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SN
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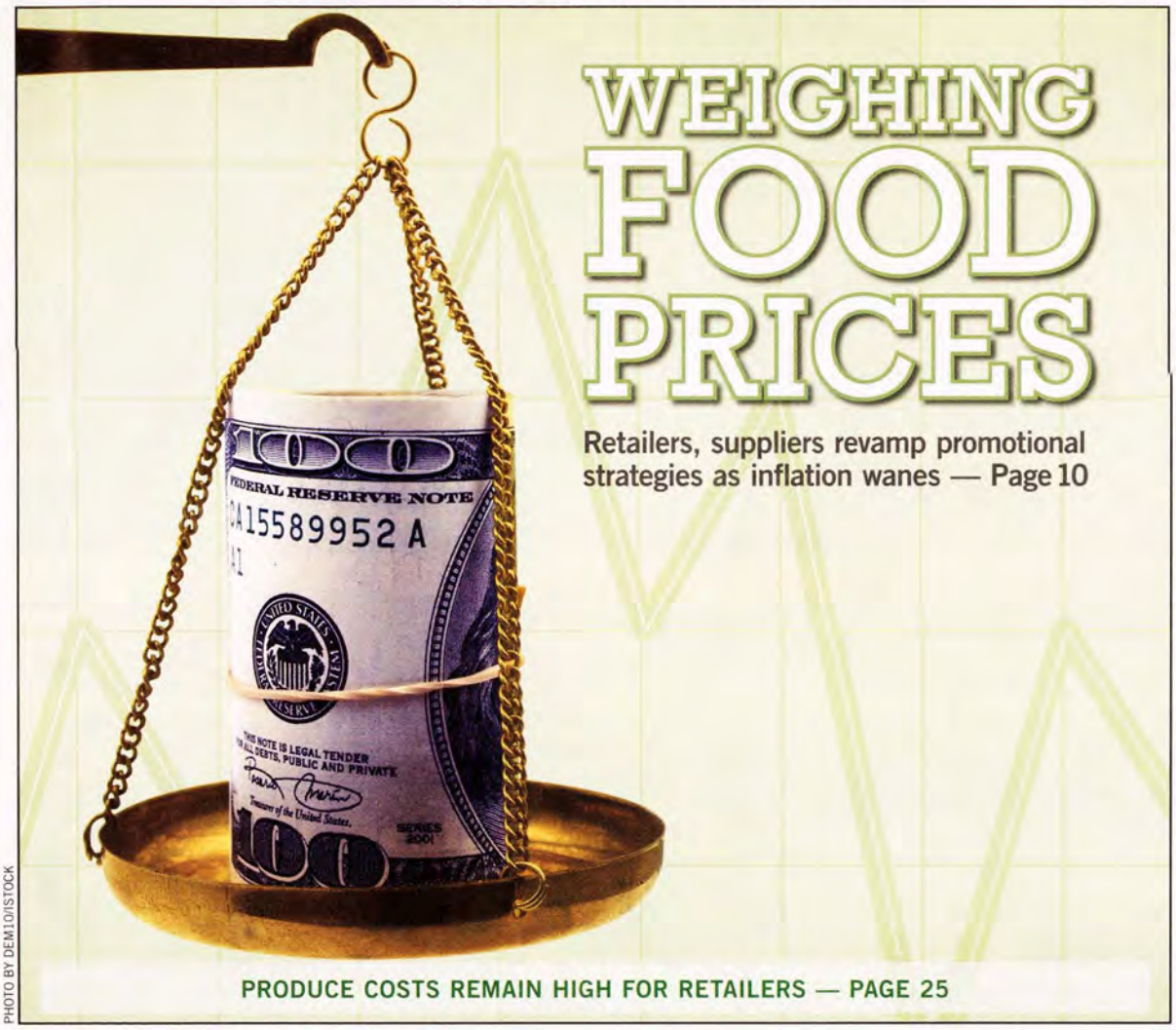

WEIGHING FOOD PRICES

Retailers, suppliers revamp promotional strategies as inflation wanes — Page 10

PRODUCE COSTS REMAIN HIGH FOR RETAILERS — PAGE 25

PHOTO BY DEM10/ISTOCK

Kroger CEO Sees a Bit Of Upturn

By ELLIOT ZWIEBACH

CINCINNATI — Kroger Co. here said last week a pickup in sales in February indicates a modest strengthening of consumer confidence.

"Through the holidays and immediately following the holidays, the consumer was more cautious," said David B. Dillon, chairman and chief executive officer, in a conference call discussing year-end results. "But in February we saw a modest improvement, which I would attribute to some regaining of confidence by consumers in how they were approaching spending."

Kroger is seeing an increase in traffic and in aver-

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EXPO WEST

Natural Products Sector Seen Weathering Recession

By DAVID ORGEL

ANAHEIM, Calif. — The recession hasn't crushed the spirit of retailers selling natural products.

Retailers and suppliers at this month's Natural Products Expo West show here said that continued consumer attraction to this lifestyle and expanded value offerings from the industry are enabling them to weather the downturn in fairly good shape.

"For people who've made the choice to eat natural and organic, it's one of the last things they'll give up," said Jim "Jimbo" Someck, president and owner of San Diego-based retailer Jimbo's…Naturally!, who spoke during an educational session. He added that consumers are considering healthy lifestyles as a means to save money on doctors' bills.

The good news coincides with a bit more consumer price sensitivity, particularly on the supermarket side in certain natural products categories.

"Organic is down right now due to the economy," said Tim Ryan, Albertsons' dairy category manager for Southern California and Nevada. "It's cheaper for the customer to buy white vs. organic. Consumers are much more price-sensitive, and they aren't pantry-loading."

Still, the trade-offs haven't stopped consumers from being more interested in nutrition and health at supermarkets. Harriett Hentges, vice president of corporate responsibility and sustainability at Ahold USA, who spoke at an educational session, described strong customer interest in the company's new nutrition labeling program, called Healthy Ideas.

"Since January, about 30% of our website hits are looking at the healthy part of the site," she said.

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FRESHMARKET

ANNUAL MEAT CONFERENCE

Suppliers Urge Meat Promo Activity

By MATTHEW ENIS

DENVER — Prices for ribeye steaks and striploin subprimals are at their lowest levels since 2002, wholesale prices for other middle meats, as well as for poultry, pork and ground beef are continuing to slide, and beef graded as choice is available on the market at record levels. Yet, ads for meat in supermarket circulars have been down significantly since the beginning of 2009, and many retailers are still using traditional percentage profit models for retail markups on steak products, rather than focusing on gross profit and additional volume at lower prices.

These themes emerged repeatedly in educational sessions and conversations with *SN* here last week at the American Meat Institute's annual Meat Conference. Facing considerably curtailed demand from the U.S. restaurant industry, meat suppliers have a glut of high-quality product coming to market, and supermarkets are one of the few outlets where meat sales are still growing.

"Retailers are in a great position to feature steaks," Danette Amstein, principal of Midan Marketing, told *SN*. "All of these factors are lining up in their favor."

There was certainly no failure to recognize that the current situation has been precipitated by the deepening economic recession, which is driving consumers away from restaurants and toward cheaper cuts of meat at supermarkets.

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PHOTO COURTESY OF PUBLIX

Suppliers Urge Meat Promo Activity

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Amstein's own seminar, "Hanging onto Your Customers in a Tough Economy," presented with Merrill Shugoll, president of Shugoll Research, cited scan data from FreshLook Marketing that indicated total retail meat volume was up 3.5% between October 2008 and January 2009, but the strongest growth was exhibited by lower-priced products. Total chicken volume was up 7.3%, and bone-in breasts were up 15.5%. Total beef volume was up 3.8%, while regular ground beef posted 6.0% volume growth.

Similarly, results from the fourth edition of the "Power of Meat" — an annual joint study by the American Meat Institute and the Food Marketing Institute that was initially released here last week in a general session by FMI's director of research, Anne-Marie Roerink — indicated that while overall consumer spending on retail meat had held steady in 2008, shoppers were trading down more frequently, using more coupons, switching from national brands to private-label brands, and stocking up on product during sales to freeze portions at home. More than half of respondents surveyed in the study said that economic conditions were changing the way they shopped for meat, and of those, 33% said they were looking for deals in grocery store circulars frequently, and 38% said they were doing so very frequently.

Yet, Amstein noted that total ad activity for meat was down 7.6% in January, according to the latest data available. And several presenters argued that retailers who are displacing meat ads in favor of ads on other items — or are focusing sales and promotions primarily on low-priced items — could be missing a major opportunity while wholesale costs are going down, demand is rising, and shoppers are turning to their local supermarket for ideas for dinner.

Producers are working to address the situation. In an effort to encourage retailers to shift from percentage profit-based pricing models toward gross profit pricing models on middle meat cuts, the Beef Checkoff Program recently launched a Retail Pricing Matrix tool that factors in current wholesale prices for several cuts, cutting test yield information, and average gross margins based on commonly used cutting techniques.

Also, several suppliers have launched new products geared toward extending shelf life and simplifying merchandising. For example, at the show expo, Tyson's IBP division was displaying packages of two beef tenderloin filets that were vacuum sealed, extending the item's shelf life to more than 20 days. National Beef was offering a customizable merchandising plan called "Impact" with ideas for cuts and portions that could help retailers feature a wider range of serving options and price points for steaks and roasts.

Cargill had launched a new beef loin tri-tip roast in a vacuum-sealed package with preparation tips printed on the back. Tri-tip roasts require a little more cooking knowledge, but if prepared properly, customers have the benefit of premium flavor at a low price point, said John Niemann, vice president of beef pricing and sales for Cargill.

"Consumers are more sensitive to spending right now, but they're more willing to do their homework on preparation," Niemann explained.

Regardless, these trends will most likely continue to present opportunities for supermarket retailers during the coming year. As Roerink noted during her "Power of Meat" presentation, 88% of shoppers said that supermarkets are still the primary place where they shop for meat. By contrast, only 60% of shoppers said they shopped for meat in supercenters — down from 64% in the 2008 study.