share in the fresh-meat category came at the expense of seafood and "other processed" in the non-fresh meat category, which each dropped 2 percent. One explanation for the loss of space in the seafood category is related to the 2005 country-of-origin regulation requiring retailers of seafood to identify their products' origin and method of production, and that many retailers have opted to replace the products with less cumbersome proteins like beef.

When it comes to comparing space dedicated to self-service vs. full-service, the percentage of feet devoted to self-service has stayed between 93 percent and 94 percent each of the three years the survey has been conducted. The remaining 6 percent or 7 percent represents the proportion of linear feet of full-service space, but doesn't tell the entire story. The percentage of supermarkets utilizing full-service cases went from 67 percent in 2002, to 70 percent in 2004 and up to 79 percent in 2007, which indicates a perceived value among

Ground beef, chicken and turkey each increased in number of SKUs

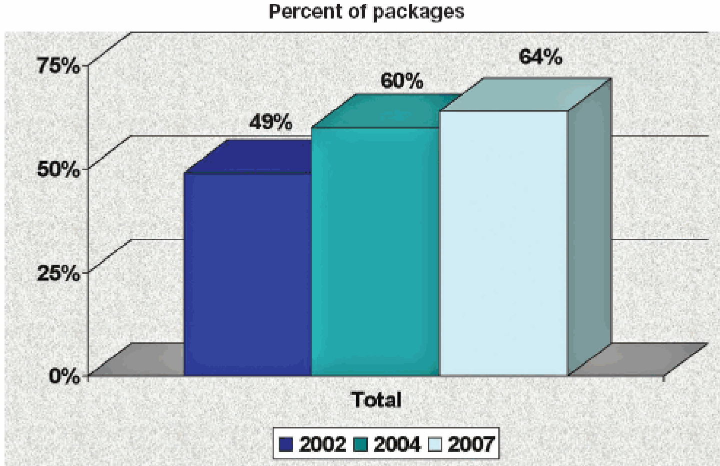
Average SKUs for supermarkets displaying items



SKUs were assigned if any of the following factors changed: Product, bone content, value-added, enhanced (moisture added) case ready, printed, exact weight, irradiation, nutritional information, cook information, average package weight, tray color, tray type, brand, natural or organic.

Case-ready increased for the total fresh meat case

Percent of packages



This analysis excludes sausage, heat & serve, corned beef and smoked offal.

consumers to order their meat at the counter, the "old-fashioned" way.

Also notable in the full-service case is that the amount of space dedicated to seafood leads all other proteins, but it has declined from 67 percent of linear feet to 59 percent and 58 percent respectively in 2004 and 2007. Meanwhile within the full-service meat case, beef garnered a 20 percent share, up 3 percent from 2004, pork claimed 9 percent (down from 11 percent in 2004) and chicken bumped up to 8 percent from its 6 percent level in 2004.

As for the average number of SKUs offered at supermarkets in the fresh-meat case, whole-muscle beef products were down slightly as was pork, but ground beef was up and so was chicken, veal and turkey. When looking at the percentage of SKUs by species, no significant shifts were noted from previous years within the self-serve category. Whole-muscle beef and pork saw 2 percentage point changes each from 2004 to 2007. Thirty-four percent of the SKUs counted in 2007 were whole-muscle beef cuts with an additional 10 percent representing the ground-beef category. Pork continued to represent the second-most SKUs in the case (23 percent in 2007) and chicken in the third-highest position at 20 percent.

While the average pounds per package of meat and poultry products available has hovered within one-tenth of a pound from previous year's studies, ground beef and pork both declined to 1.7 pounds and 2 pounds, respectively. Chicken also declined slightly to 2.5 pounds per package and more significantly, turkey dropped from 2.4 pounds in 2004 to 1.7 pounds this year. This drop may indicate that retailers are not featuring large (4 lb to 7 lb) turkey breasts or whole birds.

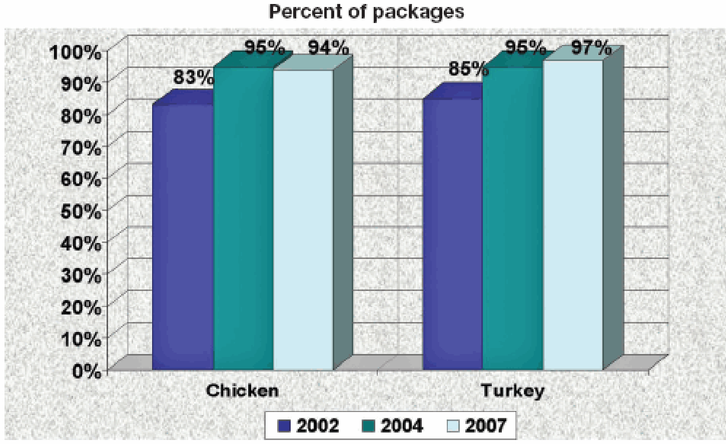
Case-ready momentum builds

To the joy of companies like Cryovac, which is a leading supplier of supplies and equipment for the case-ready market, the percent of case-ready packages in the fresh-meat case continues growing, according to the study. In the span of five years, the percentage of case-ready packages in the fresh-meat case increased from 49 percent to 64 percent. Among the largest gainers in the category was pork at 56 percent of packages (a 6 percent increase over 2004) and whole-muscle beef at 27 percent (an increase of 4 percent over 2004). Ground beef held steady representing the red meat products most often case-ready packaged, with 67 percent (1 percent over 2004) of packages being categorized as case-ready.

Leading the pack in case-ready is chicken and turkey, both with double-digit increases in the percent of packages in the category since 2004. In 2007, the percent of packages identified as case-ready was 94 percent for chicken and 97 percent for turkey. Researchers assume this is about as high as these figures can go because there are almost always situations where retail meat buyers will opt for deals on bulk-leg quarters, for example, or bulk boneless, skinless breasts to supplement their offerings. Many others add in their own value-added poultry products to the case, which also comes at the expense

Poultry case-ready share was consistent with 2004 survey

Percent of packages



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Most enhanced product was not value-added

Percent of packages

BEEF (Whole Muscle)	Non-Enhanced	Enhanced	Total
Not Value-Added	82.5%	10.5%	**93%**
Value-Added	2.5%	4.5%	**7%**
Total	**85%**	**15%**	**100%**

PORK	Non-Enhanced	Enhanced	Total
Not Value-Added	49%	28%	**77%**
Value-Added	7%	16%	**23%**
Total	**56%**	**44%**	**100%**

CHICKEN	Non-Enhanced	Enhanced	Total
Not Value-Added	82%	11%	**93%**
Value-Added	4%	3%	**7%**
Total	**86%**	**14%**	**100%**

TURKEY	Non-Enhanced	Enhanced	Total
Not Value-Added	76%	5%	**81%**
Value-Added	8%	11%	**19%**
Total	**84%**	**16%**	**100%**

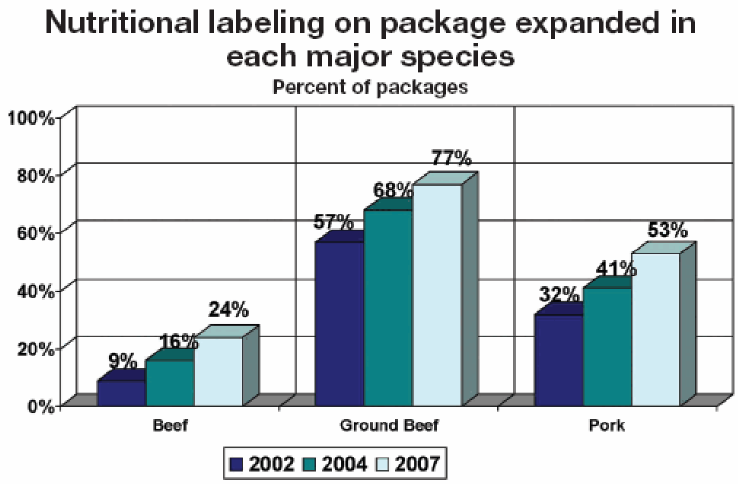
Enhanced = Moisture added. Value-added = Flavor or ingredient added of case-ready percentages.

Other case-ready data indicates the availability of products among case-ready products consistently exceeds store-wrapped products when comparing the percentage of SKUs of each type. Since the 2004 study, the number of in-stock products (in-stock was defined as five or more packages of each SKU) was 21 percent higher among case-ready products than store-wrapped proteins. This statistic lends credibility to the claim among case-ready proponents that retailers benefit from having products packaged at a central processing facility and can better manage the availability of products in the meat case. Within this category of measurement, in-stock position of whole-muscle beef declined slightly in 2007, to 59 percent of SKUs (compared to 62 percent in 2004), while ground beef increased from 84 percent in 2004 to 87 percent this year. In-stock position of case-ready pork increased significantly from 63 percent in 2004 to 68 percent in 2007.

Researchers also examined the status of enhanced and value-added products in the meat case. Based on the definition of value-added being products having flavor or ingredients added, this category grew from 4 percent in 2002 to 10 percent in 2007. Of that 10 percent, only 2 percent represented added ingredients with the lion's share of the products having flavor added only. Pork led the value-added category with 23 percent of packages falling into the classification, 22 percent of which were products having flavor added. However, among the "Enhanced" products, most was moisture-added and didn't include any added flavor or ingredients. In keeping with the growing demand for "natural" chicken products with no additives, the percentage of chicken products deemed to be enhanced dropped from 23 percent of packages in 2004 to 14 percent in 2007.

Consistent with the trend of consumers' increasing awareness of health and wellness issues as they relate to diet, the percentage of meat and poultry packages with nutritional labeling topped out in 2007 at 57 percent after increasing from 34 percent in 2002 to 44 percent in 2004. At 77 percent of packages, ground beef – presumably case-ready ground beef – led the pack, in part because these packages allow for more nutritional information to be included on the products in a uniform manner. Ironically, however, chicken packages carry nutritional information on just 74 percent of packages despite the fact that almost all chicken is case-ready packaged and would lend itself to more nutritional information.

While the study indicates nutritional information has increased, it seemingly has come at the expense of less cooking information on packages, which has declined overall from 37 percent of packages in 2002 to 32 percent in 2007. Perhaps most surprising, especially given the number of *E. coli*-related recalls linked to ground beef each year, is the decreasing frequency of cooking information on those products. The percentage of packages of ground beef with cooking information has dropped from 34 percent in 2002 to 18 percent in 2007. Similarly, whole-muscle beef packages carrying cooking



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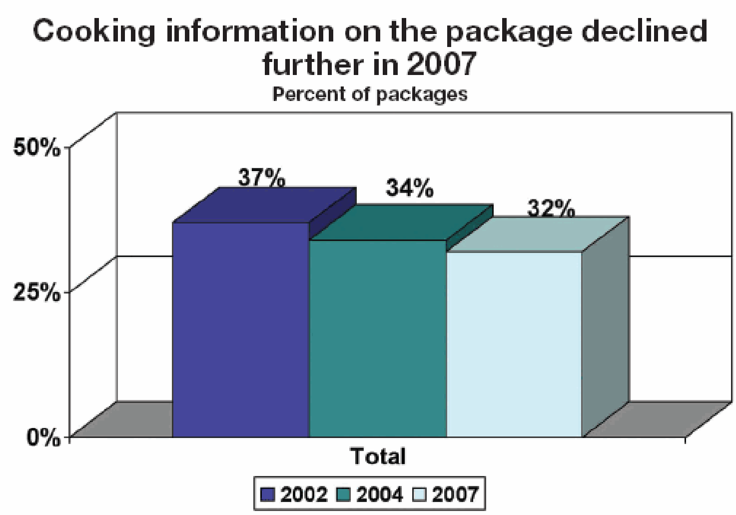

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information has declined from 43 percent in 2002 to 32 percent in 2007. Other species remained fairly consistent with turkey products, at 67 percent, continuing to lead in the percentage of packages with cooking information. The decline in some categories could be attributed to other cooking information available to consumers, including point-of-purchase information, Web sites, and a general heightened sense of awareness about cooking practices.

Natural and organic evolve

To no one's surprise, the natural fresh-meat category continued growing, according to the 2007 NMCS, to 29 percent of packages as did the quantity of organic products, though on a much smaller scale. To qualify, products had to have the word "natural" somewhere on the label or "USDA Organic" for organic products, which incidentally still make up less than 1 percent of all packages audited. Chicken, at 67 percent of packages, proved to be the most prevalent natural product, followed by lamb (27 percent) and ground beef (25 percent).

Marked increases in the organic category were noted in this year's study, but on a much smaller scale. By species, the biggest increase in percentage of packages was in chicken (at 1.8 percent), which more than tripled since the 0.5 percent reported in 2004. The "other" category – which included buffalo and bison meat – was the most prominent, with 2.2 percent of all packages. This data will obviously be impacted in the future if and when the Food and Drug Administration mandates what constitutes "natural" products.

Brand-new gains

After dropping in 2004, the prevalence of store-branded products has made a comeback. Led by retailers like Albertson's and Safeway rolling out their own brand of beef in early 2004, store brands almost doubled from 12 percent in 2004 to 23 percent in 2007. Supplier brands remained high in 2007 (48 percent) as the percentage of packages with no brand dropped from 38 percent in 2004 to 29 percent in 2007. The increases also came at the expense of supplier-branded products. Store-branded ground beef especially spiked since the previous study, tripling in number from 7 percent in 2004 to 21 percent this year. Likewise, store-branded, whole-muscle beef more than doubled from 15 percent to 31 percent between 2004 and 2007. Retailers also pushed store-branded chicken from 15 percent of packages in the 2004 study to 26 percent in 2007. This indicates a major shift in the meat case, after decades of supplier brands dominating fresh chicken. That dominance is on the slide, with supplier brands giving way 8 percent to 69 percent in 2007. Branding has proven successful on the red meat side of the business and now signs are indicating there may be a profitable benefit to unifying the entire meat case with a store's brand. M&P

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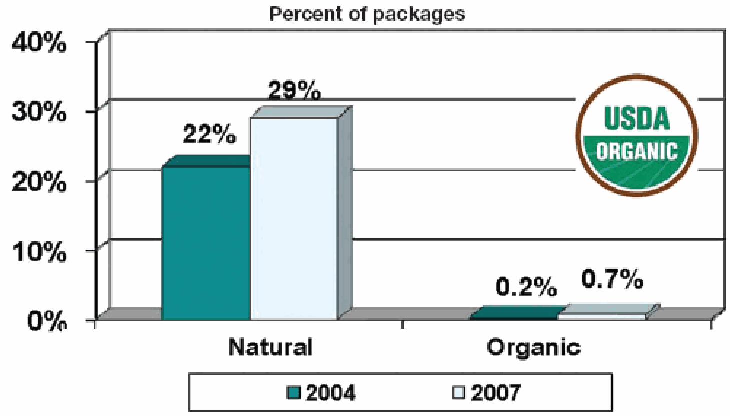
Natural meat products grew in 2007
Organic meat products still small



Natural: If the word "Natural" was used on the package.
Organic: If the package had an Organic seal.
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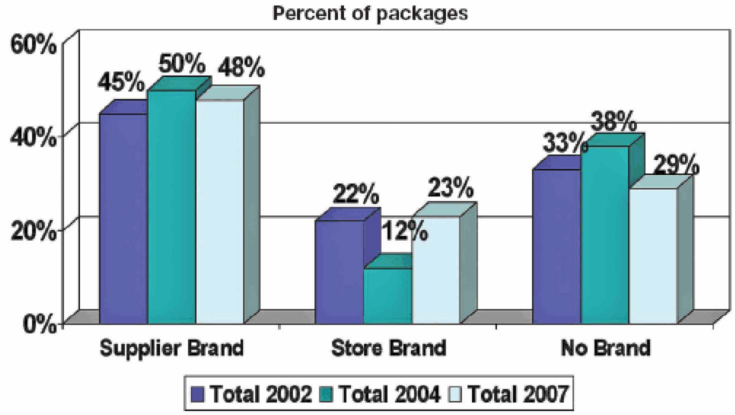
Store branding gained significantly to recapture lost share



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