Today's Retail Meat Case

The 2007 National Meat Case Study

Background

Sealed Air's Cryovac Food Packaging, The Beef Checkoff, and the National Pork Board teamed up in the first quarter of 2007 to conduct an extensive audit of the nation's retail meat cases. Additional project support was provided by Texas Tech University who conducted the bulk of the data collection while 1st Stage Marketing conducted the data analysis.

One hundred twenty one retail supermarkets and ten club stores were audited in 48 metro markets across 34 states. Detailed information from more than 157,000 packages representing over 281,000 pounds of meat was captured to help further understand the growing transformation seen in the retail meat case over the last five years.

This research project, the National Meat Case Study 2007 (NMCS 07), was benchmarked against the same study conducted in 2004 and in 2002 to provide further insights into emerging retail trends nationally. Results from the study not only provide a benchmark for changes that have occurred, but can also be used to aid development of new marketing applications for incremental fresh meat growth.

"Meating" the Demand...

As we review the findings from this 2007 study, it is important to keep in mind the overall economic and market conditions affecting the grocery industry during the time the study was conducted. The economy was surprisingly strong overall given the high cost of some of the key contributors to the CPI, food and fuel.

The consumer price index was up versus the same time period in 2006. Corn prices were up approximately 100% versus year ago levels due to speculation on the booming bio-fuel industries. As a result, retail meat prices were climbing in response to higher meat production costs and increased meat demand.

Retail food sales growth outpaced foodservice for just the second time in 15 years. There were no major labor disruptions in Q1 '07 as was the case during the 2004 study.

Aggressive competition from non-traditional formats continued to grow, as did the marketing efforts to older and ethnic shoppers. The natural products category continued to expand and the low carb diet fad faded away.

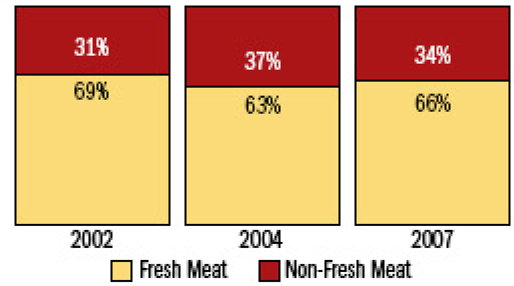
These factors, as well as others, had a significant impact on what and how items were merchandised at retail.

Fresh meat gained back some of the self-serve linear feet it lost to non-fresh meat items in 2004. This was offset by a reduced presence of seafood and processed meats. Heat and serve, while up in 2004 versus 2002 was consistent in 2007. The same was also true for value added and non-meat items. It is interesting to note that, while the share of non-fresh meat items was stable, 100% of retailers were carrying non-fresh meat items in the meat case up from 81% in 2004 and 60% in 2002.

Within fresh meat, the three core species (beef, fresh pork and chicken) represent 88% of the linear feet, 90% of the packages and 87% of the SKUs reinforcing the importance of the three core species for category growth. Interestingly, this share of their linear feet was down 3 percentage points versus 2004 driven by a slight increase in turkey and lamb.

Representation of boneless products also grew – up 2 percentage points to 59% of the total packages. Whole muscle beef has the largest share of boneless packages (83%) – this was up 1 percentage point from 2004. Fresh pork boneless packages were also up (+2 percentage points) representing 60% of the packages. Chicken's share of boneless packages was consistent at 42%. Bone-in chicken packages are driven by the volume of thighs, drums, wings, bone-in breast meat and whole birds that are merchandised in the meat case.

Self-Serve Share of Linear Feet



	2002	2004	2007*	2007**
Fresh Meat	69%	63%	66%	100%
Beef (Whole Muscle & Ground)	29%	26%	27%	41%
Fresh Pork	15%	14%	14%	21%
Chicken	18%	16%	17%	26%
All Other	7%	7%	8%	12%
Non-Fresh Meat	31%	37%	34%	100%
Heat & Serve	8%	10%	10%	29%
Value Added	4%	5%	5%	15%
Seafood	5%	7%	5%	15%
Non-Meat	2%	2%	2%	6%
Other Processed (Includes Sausage & Ham)	12%	14%	12%	35%

*Share within total meat case **Share within fresh vs. non-fresh meat

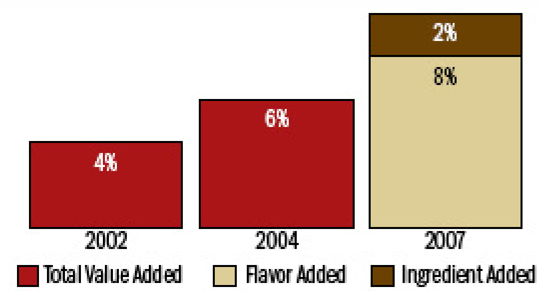
Value added products were defined as having flavorings or ingredients added (e.g. seasoned, marinated, bacon wrapped, meat loaf mix, stuffed and specialty items like cordon bleu).

Value added packages continue to grow – up 4 percentage points to 10% of the total fresh meat packages. Growth in value added packages was driven by fresh pork (up 11 percentage points to 23% of the fresh pork packages), turkey (up 5 percentage points to 19% of the turkey packages) and beef (up 3 percentage points to 7% of the beef packages).

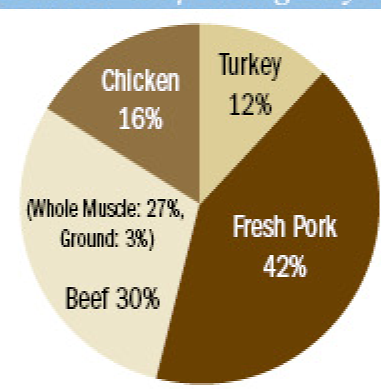
Within value added, fresh pork had the greatest share of packages at 42%. Beef followed with 30% and chicken had 16%. While chicken trailed fresh pork and beef in the number of value added packages represented, it took the lead in heat & serve with 44% of the packages. Beef was second with 26% of the packages and fresh pork had 19% of the heat & serve.

Weight per package has remained fairly consistent over the years at 2 pounds on average. This is down slightly for ground beef (from 1.9 pounds in 2004 to 1.7 pounds in 2007) and fresh pork (from 2.2 pounds in 2004 to 2.0 pounds in 2007).

Value Added % of Packages - Total Fresh Meat



Value Added % of Packages by Species



Net weight packages represented 22% of total packages, up 9 percentage points from 2004. Turkey had the largest representation of net weight packages, up 30 percentage points to 64% of the packages. Ground beef increased 20 percentage points to 51% of packages and fresh pork increased 16 percentage points to 22% of the packages.

Full service meat cases were in 79% of the stores surveyed and represented 7% of the total meat department's linear feet. This was up one percentage point versus 2004. While seafood continues to have the largest share of full service linear feet, beef and chicken's presence increased while fresh pork's decreased.

Of the supermarkets with full service cases, over 90% sold seafood fillets, beef steaks, ground beef or pork chops in the service case. While 63% displayed beef roasts, this dropped to 45% for pork roasts.

Full Service - % of Linear Feet by Species

	2002	2004	2007
Seafood	67%	59%	57%
Other	33%	7%	3%
Beef (whole muscle & ground)	-	17%	20%
Fresh Pork	-	11%	9%
Chicken	-	6%	8%
Fresh Sausage	-	-	3%

Natural products had a "natural" claim on the package.

Enhanced products had moisture added and could also be value added (flavor and/or contained additional ingredients).

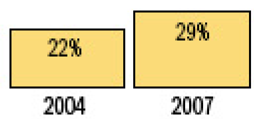
Natural and organic packages grew in share in 2007. Packages with a natural claim increased to 29% of the packages, up 7 percentage points from 22% in 2004.

Chicken had the highest number of packages with a natural claim (67%) followed by ground beef (25%) and fresh pork (15%). General claims for natural products were "All Natural" (54% of the packages) and "100% Natural (25% of the package). Hormone and antibiotic free were the leading specific natural claims.

Very few of the packages overall (less than 1%), contained the USDA organic seal. Chicken had the largest share of organic packages at 1.8%.

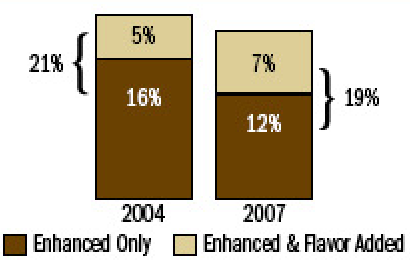
Enhanced packages declined by 2 percentage points to 19% of the total packages in 2007. This was the result of a decrease in non-flavored moisture added packages, which dropped from 16% of the packages in 2004 to 12%. Flavor added enhanced packages actually increased 2 percentage points from 5% of the packages to 7%. This was driven predominately by fresh pork, which was up from 10% of the packages in 2004 to 16%.

Natural % of Packages - Total Fresh Meat



By Species	2004	2007
Beef	2%	4%
Ground Beef	7%	25%
Fresh Pork	9%	15%
Chicken	61%	67%
Turkey	17%	16%
Veal	15%	6%
Lamb	22%	27%

Enhanced % of Packages - Total Fresh Meat



Consumer communication plays a key role in meat case merchandising. Consumer information is important to help communicate the many benefits of today's meat products. Not only does this information help consumers make informed decisions but it can also help generate impulse sales and repeat business. This was a key priority in the 2004 study and is perhaps even more important today.

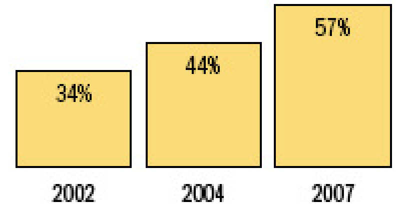
Cooking information labeling decreased: While on-pack cooking information declined slightly in 2007 (down 2 percentage points), the share of packages with this information was still strong at 32%. Among the core species, fresh pork had the largest representation at 42% followed by whole muscle beef at 32%. Chicken was at 24% with ground beef at 18%.

On-pack nutrition labeling increased: Nutrition labeling on packages has increased significantly overall - up 13 percentage points from 44% in 2004 to 57%. This is on top of a 10 point gain in 2004 from 34% of packages during the 2002 study. An increase in nutrition labeling was seen across species with the greatest gain in chicken (+16 percentage points versus 2004) followed by fresh pork (+12), turkey (+10), ground beef (+9) and whole muscle beef (+8 percentage points).

Additional consumer communication vehicles had a reduced presence at retail with fewer stores using case dividers (84% of supermarkets in 2007 versus 91% in 2004), species signs (56% versus 74%), ceiling dangles (39% versus 50%), and recipe racks (37% of supermarkets in 2007 versus 43% in 2004). On the flip side, an increase was seen in the use of rail strips with 71% of supermarkets using rail strips in 2007 versus 65% in 2004.

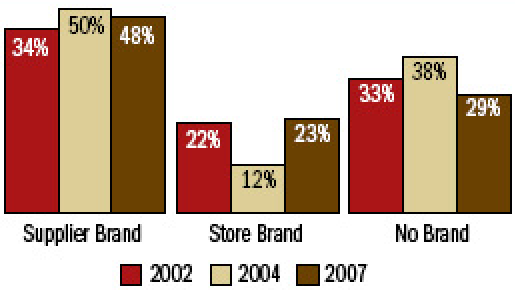
Additional signage information was gathered during the 2007 study. Signs with a Natural claim were used in 47% of stores, nutritional cut level signs were used in 40%, nutritional brochures were used in 19% of stores, bilingual signs were used in 18%, and organic signs were used in 17% of stores.

Nutritional Labeling % of Packages
Total Fresh Meat



By Species	2002	2004	2007
Beef	9%	16%	24%
Ground Beef	57%	68%	77%
Fresh Pork	32%	41%	53%
Chicken	46%	58%	74%
Turkey	65%	78%	88%
Veal	6%	8%	10%
Lamb	10%	18%	18%

Branding % of Packages
Total Fresh Meat



		Beef	Ground Beef	Fresh Pork	Chicken
Supplier	2004	27%	18%	56%	77%
	2007	20%	18%	58%	69%
		-7 pts	same	+2 pts	-8 pts
Store Brand	2004	15%	7%	11%	15%
	2007	31%	21%	19%	26%
		+16 pts	+14 pts	+8 pts	+11 pts
No Brand	2004	58%	75%	33%	8%
	2007	49%	61%	23%	5%
		-9 pts	-14 pts	-10 pts	-3 pts

Store brands gained package share. While the presence of supplier branding on packages was similar to 2004 with about half of all products containing a supplier label, store branding grew after a significant loss of presence in 2004. This came at the expense of "no brand". Poultry had the largest share of supplier brand presence followed by fresh pork.

Similar to 2004, supplier branded packages were predominate in turkey (89% of packages; up from 86%) and chicken (69%). While 69% for chicken is still strong, it is important to note that this decreased from 77% in 2004. Supplier branded packages for fresh pork was third at 58% of packages (up from 56%).

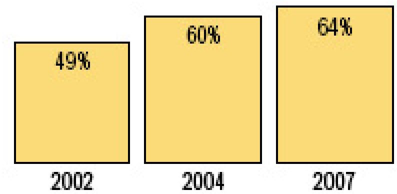
In 2007, for the first time, the majority (51%) of beef was branded. Beef saw the largest shift towards store branding with whole muscle packages up 16 percentage points from 15% of the packages in 2004 to 31% in 2007. Ground beef packages with a store brand were up 14 percentage points from 7% of packages in 2004 to 21% in 2007.

> **Case Ready** products were defined as products that came in a packaged state from the supplier and were not re-packaged at store level. These packages included an Establishment Number.

Case ready representation continues to increase. The last five years have brought a significant shift toward more case ready packaging and away from in-store packaging. In 2002, less than 50% of the packages were case ready. In 2007, this jumped to 64%. Increases were noted across most species, with lamb/veal and fresh pork exhibiting the largest percentage point change. Poultry continued to have the largest share of case ready packages overall. This was followed by ground beef, lamb, pork, veal and whole muscle beef respectively.

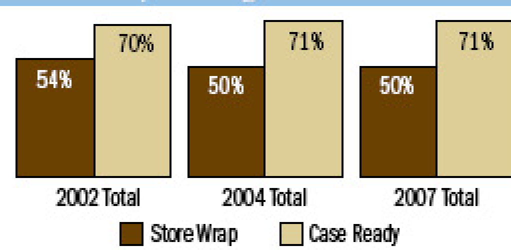
In addition, case ready products experienced a greater "in stock" position (as measured by having at least 5 packages per SKU) than store wrapped products. Overall, 71% of case ready packages were "in stock" vs. only 50% for store wrapped packages illustrating the advantage case ready merchandising can have regarding inventory management and reduced out-of-stocks. Fresh pork and ground beef in-stock position for case ready products improved versus 2004 – up 5 and 3 percentage points respectively.

Case Ready % of Packages Total Fresh Meat



By Species	2002	2004	2007	Change vs. '02
Beef	15%	23%	27%	+12
Ground Beef	56%	66%	67%	+11
Fresh Pork	37%	50%	56%	+19
Chicken	83%	95%	94%	+11
Turkey	85%	95%	97%	+12
Veal	28%	37%	51%	+23
Lamb	38%	47%	60%	+22

% of Packages "In-Stock"



Zero stock analysis reveals missing product and potential lost sales. According to national syndicated data from FreshLook Marketing, leading items were compared to the audit results to determine the percent of stores that did not have these items in stock during the store visit (zero stock).

The most alarming observation made when examining the zero stock analysis was that some of the higher ticket and profitable items had far greater zero stock positions than some of the lower priced items.

	% Stores with Zero Stock	2004	2007
Whole Muscle Beef Items	Chuck Roast Boneless	26%	22%
	Top Round Steak Boneless	25%	38%
	Stew Meat	3%	2%
	Bottom Round Roast	17%	16%
	Ribeye Steak Boneless	8%	10%

	% Stores with Zero Stock	2004	2007
Fresh Pork Items	Boneless Loin Chops	22%	26%
	Spareribs	20%	26%
	Assorted Loin Chops	58%	57%
	Shoulder Blade Roast	48%	68%
	Bone-in Country Style Ribs	28%	41%

	% Stores with Zero Stock	2004	2007
Chicken Items	Boneless Chicken Breasts	10%	7%
	Whole Birds	6%	6%
	Drumsticks	3%	2%
	Thighs	8%	2%
	Bone-in Breasts	10%	8%

Conclusion

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Conducting meat case audits across the country is an important benchmark for how the retail meat case is evolving. We now have five years of audits available and the changes seen over this time are eye opening. Strong gains are apparent in case ready products with improved in-stock position versus store wrapped products. The percent of natural claim packages has increased while enhanced packages have declined. We have seen an increase in consumer communication in terms of nutritional information yet important cooking information (in terms of on-pack recipe labels and use of recipe brochures) has declined. Value-added products have grown from 4% of the packages in 2002 to 10% of the packages in 2007 and non-fresh meat items were found in 100% of the supermarkets audited in 2007 versus only 60% in 2002.

The goal of the National Meat Case Study is to gain on-going understanding of how our meat cases are being shaped. It's the age old question – are consumers' needs for variety in protein selection and ease of meal preparation shaping our stocking practices and communication vehicles at the meat case, or are our stocking practices and communication vehicles at the meat case shaping what consumers buy? We conclude that in today's dynamic retail environment, both factors are shaping the modern meat case.

As retailers review their current merchandising strategies, it is important to keep in mind new technologies that are available to help enhance product packaging and expand shelf life. It is equally important to help simplify the shopping experience for consumers by providing valuable information to assist with product selection in the store and meal preparation once home.

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Sealed Air CRYOVAC® Food Packaging Systems

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