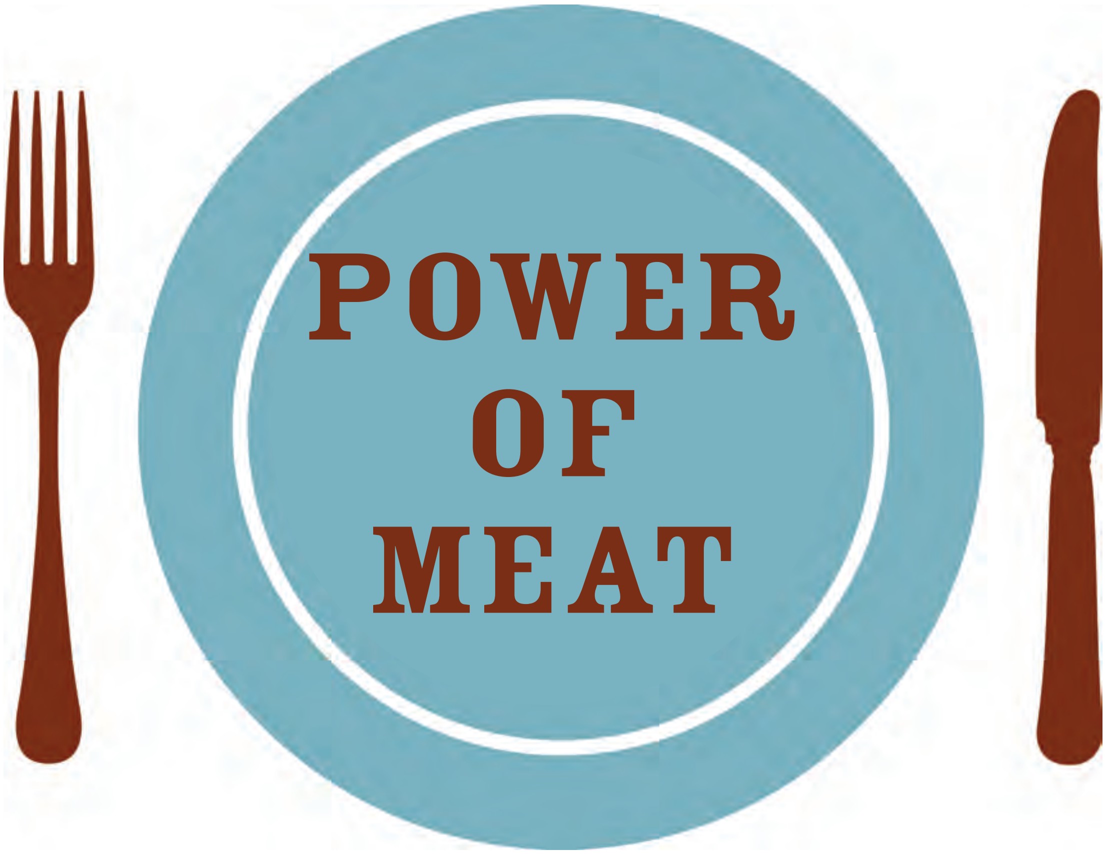
2014



POWER OF MEAT

AN IN-DEPTH LOOK AT MEAT THROUGH THE SHOPPERS' EYES

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AMERICAN MEAT INSTITUTE

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The Power of Meat

An In-Depth Look at Meat and Poultry Through the Shoppers' Eyes

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The Power of Meat

Published by:
American Meat Institute
Food Marketing Institute

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210 Analytics, LLC

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The Annual Meat Conference (AMC) is designed as the yearly educational event that brings all segments of the retail meat industry together to learn how to improve marketing, operations, and profitability of meat and poultry. The conference is sponsored by the American Meat Institute and the Food Marketing Institute in conjunction with the American Lamb Board, National Cattlemen's Beef Association, National Chicken Council, National Pork Board, and the National Turkey Federation.

American Meat Institute (AMI) is the national trade association representing companies that process 70 percent of U.S. meat and poultry and their suppliers throughout America. Headquartered in Washington, DC, AMI keeps its fingers on the pulse of legislation, regulation and media activity that impacts the meat and poultry industry. In addition, AMI conducts scientific research through its Foundation designed to help meat and poultry companies improve their plants and their products. The Institute's many meetings and educational seminars also provide excellent networking and information-sharing opportunities for members of the industry.

Food Marketing Institute (FMI) proudly advocates on behalf of the food retail industry. FMI's U.S. members operate nearly 40,000 retail food stores and 25,000 pharmacies, representing a combined annual sales volume of almost $770 billion. Through programs in public affairs, food safety, research, education and industry relations, FMI offers resources and provides valuable benefits to more than 1,225 food retail and wholesale member companies in the United States and around the world. FMI membership covers the spectrum of diverse venues where food is sold, including single owner grocery stores, large multi-store supermarket chains and mixed retail stores. For more information, visit fmi.org and for information regarding the FMI Foundation, visit fmifoundation.org.

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Study Highlights

Planning the Meat Purchase
The 2014 study finds some first indications of the return to the pre-recession normal and measured an increase in the number of shoppers who changed up the meat and poultry purchase in the prior year due to increased spending. In the prior five years, changes were mostly driven by shoppers seeking to spend less on meat and poultry.

For most shoppers, meat and poultry are very much a planned purchase. Among the 85 percent of shoppers who create shopping lists before heading to the store, 43 percent list specific species and cuts, such as chicken breasts or pork chops, and an additional 34 percent list meat and poultry generically. The grocery circular is shoppers' most commonly used tool to research meat and poultry promotions; 75 percent review the paper circular at home, 47 percent pick up a copy at the store and 32 percent review the electronic circular through email or the store's website. Consumers not only use a variety of promotional vehicles, but also do so on a frequent basis, with 83 percent of shoppers checking promotions across stores regularly. The weekly sales promotions are an integral part of meal planning. Nearly one-quarter of shoppers check protein promotions and plan meals accordingly. Another 16 percent plan the weekly meal lineup and check for corresponding promotional offers across stores. While digital communications currently lag far behind the traditional paper circular, it is important to keep in mind that email, Facebook, website and other digital promotions are much newer vehicles and not yet universally used by all retailers. Digital communications are much more important to younger shoppers — underscoring the importance of a combination of traditional and digital tools in today's omnichannel world.

The Meat Purchasing Decision
While price per pound and total package price remain the number one and two factors in the meat and poultry decision-making process, the dominance of price is waning in favor of higher rankings for nutrition, knowledge and speed. In addition to the pre-trip decision, 90 percent compare prices in-store, either between species or cuts, or sifting through packages to find the price that best meets their budget. Price not only continues to lead the purchasing decision, but also has the greatest influence on how much is purchased. Promotions and coupons come the closest to the power of price in terms of influencing the amount and type of meat and poultry purchased. Relative to the various promotion types, shoppers most prefer everyday low prices, followed by buy-one, get one — with the latter being particularly popular among those who research promotions pre-trip and list specific meat and poultry items. Of rising importance in the meat purchasing decision is brand. Outright preference for national and private brands rose over 2013, leaving a smaller share of 'switchers' — consumers who are brand neutral. However, for both fresh and processed meat, switchers remain the largest group, at 57 percent and 47 percent, respectively. National and private brand meat and poultry can enjoy mutual growth by providing a balanced assortment, targeted at the store level through strategic collaborative initiatives.

The Meat Channel Choice
Full-service supermarkets continue to be the prime channel for grocery-type purchases in general and meat and poultry in particular. Supercenters are the number two channel for both. Overall, 27 percent of shoppers purchase meat and poultry in a different channel than the majority of their groceries. This is much lower among supermarkets, even though this channel did see a small decline in shopper conversion

for the second year in a row. The three primary beneficiaries when shoppers switch channels are supermarkets, club stores and butcher shops, with the three primary reasons being better quality, variety and lower prices. When switching to a supermarket specifically, the three top reasons are quality, variety and the presence of a full-service counter. Reasons for switching to the supercenter channel center on price, with lower prices in general, better variety and lower prices on specific items being the top three factors.

Meat Consumption and Meal Preparation
Meat consumption measured as the number of home-cooked meals that contain an actual portion of meat and poultry rebounded slightly to 3.8 dinners in an average week. This is up from the 3.6 average in 2013, but down from prior year study averages of 4.1. In a typical week, one-third of shoppers is undecided at least half the time whether they will cook or eat out as little as two hours before dinnertime. Likewise, when shoppers have decided to cook, 38 percent do not know what they will prepare two hours out. This presents an enormous opportunity for food retailers to increase their share of mealtime. Currently, foodservice wins the majority of last-minute dinner decision trips, even though the consumption of heat-and-eat and ready-to-eat meat and poultry increased. More shoppers are engaged in this category and an increased number of shoppers report consuming heat-and-eat and ready-to-eat items at higher frequencies. This desire for convenience can also be seen in the types of meals people cook more. One-pot meals increased a net 22 percentage points (percent "prepare more now" minus percent "less now") compared with five years ago. Accelerated growth is also seen for pastas and casseroles and international/ethnic dishes. Marinated meat and poultry, whether pre-marinated or marinated at home, continue to be big as well.

Nutrition and The Meat Purchase
Despite an uptick in the number of shoppers who care a lot, the majority only puts some effort into making healthful meat and poultry decisions. Lack of information is certainly not the culprit, with a study-high of 78 percent agreeing that ample fresh meat nutrition information is available. Healthy eating strategies vary widely by income, age and other factors, but most commonly include buying leaner cuts and kinds along with portion control. For processed meat and poultry, shoppers most frequently use the nutrition facts panel when purchasing a product for the first time, with fat and sodium being the lead ingredients consumers check.

Natural and Organic Meat and Poultry
The natural and organic meat and poultry segment continues to add new shoppers, reaching a survey high of 34 percent of respondents who have purchased these items in the past three months. The growth outlook is accelerating as well, with 38 percent of current users expecting to increase purchases. Full-service supermarkets capture the largest share of the purchase, but the purchase is becoming increasingly scattered across formats due to greater availability of options across banners and channels. The chief reason for buying natural and organic meat and poultry is the desire to avoid certain substances, such as hormones, steroids or antibiotics. This is a change from five years ago when shoppers looked at natural and organic because of perceived health benefits. Taste and freshness are the second and third reasons for buying natural and organic proteins.

The Self-Serve Meat Case Versus the Full-Service Counter
Long-term, the perception of case-ready meat is rising, with the combined "equally good or better" share increasing from 62 percent in 2008 to 73 percent in 2014. Two-thirds of shoppers who have access to a full-service counter value its availability. This is despite the fact that only 18 percent of shoppers exclusively use it and more than two-thirds of total meat purchases originate from the meat case. Half of shoppers who do not have access to a service

counter wish their store had one. Customer service and having a butcher on hand is a very important driver of departmental satisfaction as well as channel switching. Shoppers not only value service, but cite they would absolutely (33 percent) or maybe (53 percent) use hands-on preparation and recipe tips on meat buying and preparation.

Packaging remains an important topic for shoppers, with comments for improving the department including many on portion size variety, more convenient and less messy packaging. Shoppers especially value solutions, such as leakproof and resealable packaging and innovations that reduce food waste and are freezer-ready.

Improving the Meat Department
Cleanliness and quality are the highest rated attributes of the meat department across banners and formats. Supermarkets generally perform better than supercenters, with the exception of price perception — particularly everyday prices. Shoppers are generally satisfied with the meat department they shop most, with 58 percent saying they are “very satisfied,” translating into an average score of 3.5 on a four-point satisfaction scale. Not price, but good quality, customer service excellence, in-stock performance and good variety are the main drivers of meat department satisfaction. This underscores the notion that few, if any, stores can compete on price alone. Customer service by having butchers on hand and/or full-service counters is especially important among supercenter shoppers.

Shopper recommendations on how to improve the meat department focus on four central themes:
- Lower prices — Price sensitivity remains high, especially with the above-average inflation for the category in the past few years.
- Better variety — This includes comments relative to package sizes, cuts and species.
- Better customer service — Recurring comments include the availability of trained personnel, including butchers, and friendly and expedient service.
- Freshness and quality — Quality is highly related to a satisfactory experience in the meat department.

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Introduction

About This Report

The Power of Meat 2014 is the ninth in an annual report series exploring consumer perceptions, attitudes and behaviors regarding fresh and processed meat and poultry. Every year, the study explores:

- Meat/poultry consumption and purchasing patterns, including store formats shopped.
- Nutrition, including labeling on fresh and processed meat.
- Frequency of preparing certain types of meat.
- Marketing and sales techniques.
- Interest in organic and natural meats.
- Packaging preferences and influences.
- Perceptions and use of the meat case versus the full-service counter.
- Recommended improvements.

Other topics in this year's report are:

- A detailed review of the results by higher- and lower-income shoppers.
- Reasons for skipping the meat aisles in the primary store.
- The use of various advertising vehicles and promotional preferences.
- Insights into the preparation of meat alternatives.
- Meal planning and the role of meat and poultry in pre-trip preparations.
- Sustainable and locally-sourced meat and poultry.

At the start of each chapter, major insights are highlighted in a callout box. Throughout the text, the shopping cart symbol, shown to the left, underscores important findings for retailers and/or manufacturers.

Please contact Anne-Marie Roerink of 210 Analytics, LLC at any time for more information or additional data at aroerink@210analytics.com.

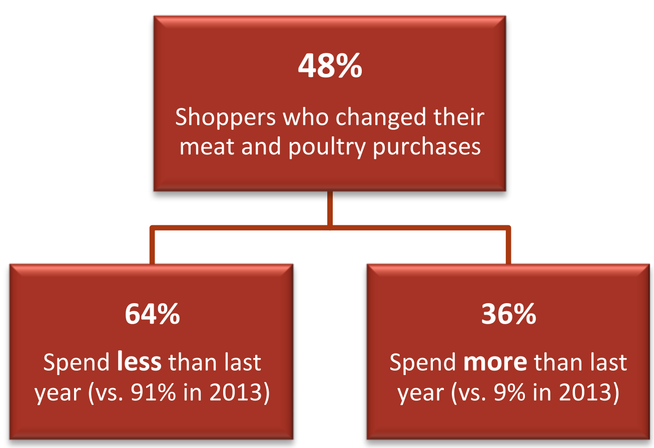
Meat Purchasing Preparation

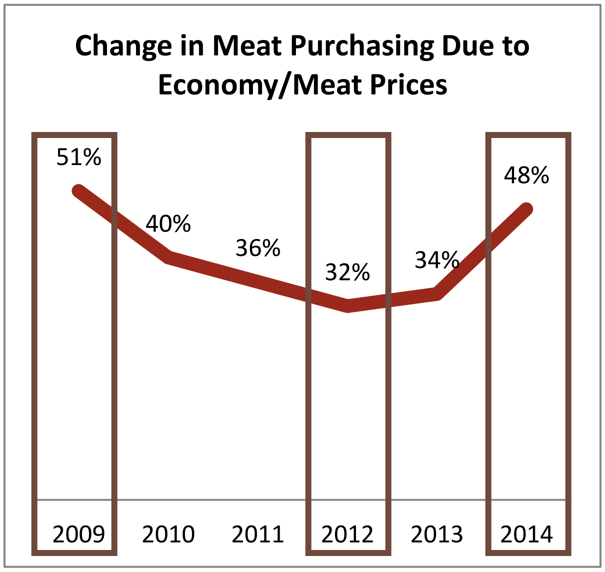
Chapter Insights:

- Forty-eight percent of shoppers, a significantly higher share than in prior years, report changes in their meat and poultry shopping directly due to the economy. The difference compared with the previous five years, however, is that this increase is driven by shoppers who spent more, rather than shoppers who were looking to spend less. Of the 48 percent who report changed meat and poultry purchasing behavior, 36 percent are now spending more, up from just 9 percent in the 2013 report.
- Meat and poultry are planned versus impulse purchases for most consumers, with 77 percent of shoppers planning the purchase before entering the store.
- Among shoppers who prepare lists, most identify specific items, such as hamburger meat, versus generically listing “meat or poultry.”
- Shoppers who list specific items are particularly likely to browse promotions across communication vehicles and let sales items drive their meal planning.
- In general, 24 percent look at meat promotions and create the dinner lineup accordingly; 16 percent check across different stores for the meat and poultry they want; and the largest share (28 percent) tend to buy routine items without a specific meal in mind at the time.
- Despite the rise of mobile and social media, the paper circular has the highest reach among consumers looking to check meat and poultry promotions. Three-quarters check the circular at home and another 47 percent pick up a copy at the store.
- Digital promotional communications are much more popular among younger shoppers.
- Shoppers research meat and poultry promotions with great regularity, with 83 percent doing so every time they shop for meat and poultry, or sometimes.
- The share of shoppers buying in larger quantities for freezing and use over time is at an eight-year low of 46 percent. However, volume-based discounts are of rising interest among those looking to cut back spending on meat and poultry.

A First Step in the Return to the Old Normal?

In 2014, a significantly higher share of shoppers indicates they have changed their meat and poultry shopping habits in the past year directly due to the economy. In a change from past years, however, the change is driven by increased spending in the meat department, versus looking for ways to save money. In 2013, 91 percent of shoppers who had changed up their meat purchasing habits sought ways to reduce spending on meat and poultry, compared with a much lower 64 percent this year. Along with the slight comeback in home-cooked meals with a meat or poultry item (see Consumption Chapter), this could be a first indication of the return to the pre-recession normal.





During the height of the recession, more than half of shoppers changed up their meat and poultry purchases as a direct result of economic pressures. Top measures included buying less expensive cuts/species, BOGO, bulk, private brand, and changed meal lineups.

In 2012, shoppers still looked to save money, but a new normal had been established. Volume-based discounts were less popular, replaced by a willingness to switch across species, brands and cuts to save money.

In 2014, a rising 48 percent of shoppers report changed purchases. However, this percentage increased not because more people are looking to save, but because more people are easing up on the money-saving measures they applied during the recession and its aftermath.

Shake Up in Popularity of Strategies Among Those Cutting Back

Among shoppers who are looking to stretch their meat dollar, researching sales promotions is the first and foremost way to save. The second and third most popular measures to cut back are being conscious of the price per pound and stocking up on meat/poultry when it is on sale. This top three is unchanged from last year, other than the importance of stocking up increasing in importance.

While generally speaking meat buyers show a greater interest in buying for immediate consumption, there is growing interest in volume-based discounts among those shoppers who are looking to save. Particularly the bulk or family packs are catching the eye of savers in 2014, up from 54% to 68%.

Interest in private brand is back up, with 66% of shoppers looking to save on the meat and poultry purchase buying private-label items every time or regularly. This corroborates the report findings on brand preference for fresh meat and poultry that saw renewed interest in private-brand options.

Popularity of Money-Saving Measures Among Those Looking to Save	Change vs. '13	Every time I shop or regularly	Sometimes	Rarely or never
Read grocery store advertising for meat specials more often/more carefully	=	75%	21%	5%
Look more at price per pound than package cost	=	70%	25%	5%
Stock up on meat when it is on sale	↑	70%	22%	8%
Buy meat in bulk/family packages	↑	68%	28%	5%
Buy less expensive cuts of meat/poultry	=	67%	28%	5%
Purchase private label meats over national brands	↑	66%	29%	6%
Eat more casseroles or pasta dishes to stretch meat	=	64%	30%	6%
Buy meat at less expensive stores	↑	59%	32%	9%
Look more at total package cost than price per pound	=	57%	31%	12%
Buy more frozen meat	↑	49%	38%	13%
Buy and cook meat less often (more meatless meals)	↓	44%	42%	15%

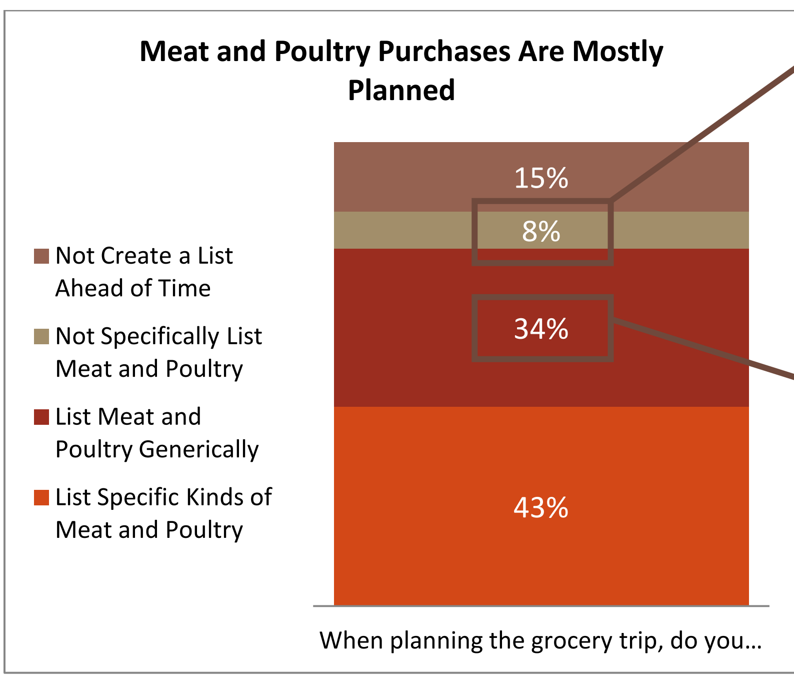
Ninety percent of shoppers looking to save engage in pre-trip research. Savers are showing an increased willingness to visit other stores that offer meat and poultry at lower price points — perhaps one of the underlying reasons for the recorded drop in supermarket conversion rates for meat and poultry, as seen later in the report. It is therefore important to offer them comparison tools, pre-trip, whether printed circulars or digital vehicles. Determining the right distribution area for store flyers could lead to generating additional traffic among secondary shoppers.

Saving behaviors vary widely. The most likely shoppers to resort to cheaper cuts of meat or cooking different meals to save money are those aged 18-25. Not surprisingly, larger households are both more likely to engage in various saving behaviors, and to buy in bulk and stock up on sales specials. Singles tend to do very little trip preparation, but may still compare prices while in the store. These are important findings that directly impact merchandising and marketing strategies. The economic recovery has been very uneven in terms of region and demographics. Where in some stores, shopping patterns may be returning to the pre-recession normal, others need a continued focus on value.

Shoppers who are looking to cut back on meat and poultry spending also spend less than average on groceries in general. The trend of "spending less by buying less" started two to three years ago, replacing or adding to other money-saving measures such as the use of lists, coupons, buying private label, etc. It is important to understand which items are on the chopping block and how shoppers may be enticed to buy items they had not planned on purchasing. Marketing tactics focusing on substitution and trading down may help retailers recapture some of the loss.

Meat and Poultry Tend to Be a Planned Purchase

Among 77 percent of shoppers, meat and poultry purchases are a list item, either specifically detailed by species and cuts (43 percent) or generically listed as being needed (34 percent).



Eight percent of shoppers do prepare shopping lists, but don't specifically add meat and poultry. This group provides a great opportunity for retailers to move the protein buy from an impulse decision to a planned purchase. Shoppers aged 65+ are the most likely to leave protein off the list, even though they are also the most likely to prepare shopping lists.

More than one-third of shoppers add a generic "meat or poultry" line to the shopping list, but no specific species or cuts. Combined, 57% do not have a specific item(s) on the list — underscoring the importance of in-store decision making.

Paper Circular Key Vehicle in Communicating Meat Promotions

For an overwhelming majority, the paper grocery circular is the number one vehicle for shoppers to check fresh meat and poultry promotions. Excluding the low 4 percent of respondents who never check prices across different stores, 75 percent of shoppers review the circular at home and 47 percent pick up a copy when entering the store. Digital forms are significantly less popular, but also much newer vehicles and not universally used by all retailers.

Age has a significant influence on the types of communication vehicles reviewed. Younger shoppers are more likely to review email, website and Facebook specials (23%, 28% and 13%, respectively) and less likely to use the circular at home. Forty-six percent do use it in store. Shoppers ages 65 plus mostly stay with the paper circular, either at home (86%) or in the store (33%).

Check All That Apply	2014 All Shoppers	Supermarket Meat Shoppers	Supercenter Meat Shoppers	List Specific Items	List Generic Meat
Paper Circular at Home	75%	78%	71%	81%	68%
Paper Circular at the Store	47%	46%	50%	39%	52%
Electronic Circular through Email or Website	32%	32%	29%	35%	31%
Email Specials	18%	16%	19%	21%	16%
Website Specials	20%	18%	22%	23%	17%
Social Media Specials	9%	7%	12%	12%	6%

Shoppers who list specific species and cuts of meat and poultry make great use of the paper circular at home, and also overindex on the use of emails, website and Facebook. On the other hand, shoppers who only generically list the need for meat or poultry, tend to push off researching promotions until they are in the store: 52 percent of them pick up the paper circular onsite. It is clearly important to connect with customers in a combination of traditional and digital ways in today's omnichannel world.

Frequency of Pre-Trip Preparation Is High

Shoppers not only consult a variety of sources for meat and poultry promotions, but also do so on a consistent basis. Eight in 10 shoppers regularly check meat and poultry promotions before heading to the store.

Check Meat and Poultry Prices at Different Stores?

- **42%** Every time I shop for meat and poultry
- **41%** Sometimes
- **13%** Hardly Ever
- **4%** Never

83% **of shoppers check promotions across stores at least sometimes**

- Up from 76% in 2013 and 80% in 2012.
- Shoppers who list specific species and cuts are especially likely to check every time they shop (50%) or sometimes (40%).
- Larger families, older shoppers and women are more likely to check prices across stores.
- Shoppers who tend to buy in larger quantities to freeze and use over time are more likely to research ahead of the trip.

Promotions an Integral Part of Meal Planning

The importance of price, value and promotions in the meat purchasing process has been reported in all editions of the *Power of Meat*. But how do promotions play into meal planning, specifically? Do promotions drive meal choice, or does meal choice drive the store visited? The answer is both. Among 24 percent of all shoppers, promotions typically drive meal planning. Among 16 percent, meal planning drives the store visited to find matching promotions. But the highest share, at 28 percent, tends to buy the same items they prepare routinely without a specific meal in mind. The latter is especially true among those shoppers who tend to buy more than needed in the immediate term to freeze and use over time. Supercenter shoppers, however, are more likely to carefully review promotions and plan meals from there.

	2014 All Shoppers	Supermarket Meat Shoppers	Supercenter Meat Shoppers	List Specific Items	List Generic Meat
Check Meat and Poultry Promotions and Plan Meals Accordingly	24%	23%	29%	30%	20%
Plan Meals and Check Which Stores Have Matching Promotions	16%	15%	17%	16%	19%
Buy Meat and Poultry I Tend to Prepare Frequently and Plan From There	29%	28%	28%	22%	34%
A Mix of the Above	27%	30%	24%	29%	27%
None of the Above	4%	4%	2%	3%	2%

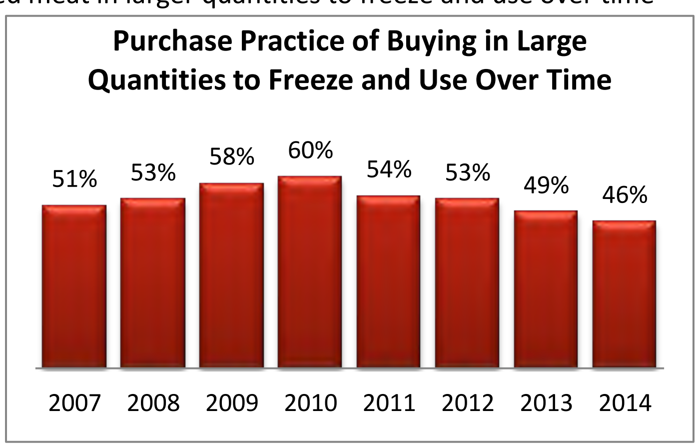
A higher share, 34%, of shoppers who purchase in larger quantities to freeze and use over time typically buy routine items and plan from there.

Shoppers adding specific meat and poultry items to the list are more likely to browse promotions and plan meals accordingly.

Freezing and Use Over Time at Lowest Level in Eight Years

The *Power of Meat* has been tracking people's purchasing habits since 2007. During the first years of the recession, the share of shoppers who purchased meat in larger quantities to freeze and use over time rose from 51 percent in 2007 to 60 percent in 2010. In 2010, volume-based discounts and bulk packages were enormously popular. Since then, there has been a decline in the popularity of volume-based discounts among most shoppers, although it is still a popular way to save among those looking to curb year-over-year spending.

In 2014, the popularity of sales promotions in the meat department combined with a flexible attitude led to the lowest share of



people buying meat in large quantities to freeze and use over time in eight years. With gas prices down from 2012 and trip frequency up, shoppers are more willing to explore and capitalize on sales promotions at various stores throughout the week.

The Planners?

The figure below describes the very methodical approach 43 percent of shoppers have regarding the meat and poultry purchase — emphasizing the importance of communicating meat and poultry promotions frequently, prominently and across vehicles.

43% → Shoppers who list specific cuts and species are more likely to review a series of communication vehicles, do so more often, and let promotions drive the meal lineup

List specific items

Higher usage across vehicles:
- Paper circular +6
- Emailed circular +3
- Emailed specials +3
- Website specials +3
- Facebook specials +3

Higher research frequency:
- Almost every time I shop for meat/ poultry +8

Greater influence of promotions:
- Promotions drive meal choices +6

Who are they?
-Women
- Shoppers ages 39-50
- Middle-income households
- Household size of 3+

The Meat Purchasing Decision

Chapter Insights:

- While price continues to be the number one factor in the meat and poultry purchasing decision, the importance of knowledge, convenience and nutrition grows as the dominance of price wanes.
- Eight in 10 shoppers regularly check prices across stores and an even higher 90 percent compare prices while in the store.
- Perhaps indicating some money-saving fatigue, shoppers preferred strategy is everyday low meat and poultry prices, followed by BOGO and cents-off.
- Sales promotions and coupons come the closest to the power of price in influencing what shoppers buy and how much.
- Nutritional information has a greater influence on what people purchase than how much. On the contrary, recipe and cooking instructions have a greater influence on how much is bought.
- The influence of brands on the purchase increased over 2013. The 2014 survey finds fewer meat buyers undecided and greater loyalty towards national brands and private brands. Outright brand preference grew faster for national brands for both fresh and processed meat.

Dominance of Price Is Starting to Lose Steam

While price per pound and total package price continue to rank number one and two in the meat and poultry purchasing decision tree, their absolute ranking is down compared with previous years. Instead, the importance of nutritional content, preparation knowledge and preparation time increased.

Rank in order of importance where six is the most important factor	2008	2009	2010	2011	2012	2013	2014
Price per pound	4.6	4.4	4.5	4.5	4.6	4.4	4.3
Package size (total package price)	3.8	4.1	3.9	3.9	4.4	4.2	4.0
Product appearance	4.3	4.2	4.1	4.0	4.2	3.9	3.9
Nutritional content	3.4	3.3	3.2	3.1	3.0	3.0	3.3
Knowledge of how to prepare	2.0	2.1	2.5	2.5	2.5	2.7	2.9
Preparation time required	2.8	2.8	2.7	2.7	2.4	2.7	2.8

Both the lower absolute rankings in the importance of price per pound and total package price, and the rise in the importance of nutritional content and preparation time, are driven by higher-income shoppers. While they too implemented money-saving measures during the height of the recession, many have started to let up on practices that help save money, instead returning to products that focus on convenience and nutrition. Younger shoppers also rate preparation knowledge and time as being more important than respondents in general.

Despite the drop in absolute importance, shopper focus on price and value cannot be underestimated. Savings are still very much top of mind, with continued high meat and poultry prices compounding the issue. Promotions, private brands, coupons, meal deals and other ways to stress value will help retailers grow sales.

In Store Price Comparison Even More Important Than Trip Research

Even though meat is a planned purchase for most consumers, and one that is carefully researched pre-trip, 90 percent tend to check prices while in the store. This includes checking for items on sale, but also sifting through packages to find the desired quantity/package price.

How frequently do you check prices to compare meat and poultry products within the store you shop?

- **60%** Every time I shop for meat/poultry
- **30%** Sometimes
- **6%** Hardly ever
- **2%** Never

90% tend to check prices while in the store — making POS execution crucially important

This is higher than the 83% who check prices across stores, pre-trip. But together it shows the continued importance of price, with most people both checking pre-trip and in the store. The in-store decision is even higher among people who don't list meat and poultry specifically or only list meat needs in a generic way.

Given the importance of in-store research in the ultimate purchasing decision, clear signage, good organization and in-stock performance are key sales tools.

Everyday Low Prices Preferred Promotional Strategy

Given the choice, shoppers prefer everyday low prices in a series of four different promotional offerings commonly applied in the meat department. Volume-based discounts through bulk or family packs are the least popular.

1 • Everyday low prices

- 41% of shoppers chose this as their top-ranked strategy, perhaps indicating coupon and promotional fatigue.
- Especially popular among small households.

2 • Buy-one, get-one (BOGO)

- 24% of shoppers ranked BOGO as the top preference.
- Especially popular among shoppers aged 18-24 and 25-39; and shoppers who research the purchase pre-trip and list specific meat and poultry items.

3 • Cents-off per pound

- 20% of shoppers most prefer cents-off promotions.
- More popular among men, whereas women typically like everyday low prices better.
- Popular among those who research and plan the trip.

4 • Bulk/family packs

- 15% of shoppers prefer buying in bulk/family packs.
- As can be expected, family packs are more popular among larger households, starting at 3-4 people.

Sales Promotions Drive Both Choice and Amount Purchased

Various sales promotions influence both what people purchase and how much. Using the influence score assigned to price as the ultimate driver of both choice and volume, promotions come closest to the power of price — and are obviously directly related to cost.

Promotions and coupons tend to drive *what* people purchase more so than *how much*. While coupons are not a very commonly used strategy in the fresh meat arena, they yield great influence among those who have access.

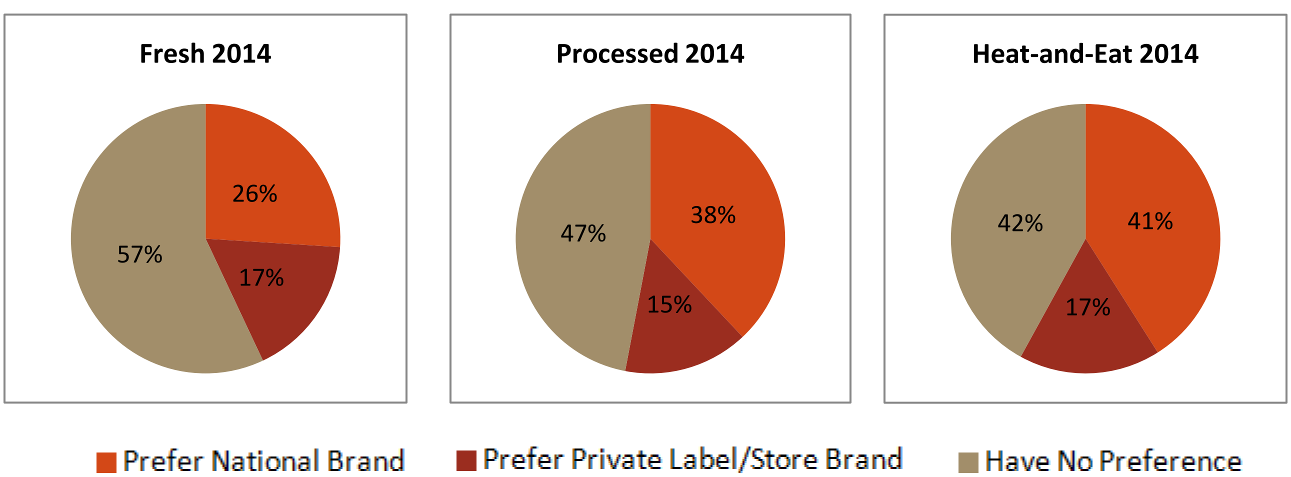
Influence on a four-point scale, where 4 is "very much influence"	Kind (type/cut) purchased		Quantity purchased	
	Average score (Scale 1-4)	Share "Very much influence"	Average score (Scale 1-4)	Share "Very much influence"
Price	3.41	57%	3.48	58%
Meat/Poultry Promotions on In-Store Signage	3.05	33%	3.00	29%
Meat/Poultry Promotions in Circular	3.04	31%	2.98	29%
Meat/Poultry Coupons	2.84	26%	2.81	25%
Meat Markdowns Because of Sell/Use-By Date	2.80	27%	2.79	27%
On-Package Nutrition Information	2.54	17%	2.37	15%
In-Store Sampling	2.31	14%	2.22	12%
On-Package Cooking and Recipe Information	2.20	10%	2.37	12%

On-pack cooking and recipe information shows the lowest influence on what people buy, but does have a higher impact on how much people buy.

The influence of on-package nutrition information is higher than last year — in line with health and wellness starting its post-recession comeback. It influences *what* people buy more so than how much.

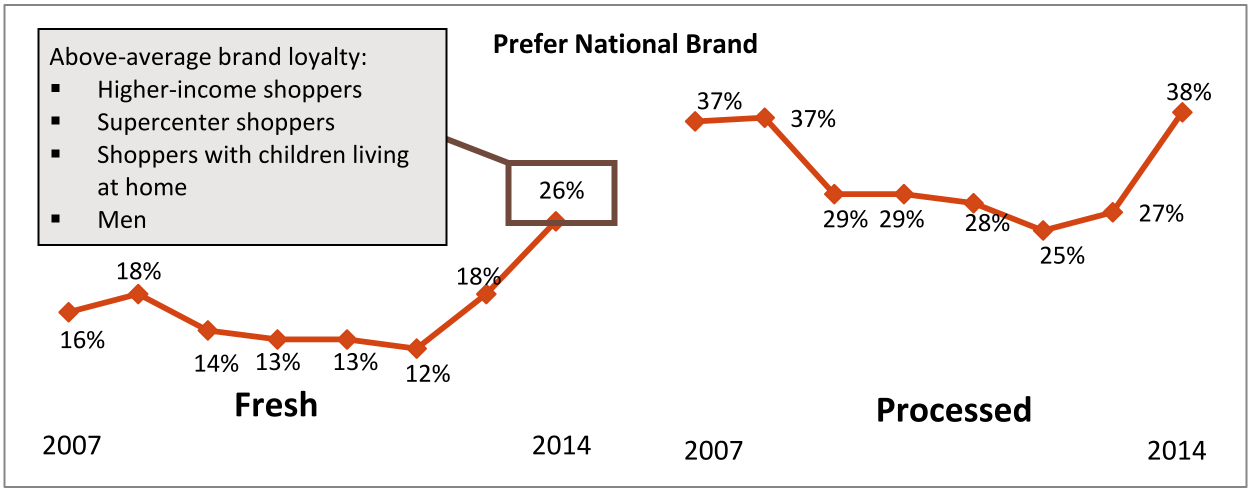
Shoppers Becoming More Decided in Brand Preferences

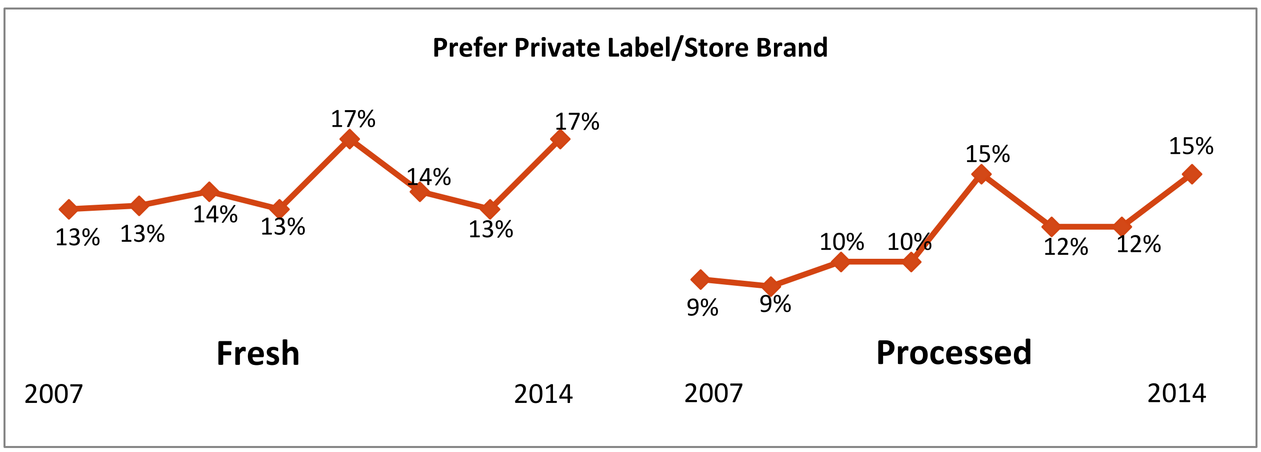
Brand loyalty towards national or private label is strengthening, following a few years in which shoppers shifted away from outright brand preferences to display a more flexible attitude relative to the influence of brands on the fresh and processed meat and poultry purchase.

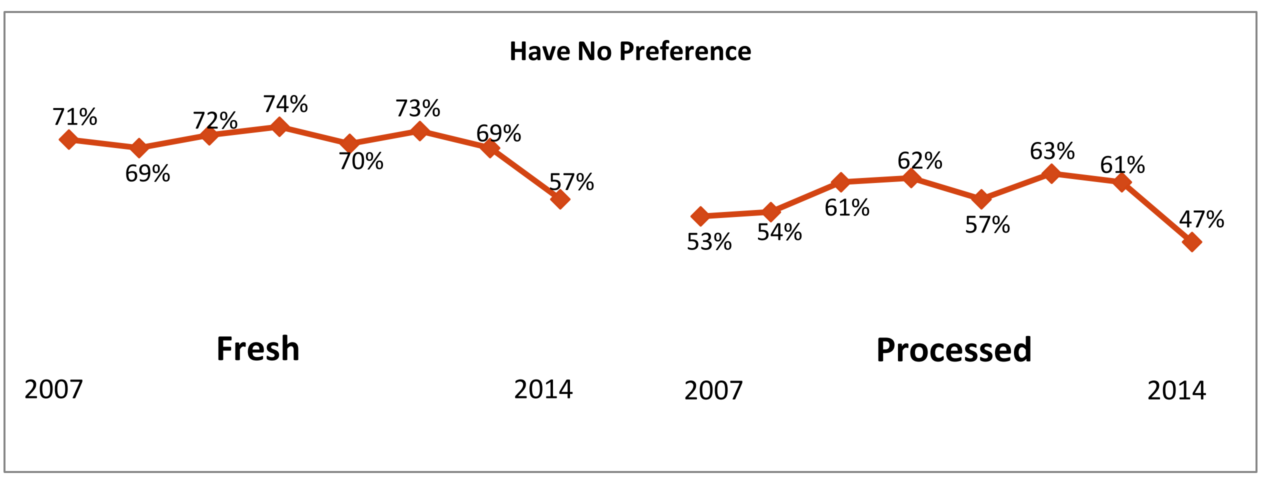


A few observations:

- While brand preference is rising, the brand neutral share remains the highest of the three.
- Loyalty towards national brands is higher than that of private label, especially for processed and heat-and-eat items.
- The share for both national and private brands grew, while the number of shoppers saying they do not have an outright preference for brands declined significantly. Outright brand preference for national brands grew at a faster pace than that of private brand offerings for both fresh and processed meat. Brand preference for heat-and-eat was measured for the first time in 2014.







Private label and national brand meat and poultry can enjoy mutual growth by not simply co-existing, but rather evolving and working together to serve the full spectrum of consumer needs and wants. It is the balanced assortment of private and national brands solutions, targeted at the store level, that offer customers the best overarching value. This type of strategic collaborative marketing partnership will increase sales and strengthen customer loyalty by getting the right products to the right place at the right time, with a targeted value proposition.

The Meat Channel Choice

Chapter Insights:

- Weekly estimated grocery spending and trips show a slight uptick to $108 and 2.1 trips per week, respectively. Shoppers demonstrate a new economic sensitivity and awareness. They continue to watch their spending in what appears to be a long-term shift to value seeking. Income has a tremendous impact on spending, with grocery spending rising along with income.
- Full-service supermarkets are the prime destination for grocery-type items, followed by supercenters. The protein purchase continues to be concentrated in the full-service supermarket channel, but supermarkets did see a small decline in shopper conversion and a pickup of other formats compared with prior years.
- Among the 46 percent of shoppers who are adapting their meat and poultry purchases directly because of the economy, a higher share is looking to increase purchases than seen in the last couple of years (36 percent, up from 9 percent). Among those looking to cut back on spending, pre-trip research by reading grocery circulars is the most popular way to save. After a few years of lesser popularity, these shoppers expressed a greater interest in volume-based discounts.

Slight Improvement in Spending and Trips

American families have seen an average decline of 7 percent of their total disposable income on an inflation-adjusted basis over the past five years. The frugality that emerged in the Great Recession and its wake continue to have an impact on how and where people buy groceries. Even as shoppers clamor for quality, convenience and taste, and have loosened up spending a bit, they remain budget-conscious — a behavior that some market analysts link to consumers' somewhat shaky confidence in the future. While the economy is showing signs of improvement and grocery spending is starting to grow faster than reported food-at-home inflation, price and value continue to be top of mind in the meat and poultry purchase as well, as can be seen throughout the report.

Weekly trips to purchase grocery-related items continue to move up and down as they are highly related to fuel expenses. Longer-term, it is likely that "stores without walls" will start having an impact on trip frequencies to brick-and-mortar locations as well. Online sales are approaching 5 percent of total grocery sales, according to Brick-Meets-Click, with much of the sales generated by dry grocery items.

$108

Average weekly spending on grocery-type items

- Up from $103.42 last year — reflecting an increase ahead of food-at-home inflation.
- Spending is highly related to income, household size, region, but also pre-trip research measures and channel choices.

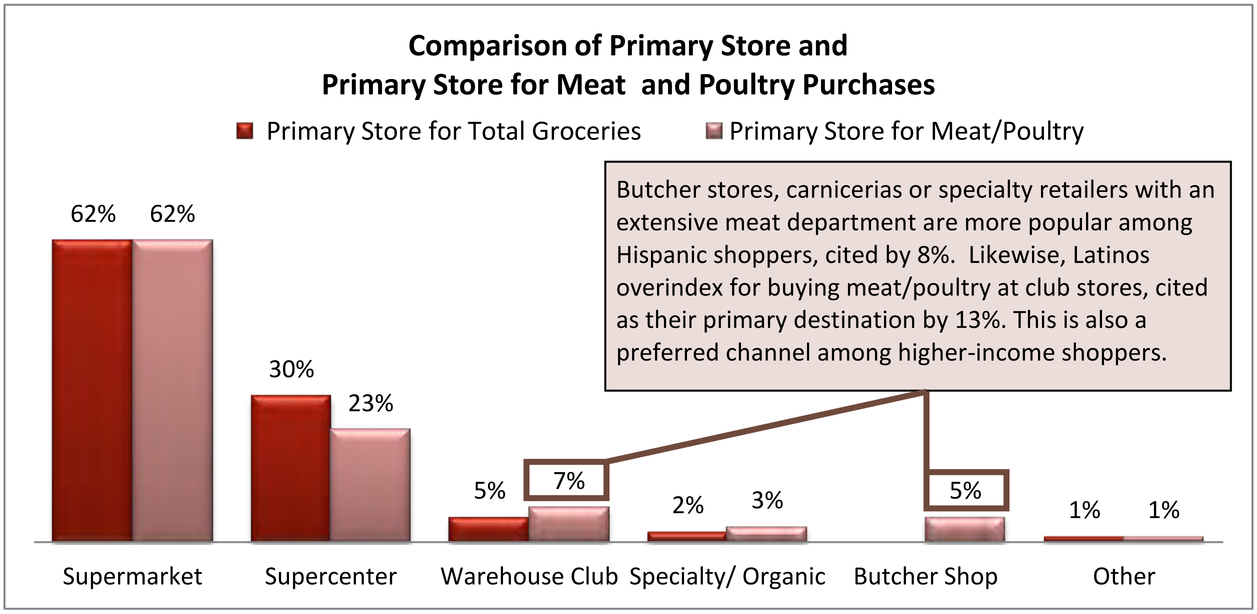
2.1

Average number of grocery trips/week

- Up from 1.9 last year — likely directly related to lower average fuel prices seen in 2013 compared with 2012.
- Higher-than-average trips are seen among people in urban and suburban areas, people who place a greater value on fresh and larger households.

The Meat Department Is a Supermarket Stronghold

Despite efforts by other channels to strengthen their meat and poultry offering, supermarkets maintain their stronghold. Through high shopper conversion and being a meat destination to patrons of other channels, supermarkets are the primary meat channel among 62 percent of households. Supercenters drop from being the primary channel for groceries for 30 percent of shoppers to 23 percent for meat and poultry. While area of the country, age and household size play a role in where shoppers purchase meat and poultry, the largest differentiator is household income (see "The Tale of Two Customers").



The "other" category is made up of farm-direct, farmer's markets, delivery services and other forms of retail. While a fraction of overall grocery and meat/poultry sales, these channels are showing growth.

Reasons for Switching Show Consumers Understand Format Strengths and Weaknesses

By capturing shoppers' primary store for groceries and that for meat and poultry, the study provides insight into conversion and channel leakage. Across formats, 27 percent of shoppers purchase meat and/or poultry in a different store than the majority of their other groceries. This percentage is much lower in the supermarket channel and much higher in the supercenter channel. Across shoppers and formats, it is the supermarket channel that picks up the bulk of shoppers who choose to skip the meat aisles in their primary grocery store. The switchers among supercenter patrons are also most likely to visit a full-service supermarket. Among supermarket shoppers, butcher stores/carnicerias or specialty meat retailers are the prime beneficiary. Reasons for switching differ by channel. Across shoppers and formats, quality, variety and lower prices in general drive channel switching. Interestingly, the third reason cited by supercenter shoppers is the presence of a full-service counter or having a butcher on hand.

A few other observations:

- When switching ***to*** the supermarket channel, the three chief reasons for doing so are: quality (56 percent); better variety of meat and poultry in general (39 percent); and a full-service counter (28 percent). A close fourth is having a better selection of specialty items, such as organic, natural or value-added meat, cited by 23 percent.

- When switching ***to*** the supercenter channel, the three chief reasons for doing so are: lower prices in general (49 percent); better variety (42 percent); and lower prices on specific items at 32 percent.
- When switching ***from*** the warehouse club channel, the chief reason for doing so is better variety, at 52 percent. Shoppers primarily switch ***to*** the club channel because of better quality (63 percent) and better prices in general, at 43 percent. The sample size for both findings is very small — making them directional in nature only.

Primary Grocery Channel	Percentage Channel Leakage	If Switch, Primary Meat/ Poultry Channel	Reasons for Switching Other Store Has...
All Channels →	27% →	1. Supermarkets 2. Butcher shops 3. Club stores	1. Better quality (56%) 2. Better variety in general (42%) 3. Lower prices in general (33%)
Supermarket →	15% →	1. Butcher shops 2. Supercenters 3. Warehouse clubs	1. Better quality (54%) 2. Lower prices in general (40%) 3. Better variety in general (39%)
Supercenter →	38% →	1. Supermarkets 2. Club stores 3. Butcher shops	1. Better quality (62%) 2. Better variety in general (41%) 3. Full-service counter/ butcher on hand (28%)

Where Supermarket Shoppers Purchase Meat

While still capturing the bulk of the meat purchase and the prime destination for channel switchers, the supermarket retention rate among its own shoppers declined for the second year in a row to a survey low of 85 percent. As seen earlier in the report, more shoppers are comparing prices across stores and weighing other factors besides price per pound alone.

Compared with 2013, supercenters and butcher shops are capturing more of the supermarket patron's purchase.

Where supermarket shoppers purchase meat and poultry	2006	2007	2008	2009	2010	2011	2012	2013	2014
Supermarket	86%	89%	91%	88%	88%	88%	90%	88%	85%
Supercenter	1%	2%	2%	3%	2%	2%	2%	3%	5%
Warehouse club	5%	5%	4%	6%	4%	5%	4%	5%	4%
Natural/organic	0.4%	0.8%	0.6%	0.4%	0.8%	0.6%	1%	0.8%	1%
Butcher shop	5%	4%	2%	2%	3%	3%	3%	2%	5%
Other	2%	0.1%	0.7%	1%	2%	2%	1%	1%	1%

The meat department continues to be an area of strength and point of differentiation for most full-service supermarkets. With continued price competition in center store among banners and channels, the meat department helps drive up the average transaction size among patrons as well as attract shoppers of other formats.

Where Supercenter Shoppers Purchase Meat

Supercenter channel leakage continues to be high, with 38 percent of patrons skipping the meat and poultry aisles in their primary supercenter and instead buying meat at a supermarket (27 percent), warehouse club (6 percent) or other outlets.

Where supercenter shoppers purchase meat and poultry	2006	2007	2008	2009	2010	2011	2012	2013	2014
Supermarket	27%	25%	27%	30%	29%	30%	29%	25%	27%
Supercenter	59%	63%	64%	60%	60%	59%	62%	65%	62%
Warehouse club	6%	3%	4%	5%	5%	5%	6%	6%	6%
Natural/organic	0.3%	0.3%	0.7%	0.4%	0.3%	0.3%	0.6%	1%	2%
Butcher shop	4%	7%	3%	3%	2%	3%	2%	2%	3%
Other	3%	2%	1%	3%	1%	2%	1%	1%	1%

With so many supercenter patrons frequenting a variety of formats to purchase meat and poultry, there is opportunity all around. Supermarkets, the main beneficiary of supercenter attrition, have enormous opportunity to grow the shopping basket beyond perishables among these supercenter patrons. Supercenters have a lot of room to strengthen their meat offerings and increase shopper retention among their own shoppers. Lastly, the warehouse club format picks up customers looking to purchase quality meat at bulk prices from both the supermarket and supercenter channels. They may be able to increase their sales by offering more variety, package size variety and pre-portioned bulk packages.

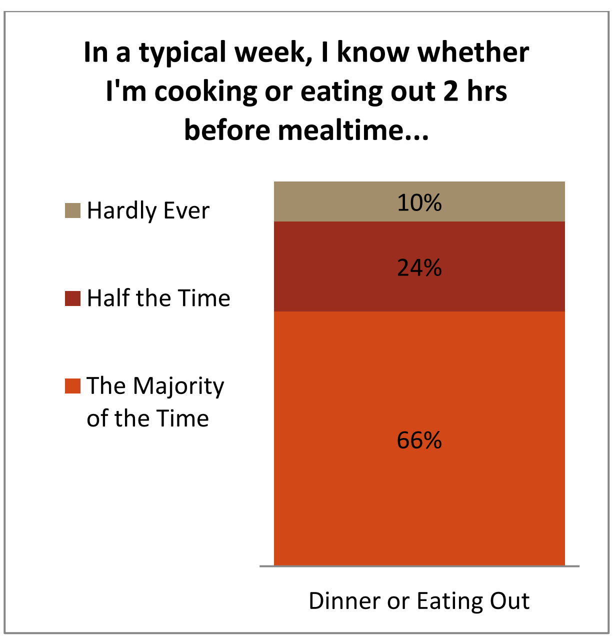
Meat Consumption and Meal Preparation

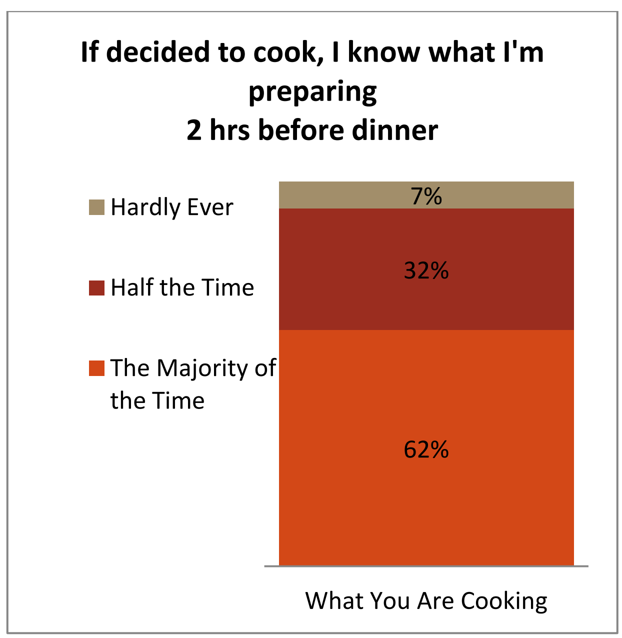
Chapter Insights:

- Retailers have a big opportunity to capture mealtime and grow meat and poultry sales through cost-effective, convenient and healthy solutions. In a typical week, more than one-third is unsure whether they will cook or eat out two hours out from dinner. On days they decide to cook, four in 10 haven't decided what's for dinner two hours out.
- Following a survey low of 3.6 home-cooked dinners that include an actual portion of meat and poultry in a typical week, consumption rebounded somewhat to an average of 3.8.
- Meat alternatives have a high household penetration, but a low incidence. Primary protein competition for meat/poultry/seafood comes from eggs and beans. Shoppers anecdotally cite various reasons for meat alternatives, including the quest for variation, nutrition and economics.
- Heat-and-eat and ready-to-eat meat and poultry continue to trend up through consumption at higher frequencies and new people, particularly young adults, entering the category.
- Convenience, speed and flavor drive changes in the American dinner lineup. One-pot meals see the greatest addition, followed by pastas and casseroles and ethnic dishes.

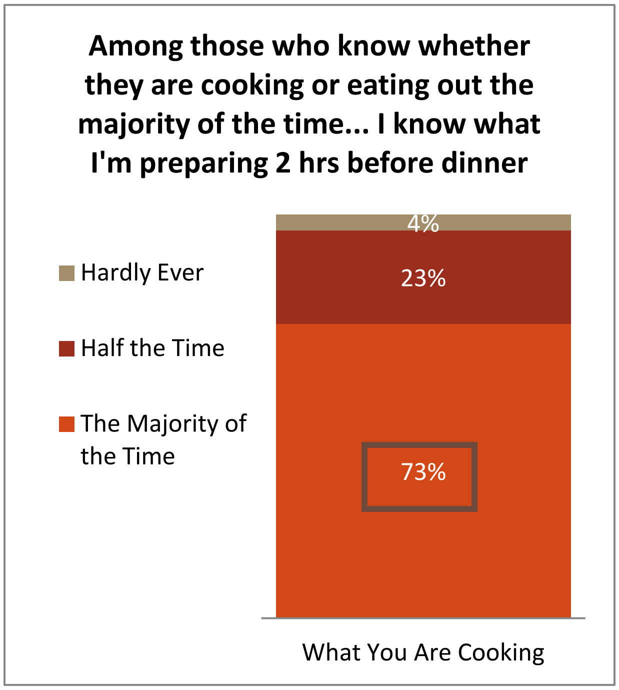
Big Opportunity to Capture Mealtime

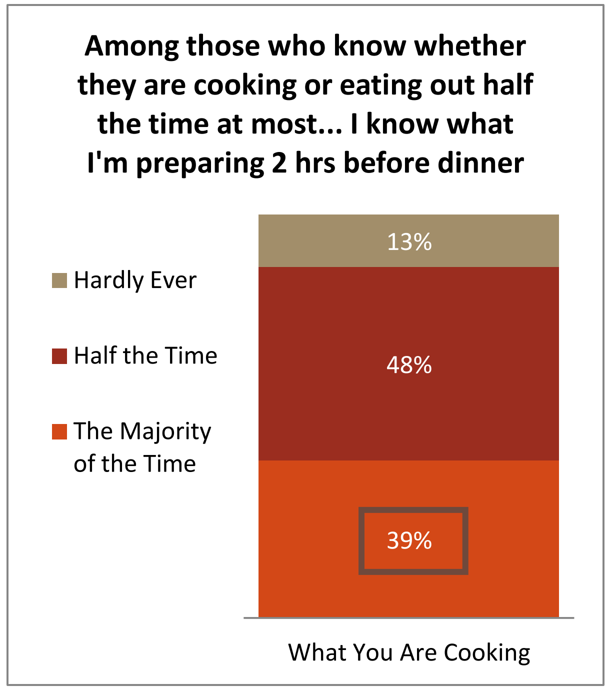
In a typical week, two-thirds of households tend to know whether they are cooking dinner or eating out two hours before dinner time. That leaves 24 percent who say they only know half the time and 10 percent who say they hardly ever know. Meaning that come 4 p.m., one-third of households does not have a game plan for dinner and retailers have a big opportunity to drive sales with convenient and cost-effective prepared meal solutions. High-income shoppers ($125,000 or more) and the youngest shopper group in particular tend to leave dinner plans up in the air, with 46 percent and 42 percent, respectively, unsure at least half the time.





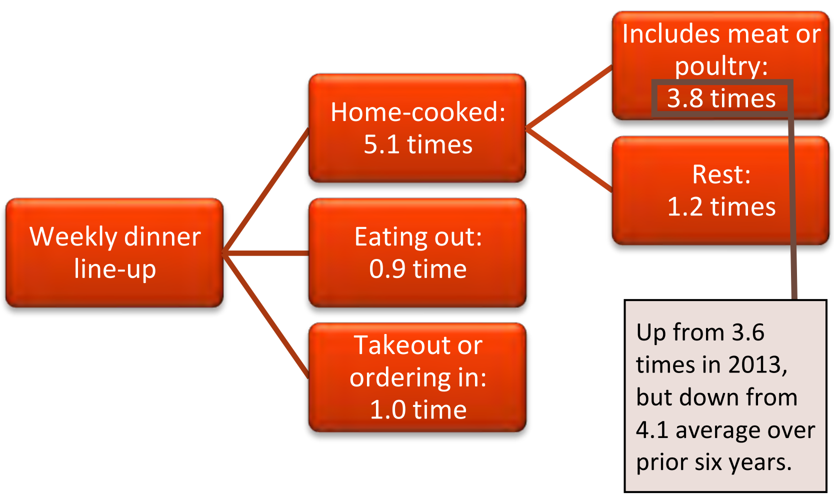
Furthermore, on days that shoppers are cooking dinner, 38 percent are undecided about what to cook two hours before dinner at least half the week. That share goes up 61 percent among shoppers who often do not know whether they are eating in or out. Daily specials and meal bundles including ready-to-eat and heat-and-eat meat and poultry items are the perfect convenient solution for tonight's dinner.





Meat and Poultry Consumption Bounces Back Somewhat

Rebounding slightly from last year's survey low, 3.8 out of roughly five weekly home-cooked dinners include an actual portion of meat or poultry. This is up from 3.6 last year, when the industry lost 0.5 meal occasions per week, or two occasions in an average month compared with prior years that showed a steady average of 4.1 or more home-cooked dinners that included meat and poultry.



Respondents were asked to count an actual portion of meat/poultry only, not pepperoni pizza, seafood, etc. The survey did not otherwise define the word "prepare" and as such may include anything from heat-and-eat entrees to meals cooked from scratch.

Americans are changing up their dinner plates because of economic, convenience and/or health reasons, and traditional meat and poultry-based dinners are making room for a different dinner lineup that is putting pressure on volume sales of uncooked meat and poultry:

- Protein alternatives
- Entrees that stretch the meat (soups, pastas, etc)
- Frozen entrees

One shopper explains: “I can no longer afford to serve meat for my family of five every day. I buy whole chickens and cheaper hamburger than I used to, but mostly I make casseroles or pizza just to make do.” Referring to changed protein choices from a health and wellness perspective, one shopper said, “I used to cook meat every day, but my husband has high cholesterol. We now eat more fish and I make omelets using egg substitute.” Another shopper explained the quest for variety, “I like to experiment, but exotic meats are hard to find. I’ve been trying recipes with quinoa, just to have something different.”

The survey did not document any changes in the share of meat eaters that consumes meat or poultry at least once a week. This share has been stable around 94% since 2009. In 2013, volumes sales declined due to people eating meat and poultry less often and/or in smaller quantities. In 2014, consumption at the higher frequencies of 3-4 times per week or even 6+ days a week has rebounded slightly to 72% and 19%, respectively. This is still down compared with prior years, but a step in the right direction for pound and dollar sales.

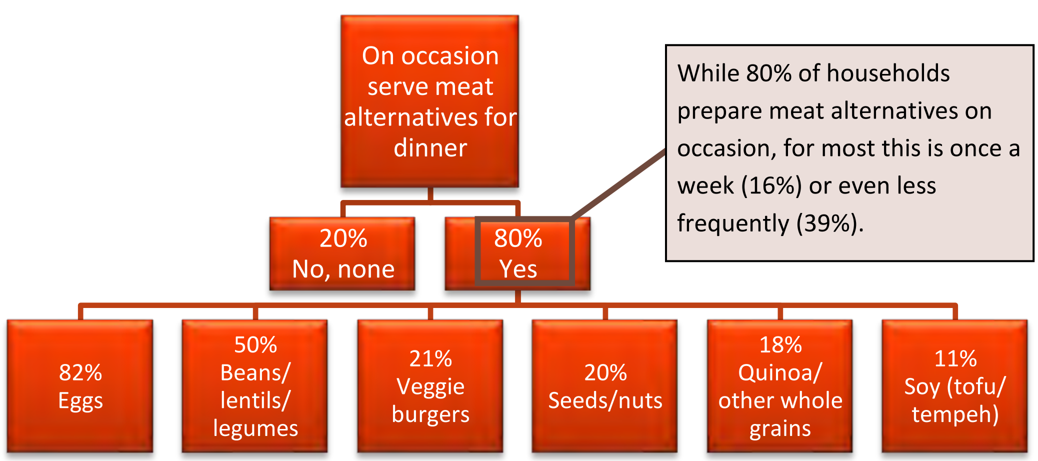
Cook dinner that includes a meat or poultry item…	2009	2010	2011	2012	2013	2014
At least once a week	93%	94%	94%	94%	93%	94%
At least three days a week	74%	76%	74%	74%	69%	72%
At least six days a week	23%	23%	21%	23%	18%	19%

Home-Cooked Dinner with Meat or Poultry	Weekly Average
Survey average	3.8
\$15K-\$25K annual HH income	3.2
\$26K-\$35K	3.2
\$36K-\$50K	3.6
\$51K-\$75K	3.7
\$75K-\$100K	4.0
\$100K-\$125K	4.1
\$126K-\$150K	4.2
>\$150K	4.3

Differences based on income are striking. Additionally, compared with last year, it shows that volume growth is driven by higher-income shoppers — perhaps explaining the strong increase of the value-added segment.

Meat Alternatives Show High Household Penetration, Low Incidence

Whether driven by convenience, economic or health reasons, 80 percent of households on occasion prepare meat alternatives for dinner — defined as protein sources outside of meat, poultry or seafood. Most popular are eggs and beans/lentils/legumes.



While 80% of households prepare meat alternatives on occasion, for most this is once a week (16%) or even less frequently (39%).

Shoppers Change Up Purchases as Prices Shift

Food inflation in general was mild in 2013. Likewise, meat and poultry prices showed a much smaller increase compared with prior years, at an average of 2.1 percent for the 52 weeks ending in December 29, 2013. Poultry showed above-average inflation, whereas the prices of pork, lamb and veal dropped.

U.S. Fresh Meat and Poultry Sales — Volume Increase First in Several Years

The table reflects changes in sales in dollars, pounds and average price per pound for the different classes of meat and poultry comparing 2013 to 2012. The "other" category reflects exotic and value added meats.

Class	Percentage change in dollar sales	Percentage change in pound sales	Percentage change in average price per pound
Total	+2.7%	+0.6%	+2.1%
Beef	+1.8%	-0.3%	+2.2%
Chicken	+7.0%	+0.6%	+6.4%
Pork	+0.7%	+2.0%	-1.2%
Turkey	-0.7%	-0.8%	+0.1%
Lamb	+6.5%	+9.0%	-2.3%
Veal	-2.9%	+0.3%	-3.2%
Other	+2.4%	+9.6%	-6.6%

Source: Freshlook Marketing data, categorized by VMMEAT® System.

As seen in last year's *Power of Meat*, shoppers have become more flexible in adjusting their meat and poultry purchases — changing between species and cuts to obtain the best value for their money. This led to increases for pork and lamb. Despite these changes, chicken and beef continue to dominate the American dinner plate. Notably, the frequencies for all species increased ever so slightly — likely a direct reflection of prices leveling off and shoppers increasing their consumption.

Chicken and beef remain American dinner staples.

	Never	Less than 1x/week	1x/week	2-3x/week	4+/week
Chicken	0.5%	8%	21%	55%	15%
Beef	2%	10%	23%	50%	15%
Pork	8%	16%	31%	29%	7%
Turkey	16%	15%	15%	16%	6%
Lamb	67%	6%	6%	7%	5%
Fish/seafood	15%	15%	28%	22%	6%
Meat alternatives	20%	10%	16%	18%	7%

Pork is the increasingly strong number three protein.

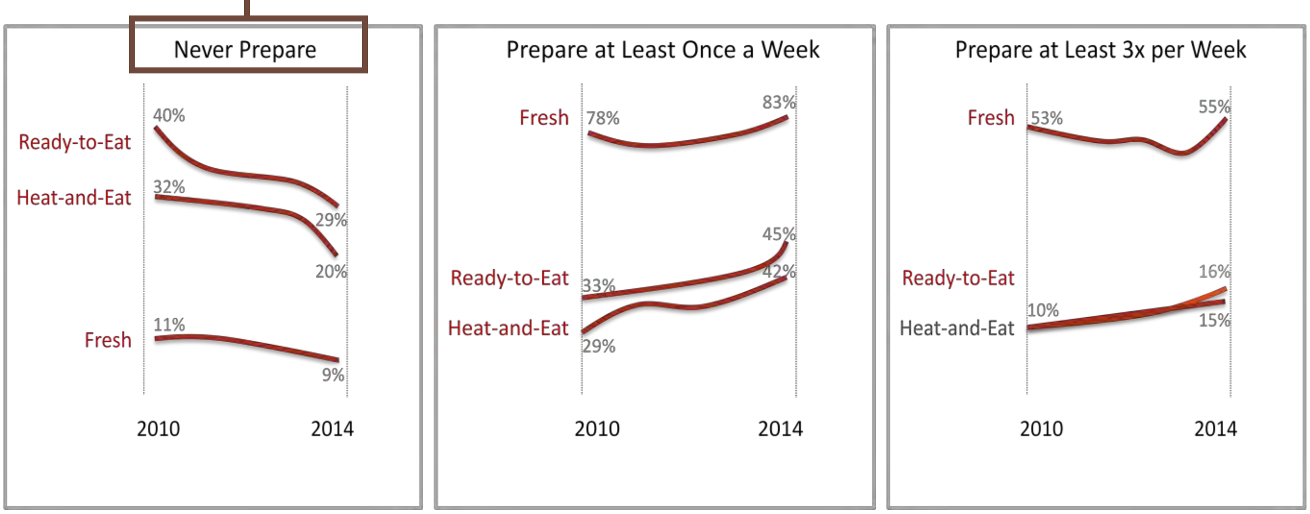
Understanding shoppers' willingness to substitute and trade down is important to retailers and packers in daily operations and marketing outreach. It is also important for marketers to understand the influence of income on substitution and trading down in light of targeted mailings and varying promotions by store and neighborhood.

Meat and poultry choices also vary across demographic groups. For example, the Hispanic population tends to prepare pork at a higher frequency than the general population. Regionally, preferences for different cuts and parts of the animal are well documented. One respondent commented, “Having grown up in Texas, I sure miss the good selection of steaks now that we live in Boston.”

Convenience Meats Keep Trending Up

Consumption of heat-and-eat as well as ready-to-eat meat and poultry continues its slow, but steady rise. This is seen through the declining share of shoppers who never prepare these convenience options, dropping from 40 percent to 29 percent for ready-to-eat and 32 percent to 20 percent for heat-and-eat between 2010 and 2014. Additionally, the survey finds an increased share of shoppers who consume ready-to-eat and heat-and-eat meat and poultry at least once a week or even three times per week. Fresh takes the lion share of meals featuring meat and poultry, and the rise of convenience meats has had little impact on the consumption of fresh, as illustrated by the graphs below. Likely, consumers are using ready-to-eat and heat-and-eat items to replace other convenience meal solutions, such as fresh or frozen pizza.

Shoppers who know what they are cooking for dinner the majority of the time and are actively engaged in pre-trip research are more likely to prepare fresh meat and poultry. In fact, 36% forego heat-and eat items altogether and another 28% eat them very infrequently. If they buy heat-and-eat items, they are more likely to do so with a specific meal in mind, than to have something on hand to make a quick dinner. This underscores the importance of the grocery circular and getting shoppers engaged in pre-trip research for the fresh meat and poultry industry. Contrast this to shoppers who only know half the time what they’re cooking for dinner two hours out from dinner. Only 17% of these shoppers never purchase heat-and-eat items. Those who do are much more likely to be in the habit of keeping a package on hand to be able to prepare a quick dinner, at 49%.



Often sold at higher price points than fresh meat, convenience is the big driver behind heat-and-eat and ready-to-eat meat and poultry solutions. Rather than spending the money on eating out, these products provide good solutions for shoppers who are pressed for time. The frequency of purchase is influenced a lot by factors such as income level and household size. Smaller households, higher income households and younger shoppers are more inclined to purchase convenient solutions that require minimal preparation time.

Foodservice Wins the Last-Minute Dinner Decision

Despite the convenience and growing adoption of ready-to-eat and heat-and-eat meat and poultry items, last-minute decisions not to cook dinner don't often result in a trip to the grocery store. Only 13 percent of shoppers say they "very often" visit the grocery store to purchase ready-to-eat or heat-and-eat items rather than buying from a fast-food place or restaurant. On the contrary, 46 percent do so very infrequently. Interestingly, among shoppers who know what's for dinner only half the time at best, the supermarket is even less of a destination than for the average consumer. Only 8 percent of shoppers who know what they're preparing for dinner half the time visit "very often" and an even lower 5 percent of those who hardly ever know do. This signals a significant growth opportunity for food retail.

When you have decided not to cook dinner, how often do you visit the grocery store specifically to purchase ready-to-eat and heat-and-eat items rather than eating out?

13% Very often

41% Sometimes

33% Rarely

13% Never

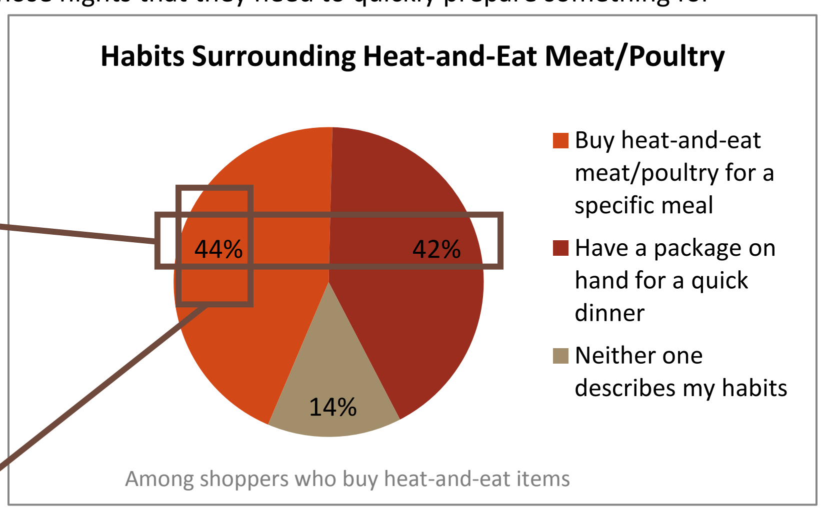
87% **tend to visit a fast food place or restaurant rather than the grocery store for last-minute meals**

More likely to visit a grocery store for last-minute meals are:

- Those living in urban areas (18%)
- Shoppers ages 18-24 (22%) and 25-39 (18%) but 0% among 65+.
- One-person households (19%)
- Higher incomes: $75K-$100K (19%), $100K-$125K (18%), more than $125K: 29%

Population Split on Habits Regarding Heat-and-Eat Items

While foodservice often wins the last-minute dinner decision, some people do keep a pack of heat-and-eat meat or poultry items on hand for those nights that they need to quickly prepare something for dinner. Slightly more buy heat-and-eat meat and poultry for a specific meal they have in mind.



Importantly, 48% of people who consume heat-and-eat items multiple times in a typical week tend to describe their habits as having a pack on hand for a quick dinner versus 43% who typically buy it for a specific meal.

People who engage in various measures of pre-trip research and specifically list out their grocery list, are more likely to purchase heat-and-eat meat/poultry with a specific meal in mind.

Deli items, including ready-to-eat and heat-and-eat meat and poultry, provide the key for retailers to taking additional dinner occasions from food service. Important steps include optimizing assortments, enhancing the fresh message in signage, incorporating combo meals, providing restaurant-quality foods, and offering lower-than-restaurant prices.

This is also an excellent area of opportunity to work on mutual growth in national and private-brand sales by addressing the full spectrum of consumer needs and wants, starting with a store market basket analysis.

Convenience and Flavor Drive Changes in Meal Types

When comparing the types of meals people prepare more frequently now versus five years ago, the big winners are one-pot meals (net difference of +22 percent when deducting the percentage less from the percentage for more). The Food Network describes them as "easy and soul-satisfying food with minimal fuss and quick clean-up. These one-pot meals are perfect for school-night suppers, make-ahead meals and when you just don't feel like spending too much time in the kitchen." One-pot meals show accelerated adoption compared with the 11 percent net difference found in the 2012 *Power of Meat*. A very similar category, pasta/noodles and casseroles, is up a net 16 percentage points, also showing accelerated growth compared with earlier findings.

Meal/preparation type	Change Vs. 5 Yrs Ago (% More - % Less)	Insights
One-pot meals	+22%	Up from +11% in 2012 survey
Pasta, noodles, casseroles	+16%	Up from +9%
Fish and seafood	+14%	Driven by higher-income HHs
International/ethnic dishes	+12%	Up from 7%. Continued growth likely with 21% not yet engaged
Meat/poultry cooked in oven	+12%	
Marinated meat/poultry	+11%	
Under 20-minute dishes	+ 7%	Slightly down from +11%
Value-added meats	+ 5%	Great growth potential with 25% not yet engaged
Fried meat/poultry	-19%	Influence of health & wellness

A few additional observations:

- The American palate is increasingly moving towards bold flavors — a trend observed in all meal occasions ranging from snacks to evening meals. Marinated meats, already prepared by 82 percent of shoppers on a regular basis (*Power of Meat 2013*), saw a net change of +11 percent, with 29 percent of respondents saying they now cook marinated meats and poultry more often than they did five years ago. Likewise, international and ethnic dishes gained a net +12 percentage points. The latter has a high growth potential, with 21 percent of shoppers indicating they did not then, nor do now, prepare ethnic/international dishes. Given the popularity of ethnic cuisine driven by foodservice, travel, food shows and magazines, it is likely that international dishes will continue to grow their fan base. The 65+ age group currently lags in the preparation of ethnic dishes, showing a mere +1 percent net change.
- Value cuts are a great answer to meeting shoppers' increased desire for a better flavor profile on a budget. Meat departments are doing more with marinades, fresh grinds or offering innovative value-added products like shish kebabs.
- Driven by the growing influence of health and wellness, fried meats and poultry (both pan and deep fry) are down a net -19 percentage points — roughly unchanged from the -21 point difference found two years ago. Instead, slow-cookers, ovens and microwaves are growing preparation methods (*Power of Meat 2012*).
- One-pot meals are significantly less popular among the youngest shoppers, who are more likely to have increased their consumption of ethnic dishes, marinated meats, and value-added meats.
- The value-added segment, described in the survey as meat and poultry offering some level of preparation, such as kabobs, breading, pre-seasoned and pre-cubed stew meat, show a net change of +5 percent over the past five years. The growth is primarily driven by higher-income shoppers seeking convenience as well as younger shoppers. The net change among those making more than $100,000 annually is +12 percent. The segment has great growth potential with retailers and packers ramping up value-added SKUs and given the 25 percent of shoppers who do not currently buy value-added meats. Continued economic recovery is likely going to place more emphasis on speed and convenience, which are the cornerstones of value-added meat offerings.
- Differences based on income are striking. See Chapter "The Tale of Two Customers."

Compared with five years ago…	Make More	Make Less	Net Change	Make About the Same	Didn't Prepare Then, Nor Now
Fish and seafood	31%	17%	+14%	42%	11%
Fried meat and poultry (both pan and deep fried)	17%	36%	+19%	38%	9%
International/ethnic dishes	27%	15%	+12%	38%	21%
Marinated meat and poultry (both self or pre-marinated)	29%	18%	+11%	43%	10%
Meat/poultry prepared in the oven	28%	16%	+12%	53%	3%
One-pot meals	37%	15%	+22%	42%	7%
Pastas, noodles and casseroles	36%	20%	+16%	42%	2%
Under-20-minutes meals	27%	20%	+7%	48%	5%
Value-added meat and poultry	19%	11%	+8%	39%	25%

Many Unsure About Term "Sustainable Meat or Poultry"

More than one-quarter of survey respondents indicated they are unsure about what sustainable meat, poultry or seafood means. For retailers and packers, this is an important finding. Despite close to three in 10 shoppers showing high interest in sustainable protein sources, retailers and packers have a great deal to do to educate shoppers — not unlike the organic segment. A much lower 11 percent of shoppers are unsure about the exact meaning of locally-sourced meat and poultry. But nearly four times as high, at 42 percent, the majority has a high interest in locally-sourced protein. This matches the allaround popuarity of locally-sourced products, especially produce.

	% Very interested	% Not sure what it is	% Not interested
Sustainable meat or poultry	29%	28%	11%
Sustainable seafood	28%	25%	16%
Locally-sourced meat/poultry	42%	11%	8%

Not shown: % Somewhat interested

Above-Average Interest

Sustainable meat and poultry

- Asians (54% "very interested") and Hispanic shoppers (41%)
- Mid-to-high household income (40%)
- Interest declines as age rises:
<39 years old: 41%
>50: 15%
- Urban (37%), with suburban around the average, and below-average interest in small towns and urban areas
- Men (33%)

Locally-sourced meat and poultry

- Interest rises along with age, but differences are much smaller than for sustainable:
<25 years old: 39% "very interested"
>65: 43%
- Asian shoppers (59%) and Hispanic shoppers (46%)
- Mid-to-high household incomes of $75K-$100K (56%)

In January 2014, Bloomberg Businessweek reports that McDonald's, the nation's biggest buyer of beef, is vowing "that it will slowly begin purchasing verified-sustainable beef in 2016, with the goal of eventually buying all its beef from sustainable sources." According to Businessweek, this is an ambitious goal for lots of reasons, not least of which is the absence of any standard for what makes beef sustainable. McDonalds is reportedly working with beef suppliers, companies such as Walmart and environmental organizations to come up with a definition.

Antibiotics and growth hormones
By: Danette Amstein, Principal, Midan Marketing

It's a topic that's been bubbling in the meat industry: the use of antibiotics and growth hormones in livestock.

At Midan Marketing, they have been on our radar for some time, as the use of antibiotics and growth hormones are a topic of conversation among consumers as well. In January 2014, we surveyed 200 meat consumers to discover what they know about the use of antibiotics and growth hormones in animals, how they feel about it and how it affects their behavior when shopping for meat. This research study, "Antibiotics and Growth Hormones: The Consumer Mindset," is the first of four quarterly consumer tracker projects Midan will be releasing this year.

According to the survey, consumers' awareness of the use of antibiotics in livestock animals is very high and so are their concern levels. Sixty percent state they are concerned about whether or not there are antibiotics in the meat they purchase. Consumers are also confused about why antibiotics and growth hormones are used in livestock and what impact they have on food. Alarmingly, 86 percent of respondents did not recognize the following statement as true:

"By the time fresh meat is sold at the grocery store, there are no longer any antibiotics in it."

This is a very clear indication that consumers have not been properly educated about antibiotics – and it is having an effect on how they think about and shop for meat. After hearing/reading about the use of antibiotics and growth hormones in livestock, 17 percent of consumers say they stopped buying meat products where they thought antibiotics and/or growth hormones were used. Additionally, 46 percent started paying more attention to the packaging on the meat they purchase, and 28 percent looked up information on livestock given antibiotics and growth hormones.

The good news is that consumers' concerns can be eased. Learning that veterinarians oversee the care of animals and the use of antibiotics eased the concerns for 62 percent of respondents.

Moving forward, the meat industry has two choices – either "educate or eliminate." We have to either educate our consumers or be forced to eliminate the use of antibiotics to treat animals — an unappealing option that would bring about a host of other issues for the industry and consumers.

View the results from "Antibiotics and Growth Hormones: The Consumer Mindset" in the key takeaways document on our website, www.MidanMarketing.com. The findings from this research will help industry leaders better understand what can be done to change consumer perceptions about the use of antibiotics and growth hormones in livestock, and build transparency and trust.

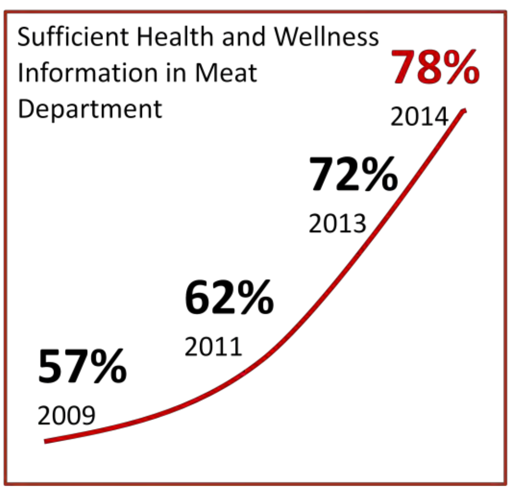
Nutrition and Health & Wellness

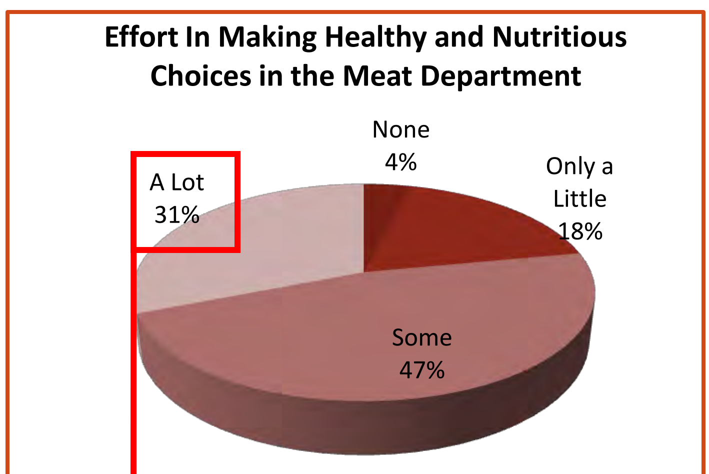
Chapter Insights:

- Despite the growing health and wellness movement, 47 percent of people only put "some" effort into thinking about nutritious and healthful meat and poultry choices.
- Lack of information is not the culprit, however, with 78 percent agreeing that nutrition information to make an educated decision when buying meat/poultry is readily available.
- Shoppers who are very focused on making nutritious choices in the meat department tend to be college-educated with above-average incomes, spend more than average on groceries, shop more often and likely purchase natural and/or organic meat and poultry.
- For processed meats, the nutrition facts panel is used most frequently by people who are purchasing an item for the first time. Items they check the most continue to be fat and sodium. Younger shoppers are most likely to check for items that add positively to the diet, such as vitamins and proteins.
- Driven by higher-income shoppers, healthy eating strategies in the meat department increasingly focus on purchasing leaner cuts. Portion control is the second most popular strategy.

Industry Helps Inform Shoppers to Make Educated Decisions

The share of shoppers who believe health and nutrition information is readily available in the meat department continues to rise, reaching a survey high of 78 percent in 2014. Information is shared in a varietyof ways, ranging from brochures, on-pack nutrition and health labeling to posters in the meat department detailing cuts and nutritional content — and shoppers are noticing.





While the vast majority of shoppers agree that information is readily available, actually making healthy and nutritious decisions when buying meat/poultry is not always a top priority.

- Higher-income of $100K and above (48%)
- Women (37%)
- College education (44%)
- Above-average in age, at 51% among those 50+
- Great likelihood of purchasing natural and/or organic meat/poultry (46%)
- Spend more on and shop more often for groceries
- Less affected by economy or money-saving measures

The largest share, at 47 percent, tend to put only “some” effort into nutritious meat and poultry options, followed by 31 percent who do put “a lot” of effort. Twenty-two percent put either “only a little” or “no” effort into ensuring their meat and poultry selections are healthful and nutritious.

While up from last year, shoppers’ focus on healthful meat and poultry choices remains down compared with pre-recessionary times. As seen earlier, economic pressures continue to affect how the food dollar is being spent. This notion is further supported by taking a closer look at those shoppers who put a lot of effort into making nutritious protein choices. Their incomes tend to be much higher than those of the average survey respondent, providing them with more discretionary dollars to purchase the leaner and more nutritious, but also the more expensive, cuts of meat and poultry. In addition to income, age plays a significant role as well, with increased focus as shoppers get older. For example, 52 percent of shoppers who pay no/little attention are 39 years of age or younger.

While dialed down somewhat during the recession and its aftermath, health and wellness continues to play an important role. Already rated highly on providing sufficient information for shoppers to make an educated decision on protein choices, retailers and packers will benefit from continued communication on making healthful choices, nutrition, portion size, freshness, storage, etc.

Nutrition Facts Important for New and Routine Purchase

Specific to processed meat, 37 percent check the nutrition facts panel only when purchasing something they haven’t had before, followed closely by 30 percent who check each time they purchase a processed meat item.

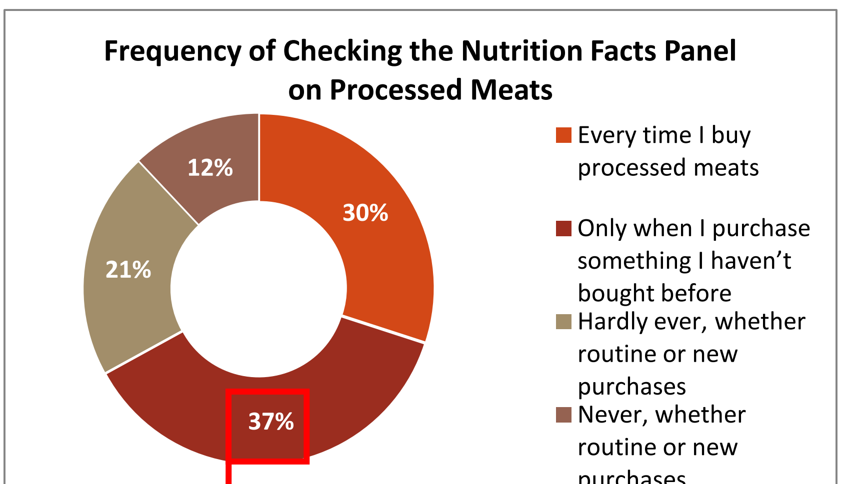
Nutrition Facts
Serving Size: **1 Burger (113.5g)**
Servings Per Container: 8

Amount Per Serving	
Calories 320	Calories from Fat 240
	%Daily Value*
Total Fat 26g	**41%**
Saturated Fat 13g	**64%**
Cholesterol 55mg	**18%**
Sodium 65mg	**3%**
Total Carbohydrate 0g	**0%**
Protein 21g	
Iron	8%

Not a significant source of dietary fiber, sugars, vitamin A, vitamin C, and calcium.
*Percent daily values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.

	Calories:	2,000	2,500
Total Fat	Less than	65g	80g
Saturated Fat	Less than	20g	25g
Cholesterol	Less than	300mg	300mg
Sodium	Less than	2,400mg	2,400mg
Total Carbohydrate		300g	375g
Dietary Fiber		25g	30g

Calories per gram: Fat 9 • Carbohydrate 4 • Protein 4



Fat and sodium are the two ingredients shoppers check for most, especially when buying a product for the first time. This closely aligns with top health concerns of heart (cholesterol), blood pressure and obesity. Ingredients that add to the diet, such as iron or proteins are more important to shoppers under 24. Cholesterol and sodium rise in importance among older shoppers.

Fat and Sodium Lead Ingredients Shoppers Check

Among shoppers who at least regularly consult the nutrition facts panel when purchasing processed meats, the shared number one items are total fat content and sodium. The top five items checked are closed out by saturated fat, calories and cholesterol.

As seen in prior years, top items are dominated by things shoppers like to limit or avoid. Corresponding package claims include “low …” and “no …” Growing interest is measured in attributes that add to the diet, such as iron and protein. This interest is primarily driven by younger shoppers, whereas shoppers ages 65 and older predominantly scan for items they wish to limit or avoid.

At 43%, this is the first year that cholesterol enters the top five ingredients shoppers watch for. Cholesterol’s importance is growing along with America’s aging population.

Sodium has been rising in importance for the past five years in both the meat and other categories. Many CPG manufacturers have publicly announced goals for sodium reduction across their line of products.

Checking the nutrition facts panel on processed meat	All shoppers	Shoppers ages <24	Shoppers ages 50+
Total fat	54%	30%	56%
Sodium	54%	28%	55%
Saturated fat	47%	22%	50%
Calories	46%	42%	44%
Cholesterol	43%	19%	49%
Trans fat	41%	26%	46%
Protein	34%	39%	16%
Sugars	30%	18%	31%
Monosodium glutamate (MSG)	30%	17%	32%
Total carbohydrates	29%	15%	30%
Fiber	17%	8%	21%
Iron	16%	18%	8%
Vitamin C	12%	12%	3%
Calcium	11%	15%	10%
B-Vitamins	10%	8%	3%
Vitamin A	9%	9%	4%
Zinc	9%	9%	2%

According to research firm Mintel, high-protein diets continue to be popular. It seems that the quest for high protein is aiding the comeback of the low-carb diet that peaked around 2004. New product launches in food and drinks carrying both low-carb and high-protein claims grew by 57% between 2008 and 2013. Introductions of food and beverages with a high-protein claim are almost three times higher in the U.S. than elsewhere in the world, accounting for 19% of new product launches.

This growing interest in the inclusion of positive ingredients could be an interesting opportunity for retailers and packers to tout the inherent and/or added benefits of meat and poultry more clearly. Examples are protein, iron and low carbohydrates.

Other ingredients people scan for include the following: (verbatim survey responses)

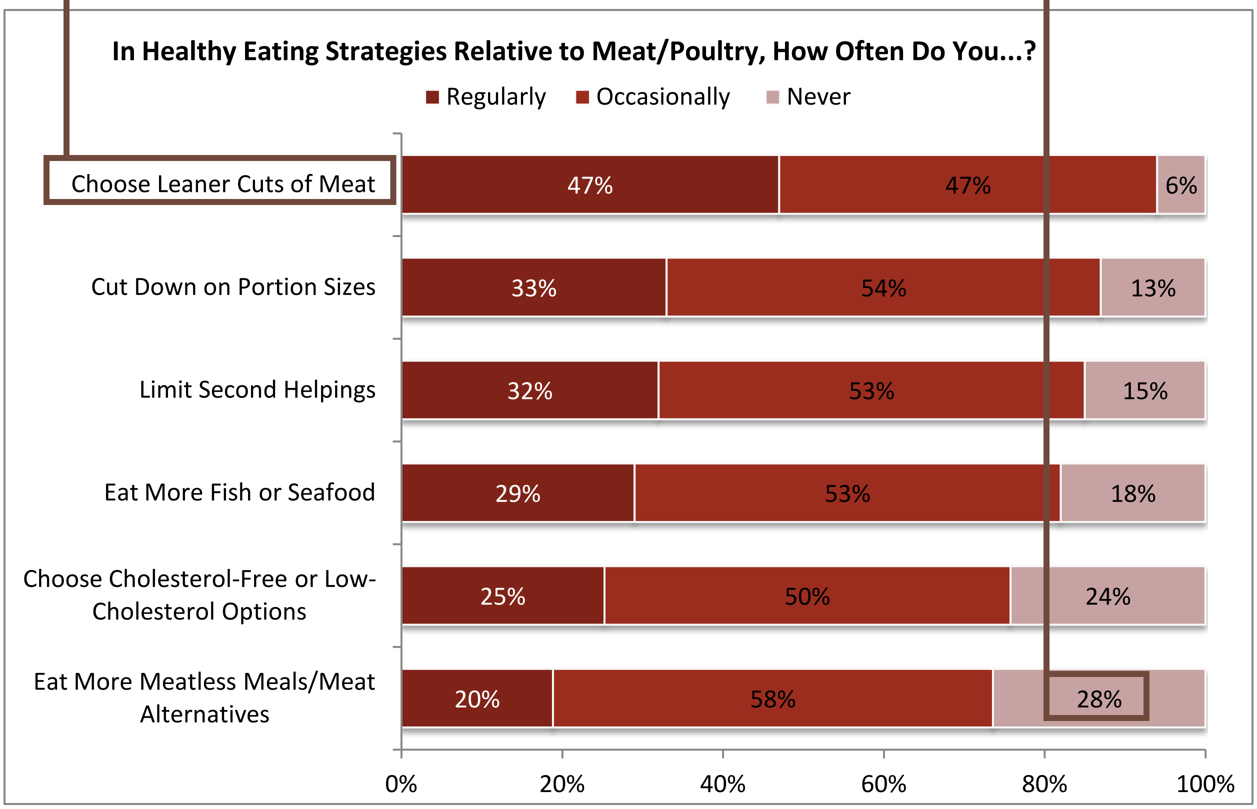
- Presence of preservatives (several times)
- Nitrates and nitrites (several times)
- Unpronounceable ingredients, that’s my rule of thumb!
- Organic (several times)
- Serving size and calories per serving size
- I check to see if it’s mixed with chicken or pork
- Additives and colors
- Non-GMO [genetically modified organism] fed and humanely raised
- High fructose corn syrup (HFCS)
- Percentage of water added
- Hormone and antibiotic free

Leaner Cuts Lead Healthy Eating Strategies

Shopper interest in fat content is not limited to processed meat. Among those who try to put at least "some effort" into choosing healthful proteins, the most regularly applied strategy to improve their meat and poultry intake is by choosing leaner cuts: 47 percent do so regularly and another 47 percent do so occasionally. The second and third most popular ways to improve the diet are related to limiting the amount of meat/poultry consumed: 33 percent of shoppers try to limit portion sizes and 32 percent limit second helpings.

The popularity of learner cuts is predominantly driven by higher-income households who have both the discretionary income and have started letting up on money-saving measures more so than others.

Close to three in 10 shoppers do not look at meat alternatives as a healthy eating strategy. As seen earlier, 80 percent do occasionally eat meat replacements, driven by variety and/or savings needs.



Healthy eating strategies differ widely by gender, age, income and other factors.

- **Income**: Some of the most striking differences can be found when looking at the data by household income, which continues to drive the "tale of two customers." Just as the economy continues to emphasize price and value among middle and lower-income shoppers, income also impacts health and wellness. Middle and lower-income shoppers' value-driven strategies include selecting less expensive types and cuts of meat/poultry, which are often less lean and healthy. This greater focus on price, or lesser focus on nutrition, can be seen here as well. Middle and lower-income shoppers are more likely to report they put no, little or only some effort into picking nutritious proteins. They are also much less likely to implement healthy eating strategies. Shoppers in the higher income categories ($100,000 or more) are more likely to cite some or a lot of effort in healthy eating and apply many of the strategies with much more regularity than average or lower-income shoppers. Fish and seafood and leaner cuts are especially popular strategies among higher-income shoppers.

- **Age**: The survey's youngest shopper group (18-24 years old) is the least likely to be concerned about healthy and nutritious purchases and is also less likely to implement any of the strategies with high regularity. On the other hand, shoppers ages 65 or older implement each one of the strategies listed with much higher-than-average regularity, especially leaner cuts and low-cholesterol options.
- **Gender**: Women most frequently focus on portion control by cutting down portion sizes and second helpings. They are also more willing to substitute meat/poultry with fish or seafood or cutting out meat altogether with higher regularity.
- **Natural/Organic Shoppers**: Shoppers who have purchased natural and/or organic meat and poultry in the past three months implement all strategies listed much more regularly. For example, 63 percent regularly choose leaner cuts of meat and 46 percent eat fish/seafood more frequently.

It is important for retailers and packers to understand the chosen tactics of each shopper group to most closely align marketing and merchandising for each banner, and even store, to their customers' wants and needs in the area of health and wellness.

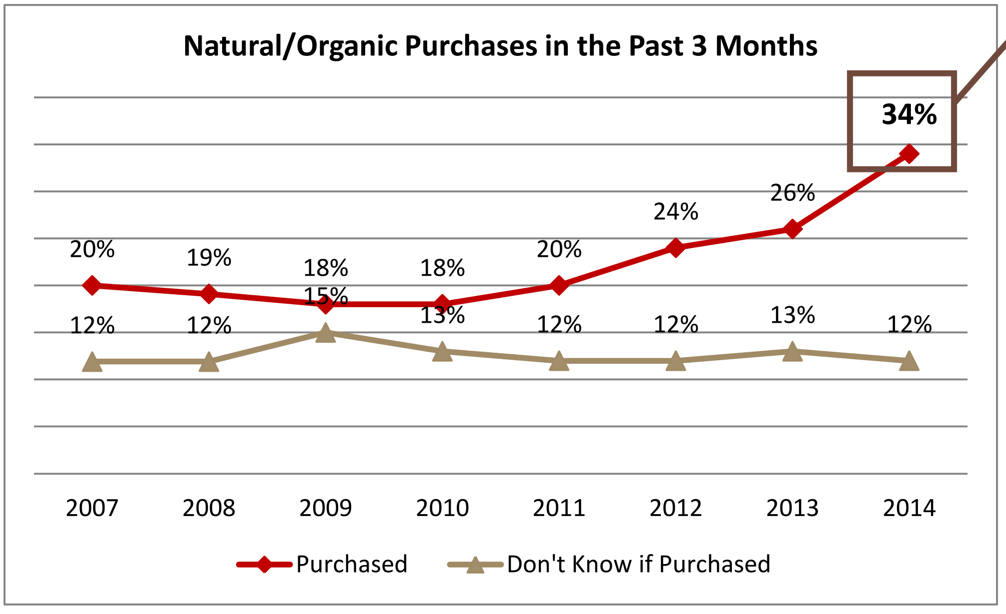
Organic and Natural Meat/Poultry

Chapter Insights:

- The natural and organic meat/poultry segment continues to add new shoppers, reaching a survey high of 34 percent of respondents having purchased natural and organic proteins in the past three months.
- The growth outlook is accelerating as well, with 38 percent of current users expecting to purchase more in the next three months.
- Supermarkets continue to capture the largest share of natural/organic meat and poultry purchases, but do see 30 percent of their patrons buy natural and organic proteins elsewhere. Long-term trending shows a loss of share for the specialty store channel, as availability of natural/organic meat and poultry is growing across channels.
- The chief reason for purchasing natural and organic meat/poultry surrounds shoppers' quest to avoid certain substances such as hormones, steroids or antibiotics. Better taste and freshness are other powerful reasons, with long-term health benefits falling 10 points compared with previous years. Shoppers picked their primary reason from a list of potential drivers.
- Natural/organic shoppers are very interested in making nutritious and healthy decisions in general, and could even be considered a sub-set of health-focused shoppers.

Acceleration in Natural/Organic Meat Purchase

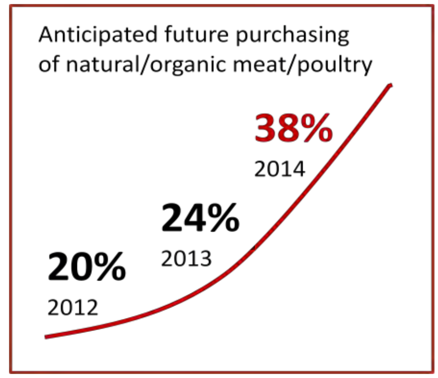
Demonstrating accelerated growth from prior years, 34 percent of shoppers have bought natural and organic meat/poultry in the past three months. After a short plateau during the height of the recession, this segment is showing continued strength, up from 26 percent one year ago. It is important to note that while the number of natural/organic users increased, this does not automatically mean a corresponding increase in natural/organic sales. Prior year research showed that most shoppers only purchase organic and natural meat/poultry for certain occasions, kinds or cuts.



Above-average purchasing by:
- Higher-income of $100K and above
- Shoppers ages 39 or younger
- Shoppers who spend and shop more than average
- Families with children living at home
- Often college educated and working full time
- Supermarket and/or specialty store shoppers

Likewise, Anticipated Acceleration of Future Purchasing

Based on past purchase behavior, the survey probed into expectations for future purchases. Up from 24 percent last year, 38 percent of current natural/organic meat shoppers expect they will increase their purchases in the next three months.

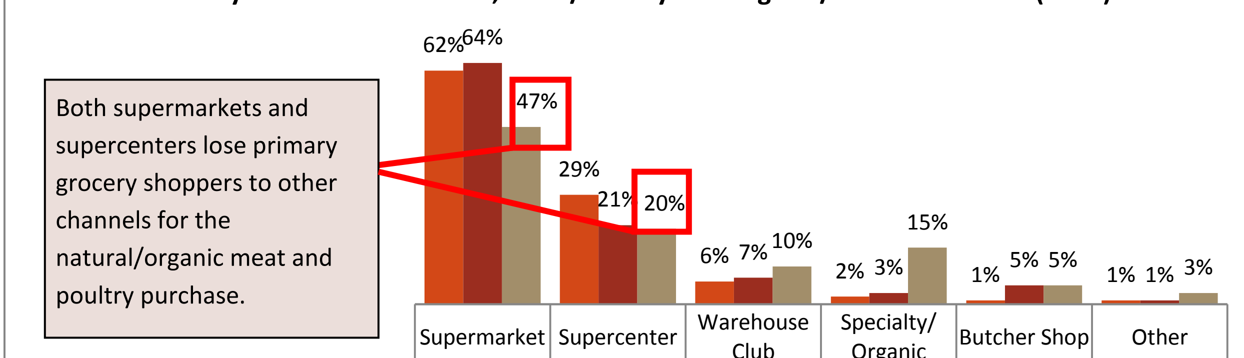


This accelerated rate of purchasing is likely driven by many reasons, including greater availability across channels, a declining price differential with conventional options (although still more expensive) and higher-income shoppers who have been the first to ease up on money-saving measures adopted during the recession. Natural/organic shoppers feel very strongly about the segment and will not easily exit it. These core shoppers as outlined above are the most likely to report increased future purchases.

Future natural/ organic purchases among current purchasers	Overall	Earning < $50K	Earning >$100K	Shoppers ages 25-39	Shoppers ages 65+
More	38%	15%	51%	41%	11%
Less	8%	9%	0%	7%	4%
About the same	54%	76%	49%	48%	85%

Club and Specialty Channels Leverage Natural and Organic Offering

Comparing the primary store for groceries, the primary store for meat/poultry and the primary store for organic and natural proteins, shows that the meat department continues to be a trump card for supermarkets. This is true for meat in general and also for natural and organic offerings. Nearly half of shoppers engaged in the category buy natural and/or organic proteins in supermarkets.

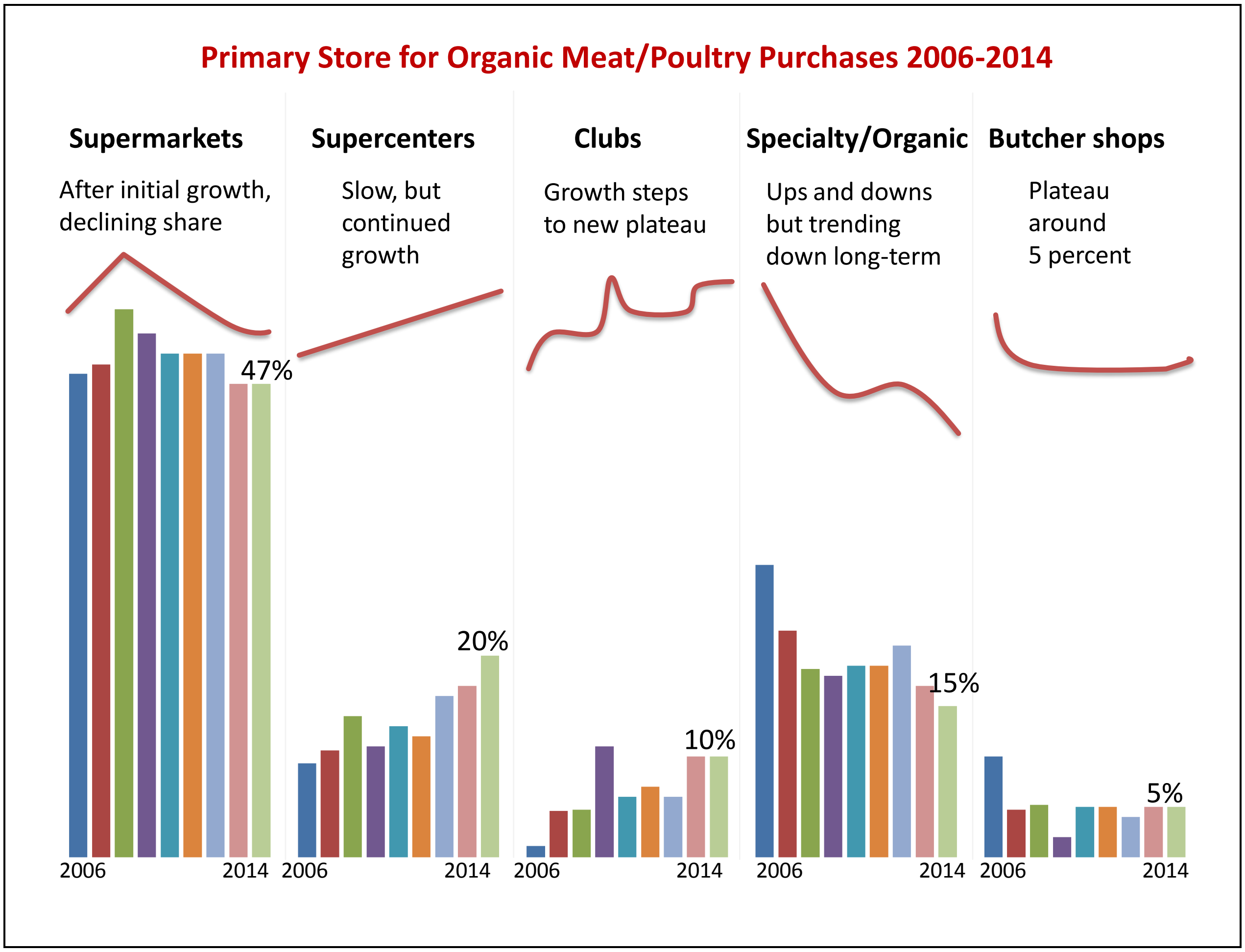


	Supermarket	Supercenter	Warehouse Club	Specialty/ Organic	Butcher Shop	Other
Primary Store for Total Groceries	62%	29%	6%	2%	1%	1%
Primary Store for Meat/Poultry	64%	21%	7%	3%	5%	1%
Primary Store for Natural/Organic Meat and Poultry	47%	20%	10%	15%	5%	3%

Shift from Specialty to Everyday Channel

In the 2006 edition of the *Power of Meat*, 40 percent of organic and natural meat was purchased in specialty channels (organic stores and butcher shops). Due to the combined effect of natural and organic proteins becoming more widely available and more shoppers entering the segment, the purchase is moving from the specialty channel to traditional channels. While, initially, purchases shifted to the supermarket channel, recent growth is seen in supercenters and club stores (see red trend lines).

Supermarkets continue to capture the biggest share of the natural/organic purchase (unchanged at 47 percent), but as shown in the next section, supermarkets have the lowest conversion rate in this segment. Specialty stores, while still a destination for natural and organic meat/poultry, continue their long-term loss of share to 15 percent. Four percent of natural/organic shoppers shop directly at the farm, at farmer's markets, Internet meat specialty companies such as Omaha Steak, and meat delivery companies. The number of farmers' markets is rising rapidly, which may influence the "other" channel in years to come.



Supermarket Shoppers

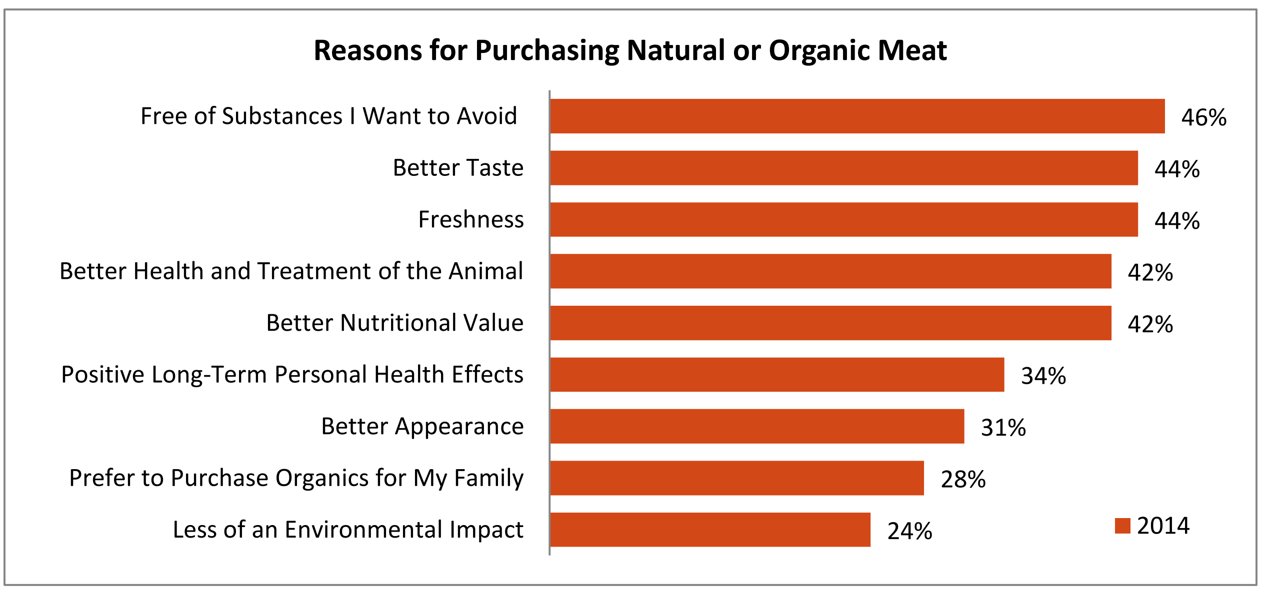
While the supermarket channel enjoys high shopper conversion for meat and poultry in general, retention for the natural and organic segment is much lower. Thirty percent of supermarket patrons purchase *natural and organic* meat and poultry outside their primary channel.

The main beneficiaries of the channel shifting are the specialty/organic channel, warehouse clubs and butcher shops. While lower than other channels, conversion among supermarket meat shoppers is still at the second highest point in six years, at 70 percent.

Where Supermarket Shoppers Purchase Natural/Organic Meat and Poultry									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Supermarket	62%	65%	71%	68%	63%	62%	69%	73%	70%
Supercenter	2%	2%	3%	3%	2%	3%	4%	2%	4%
Club	1%	2%	3%	7%	5%	3%	4%	4%	5%
Specialty/Organic	22%	21%	18%	14%	20%	19%	18%	15%	13%
Butcher Shop	12%	8%	3%	3%	6%	5%	2%	5%	5%
Other	2%	5%	2%	5%	4%	8%	3%	2%	3%

"Avoiding" Stronger Than "Including" as Reason for Buying Organic

Among those who remember purchasing natural and/or organic poultry/meat in the past three months , 46 percent cited doing so for the assurance that the meat/poultry is free of substances they want to avoid, such as hormones and steroids. Following the trend in popularity of package callouts focusing on "free" or "no," this is the first year that the absence of substances ranks higher than the perceived taste, freshness, or health notion. Perhaps due to the highly publicized study by Stanford researchers on the lack of evidence that organics are healthier, the long-standing number one reason "positive long-term personal health effects" dropped from 45 percent agreement to 34 percent.



A Different Kind of Shopper

People who have purchased natural and/or organic meat or poultry tend to be very different from the "average shopper" in areas such as spending, meat purchasing decision factors, brand preferences and their overall attitude towards health and nutrition. The table below sums up the most striking differences.

	All shoppers	Natural/organic shopper
Average weekly grocery spending	$108	$137
Meat purchasing decision tree (average rank on six-point ranking scale)	1. Price per pound: 4.3 2. Package cost: 4.0 3. Appearance: 3.9 4. Nutritional content: 3.3 5. Time/ease: 2.9 6. Knowledge: 2.8	1. Price per pound: 3.9 2. Appearance: 3.8 3. Nutritional content: 3.7 4. Package cost: 3.6 5. Knowledge: 3.0 6. Time/ease: 2.9
Brand preferences for fresh meat	Prefer national: 26% Prefer private: 17% Undecided: 57%	Prefer national: 41% Prefer private: 20% Undecided: 49%
Brand preferences for processed meat (sausages, bacon, etc.)	Prefer national: 38% Prefer private: 15% Undecided: 47%	Prefer national: 41% Prefer private: 15% Undecided: 44%
Types of meals vs. 5 years ago ("more" minus "less")	Pastas/casseroles: +16 Fish/seafood: +14 Value-added: +5 Marinated: +11	Pastas/casseroles: -18 Fish/seafood: +20 Value-added: +9 Marinated: +15
Effort to make nutritious choices in meat and poultry	A lot of effort: 31% A little/none: 22%	A lot of effort: 49% A little/none: 9%
Healthy eating strategies relative to meat and poultry (% regularly implements)	Leaner cuts: 47% Limit portion sizes: 33% Limit second helpings: 32% More meatless meals: 20%	Leaner cuts: 58% Limit portion sizes: 42% Limit second helpings: 44% More meatless meals: 30%
Average number of home-made dinners containing a portion of meat or poultry per week	3.8	4.1

Volume Sales Flat Over 2013

While a greater number of shoppers reported having purchased natural and/or organic meat in the past three months, an analysis of sales data for the 52-week period ending December 29, 2013 shows flat pounds sales for organic, natural and naturally-raised beef, chicken and pork, while their conventional counterpart was up 0.7 percent. One possible explanation is the heavy focus on portion control among natural and organic buyers. Natural and organic meat/poultry combined account for approximately 537 million pounds annually, or 8 percent of the total meat and poultry category.

Percentage change in pounds versus year ago; total beef, pork and chicken	Total	Natural/ organic
12-month aggregate, ending December 29, 2013	0.7%	0.0%

Source: FreshLook Marketing data categorized by VM Meat© system

The Tale of Two Customers

The preceding chapters on planning, decision factors, the purchase and consumption describe national averages and point out many differences based on demographics, such as age and income. However, painting one single picture of today's consumers' shopping and eating habits, preferences and interests has become nearly impossible. The country's changing demographic makeup combined with the long duration of the economic recovery has fundamentally changed the meat and poultry shopper along with the retail landscape. More than ever meat shoppers are not a homogenous group, but a multifaceted community comprised of a great variety of segments with substantial differences in where and how they purchase meat/poultry, how much, what kind, their preferred method of saving, packaging, whether they purchase natural/organic meat/poultry and so on.

Depending on the topic of discussion, different variables make their impact known. For example, when discussing savings strategies or types of meals, age plays a dominant role. In others it may be gender, region or the presence of children in the household. But beyond anything, it is household income that drives the variations in meat and poultry purchases. The growing income divide has created two types of meat and poultry shoppers with vastly different habits:

- Lower-income households (those making $35,000 or less annually) are struggling financially to make ends meet and look to save every way they can.
- Higher-income households (those making $100,000 or more) increasingly seek convenience, speed and healthy options in fresh and processed meat purchases.

This chapter specifically addresses the tremendous influence of annual household income on the meat and poultry purchase by comparing some of the key habits, interests and behaviors among lower- and higher-income households.

	Total Population	Lower-Income HH ($35,000 or less) 37% of HHs	Higher-Income HH ($100,000 or more) 21% of HHs
Primary store for groceries			
- Supermarket	62%	52%	66%
- Supercenter	30%	36%	19%
- Warehouse club	5%	4%	8%
Primary store for meat and poultry			
- Supermarket	62%	57%	72%
- Supercenter	23%	26%	13%
- Warehouse club	7%	4%	14%
Grocery spending			
- Average weekly amount for HH	$108	$89	$136
Popularity of promotional offerings			
- First preference	1. EDLP	Greater importance of EDLP and BOGO	Greater importance of cents-off and bulk packages
- Second preference	2. BOGO		
Meal preparation including meat/poultry item			
- Average per week	3.8	3.2	4.2

	Total Population	Lower-Income HHs ($35,000 or less)	Higher-Income HHs ($100,000 or more)
Meat purchasing decision rankings			
- Price per pound	4.3	4.5	4.1
- Package size	4.0	4.3	3.8
- Preparation time required	2.9	2.6	3.0
Compare prices across stores			
- Every time I shop for meat/poultry	42%	46%	39%
- Sometimes	41%	41%	41%
Know whether they're eating out or cooking			
- The majority of the time	66%	66%	54%
- Maybe half the time or never	24%	22%	42%
Know what's for dinner			
- The majority of the time	62%	64%	47%
- Maybe half the time or never	32%	31%	50%
Compare prices within the store			
- Every time I shop for meat/poultry	60%	66%	49%
- Sometimes	30%	27%	40%
Sustainable meat and poultry			
- Not sure what it is	28%	36%	22%
- Very interested	29%	20%	46%
Locally-sourced meat and poultry			
- Not sure what it is	11%	13%	9%
- Very interested	42%	33%	46%
Brand preference meat/poultry			
- National brands fresh meat/poultry	26%	15%	40%
- National brands processed meats	38%	32%	54%
Consumption of convenience meats			
- Heat-and-eat at least once a week	42%	35%	49%
- Ready-to-eat at least once a week	45%	35%	63%
Change in types of meals prepared			
- Value-added meat/poultry	+5	+1	+12
- Pastas/casseroles	+16	+22	+3
Effort to make healthy meat/poultry choices			
- A lot of effort	31%	26%	36%
- A little/none	22%	28%	14%
Healthy eating strategy (% regularly includes)			
- Leaner cuts	47%	31%	62%
- Limiting second helpings	32%	48%	32%
- More seafood	29%	18%	34%
- More meatless meals	20%	20%	20%
Natural/organic purchasing			
- Share of shoppers	34%	22%	48%

Demographics are changing along with regional differences. Investing in understanding the key customer is imperative to stocking the right items, running the most effective promotions and exceeding expectations.

The Meat Case Versus Service Counter

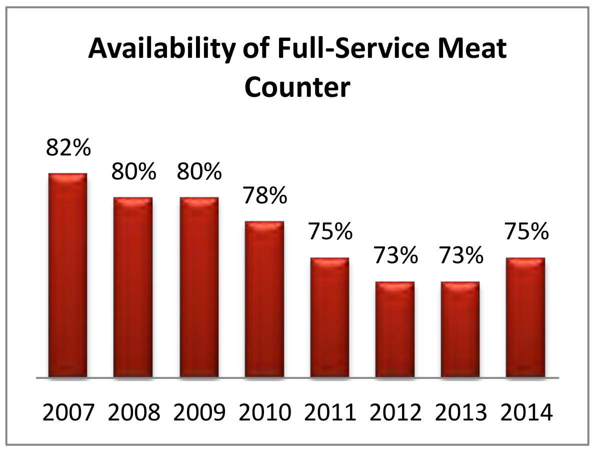
Chapter Insights:

- The availability of full-service counters in the meat department rebounded slightly to 75 percent.
- Two-thirds of people with access to the service counter value its availability, despite only 18 percent of shoppers with access using it exclusively.
- An average of 69 percent of all meat and poultry is bought from the meat case and 24 percent of shoppers use the meat case exclusively.
- The quality perception of case-ready meat continues to trend up, with 64 percent believing the quality is at least as good as meat processed in the store and 9 percent believing it is better.
- Interest in a number of packaging solutions aimed at convenience and ease-of-use (freezer-ready and resealable) grew over the past year. Likewise, interest in leak-proof increased again with 62 percent of respondents claiming they would divert purchases to this type of packaging. Interest in environmentally-friendly packaging has increased as well, but remains subject to price sensitivity, with more shoppers willing to switch if there is no price differential with conventional packaging.

Shoppers Value Availability of Service Counter

Shoppers with access to a full-service counter at their primary store for meat and poultry rebounded slightly to 75 percent. Based on the ongoing call by respondents in past surveys to "keep or bring back the butcher," the survey probed into value perceptions of the full-service counter.

More than two-thirds of shoppers with access to a service counter value its availability. Among shoppers who tend to buy most of their meat and poultry at a store that does not have a service counter, exactly half wished the store would have one, whereas the other half is indifferent.



To maximize the benefit of having service counters, retailers must have knowledgeable, professional and readily available butchers and meat department service personnel. The study found that two important functions of the full-service counter are to cater to special needs and to provide cooking/preparation advice. Both are important ways to foster customer satisfaction and loyalty. With the meat department being a key differentiator for many supermarkets, retailers should carefully weigh the pros and cons of having a service department.

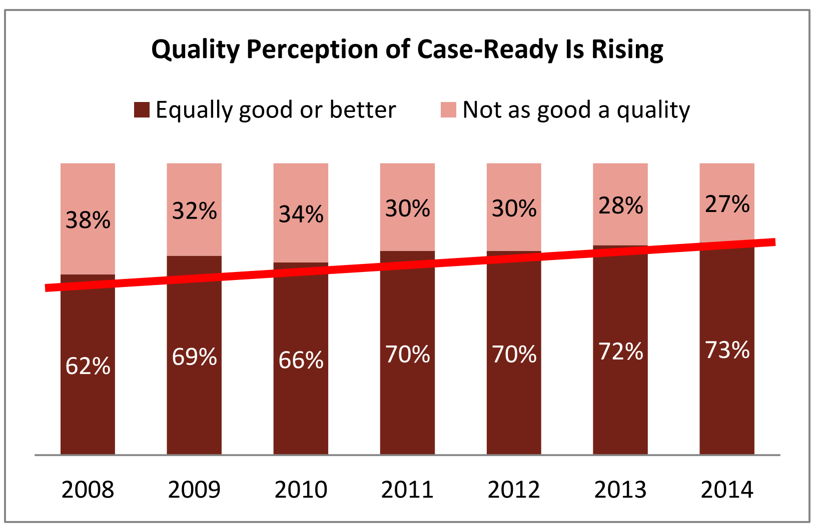
Self-Service Meat Case Used for Routine Purchasing

An average of 69 percent of all meat purchases are selected from the self-service area, with a median of 79 percent. This share peaked in 2012 and this year exclusive usage of the meat case dropped to 24 percent of respondents. Among shoppers who have access to both full-service and self-serve, an average of 61 percent of all meat purchases comes from the meat case.

	Share of Total Meat/Poultry Purchased From the Meat Case						
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
0% from meat case	3%	4%	5%	4%	6%	6%	2%
1%-20% from meat case	10%	10%	12%	10%	14%	11%	8%
21%-40% ,, ,,	7%	7%	7%	8%	6%	6%	10%
41%-60% ,, ,,	15%	15%	12%	14%	11%	15%	17%
61%-80% ,, ,,	14%	14%	15%	15%	11%	13%	17%
81%-99% ,, ,,	26%	24%	22%	27%	21%	21%	21%
100% from meat case	24%	27%	27%	22%	31%	28%	24%

Long-Term Rise in Favorability of Case-Ready Perception

The Power of Meat has found widespread awareness of the case-ready concept, which is described as meat and poultry being cut and packaged before it enters the store. While only changing slightly from year-to-year, the quality perception of case-ready meat has improved significantly over the past seven years. A survey low of 27 percent of shoppers believe the quality of case-ready meat is not as good as that processed in the store itself. Among this group, meat case use is lower than average, with only 49 percent of total meat/poultry purchases being selected from the self-serve area. On the other hand, the share believing the quality is just as good is at a six-year high, at 64 percent (reflected in graph in combination with better for a total of 73 percent).



Growing Interest in How-To Service in Meat Department

The limited knowledge of meat and meat preparation combined with a desire for flavorful, lower-cost options, results in a reasonably high interest in a how-to service on preparation and recipes. While price, promotions and coupons have a higher influence on how much and what is purchased, consumers clearly value customer service, including tools that show them preparation tips for species and cuts as well as recipes.

How-To Service

Absolutely use: 33%

May use: 53%

Wouldn't use: 14%

Interest in help on how to best prepare each cut of meat/poultry and provide a variety of recipes

Interest by Vehicle

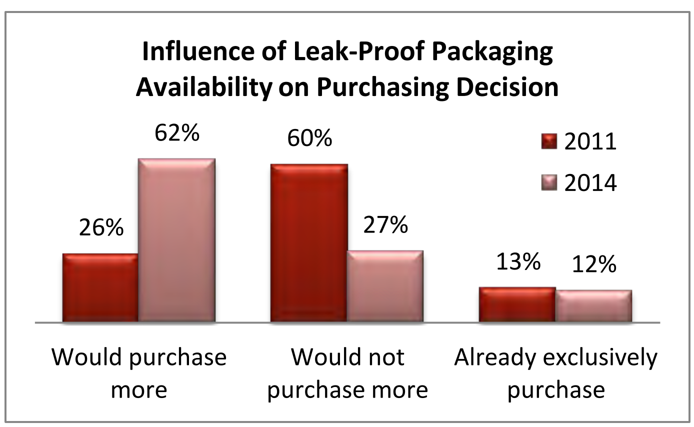
Recipes (paper and online):	**43% + 51%**
How-to videos accessible online:	**25% + 59%**
How-to demos in store:	**19% + 58%**
Cooking classes:	**19% + 47%**

Would use all the time + may use every once in a while

Shoppers are interested in resources from their grocery stores regarding meat and poultry preparation information. This signifies an enormous opportunity for food retailers and packers to play a bigger role in helping shoppers make the best purchase and the best meals. Most retailers already have the expertise in-house and there is a huge shopper need in the marketplace for information. Think about Butterball's well-known and much-used hotline during Thanksgiving — aimed exactly at providing solutions to unknowledgeable shoppers. Taking this concept for everyday meat sales may aid the industry to become a much more prominent resource.

Packaging Insights

Packaging is an integral part of the meat buying decision — generating many comments for improvement, including pack size, functionality, messiness and environmentally-friendly options. This section provides insight into various packaging innovations and their influence on buying decisions.



Shoppers Value Ease-of-Use and Cleanliness in Meat Packaging

Out of eight packaging innovations listed, shoppers most highly value packaging solutions focusing on ease-of-use.

At least six in 10 shoppers said the following packaging options would prompt them to purchase more:

- Leak-proof packaging (62 percent)
- Resealable packaging (62 percent)
- Packaging that reduces food waste (61 percent)
- Freezer-ready packaging (60 percent)

It is likely that consumer interest (and purchase) of each of these solutions rises along with availability, as shown by leak-proof packages. Addressing the common complaint of messiness, leak-proof packaging enjoys a significant jump in interest from 26 percent in 2011 to 62 percent today.

Up from 53% last year, packaging aimed at reducing food waste draws the interest of 61%. According to a recent report by the Natural Resources Defense Council, 40 percent of food in the U.S. is never eaten. This amounts to $165 billion a year in waste or 20 pounds of food per capita, per month. Reducing food waste is also driven by economic reasons, with one of the most popular money-saving measures today being spending less by buying less.

Influence of Packaging Innovations			
	Would Purchase More	Would NOT Purchase More	Exclusively Purchase Now
Leak-Proof	62%	27%	12%
Resealable	62%	33%	5%
Reducing Food Waste	61%	33%	5%
Freezer-Ready	60%	28%	12%
Environmentally-Friendly (Same Price)	59%	36%	5%
Knifeless/Easy Opening of Vacuum Packages	54%	43%	3%
Pre-Portioned in Meal-Size Quantities	53%	38%	9%
Environmentally-Friendly (at Price Premium)	41%	50%	10%

Interest in freezer-ready (66%) and pre-portioned packaging solutions (59%) scored especially high among shoppers who tend to buy in larger quantities to freeze and use over time. To the contrary, shoppers who tend to purchase multiple times a week for preparation over the next few days, have a higher interest in resealable packaging (70%). Resealable also piques the interest of smaller households (69%).

Environmentally-friendly packaging remains subject to price sensitivity. Interest did rise from 31% to 41% even at a price premium, with greater interest among high-income shoppers and patrons of specialty stores.

As shown by the table above, there is a definite interest for packaging innovations of various kinds. The real question is whether shoppers notice the various innovations when making their selections in the meat case. It is important, however, to educate shoppers on the benefits by leveraging these properties as true selling points. Whether leak-proof or freezer-ready, packaging innovations can help win over significant numbers of shoppers.

For example, while avoiding messiness with leak-proof packaging may be evident to most shoppers, these vacuum-sealed packages have many other advantages such as freezer-readiness, avoiding freezer burn, and extended home refrigerator storage that could be touted along with cleanliness.

In another example, looking at the profile of those who showed above-average interest, environmentally-friendly packaging appears to be a good fit for higher-end meat and poultry, specialty stores and upscale stores. Banners with a strong general focus on being "green" through operational and building practices could extend this green image by offering environmentally-friendly packaging. Consumer education on how the product is aiding the environment (recycled materials, compostable materials, using less material or renewable materials, for example) will help adoption.

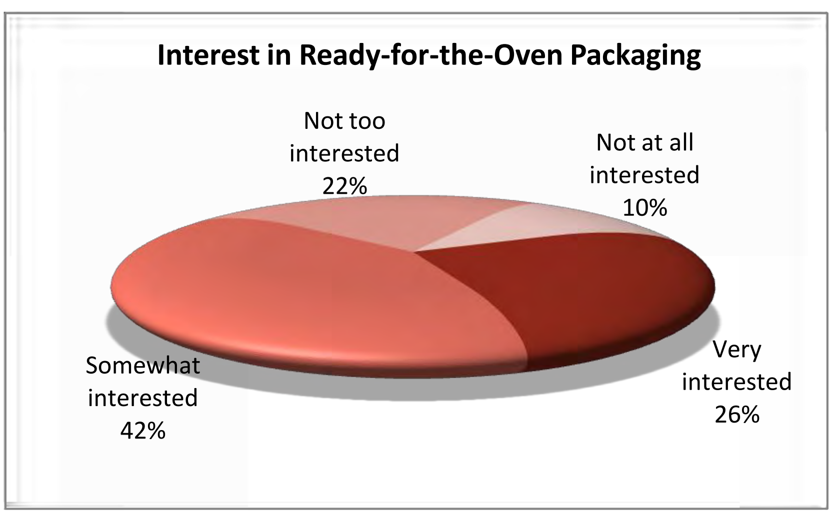
Likewise, understanding which cuts and kinds of meat and poultry tend to be purchased in larger quantities may help retailers and packagers focus on solutions such as resealable packaging, pre-portioned bulk packaging, packaging aimed at providing greater shelf life or even on-pack directions on how to minimize spoilage.

Left: example of leak-proof packaging

Right: example of easy opening packaging

Growing Interest in Ready-to-Cook Packaging

One of the newest innovations is that of ovenable packaging. When asked about interest levels in a solution that offers pre-seasoned, ready-for-the-oven fresh meat that can be cooked in the package it is sold in, just over one-quarter says they are very interested. An additional 42 percent are somewhat interested and the smallest share at 10 percent has no interest at all.



Improving the Meat Department

Chapter Insights

- Cleanliness and quality are the highest-rated attributes of meat departments across banners and formats. Supermarkets generally performed better than supercenters, with the exception of the price perception — particularly everyday prices.
- Shoppers are generally satisfied with their meat departments —58 percent say they are "very satisfied," translating into an average score of 3.5 on a four-point scale.
- Not price, but good quality, customer service excellence, in-stock performance and a good variety drive satisfaction with the meat department. Availability of a full-service counter or butcher is especially important among supercenter shoppers.
- Shoppers shared many suggestions for improvement, many centered on price, better customer service and the presence of knowledgeable personnel, variety and quality.

Cleanliness New Number One on Industry's Score Card

In addition to learning about habits, interests and preferences, the survey probed into how the industry is measuring up. Cutting across banners, shoppers provided feedback on how the meat department at their primary store is performing in terms of variety, quality, prices, customer service, product availability and cleanliness. Respondents used a 10-point scale, where 10 is excellent.

- **Cleanliness** —Meat department cleanliness was the highest ranked attribute, up from second place last year. Shoppers commented on preferring a clean store, with some specifically describing the desire for wipes and bags, personnel in clean aprons, lack of smell and nicely stocked inventory. One respondent added, "I like it when the packages are nicely organized, personnel is readily available and everything is wiped and clean."
- **Quality** — Quality was the second highest-rated attribute in the meat department, at 7.7. Good quality is enormously important and evokes the strongest of open-ended responses, with shoppers expressing the need for value (i.e. high quality) for their money.
- **Variety** — Both the cuts and kinds available and the variety of package sizes scored below average compared with other survey attributes. While supermarkets fared slightly better, variety there too is a mid-tier performing attribute at best. Recommendations for improvement called out greater interest in pre-marinated meat, exotic meat and value-added options such as cordon blue or stuffed chicken breast. Product availability (out-of-stocks) was rated with the third highest score of 7.5. This year's survey included comments encouraging greater availability of smaller packs for one to two person households as well as larger packs for added savings.
- **Prices** — The industry's average rating for promotional pricing is much better than that of everyday meat and poultry prices at 7.4 and 6.9, respectively. Supercenters were rated better on everyday prices and promotional offerings.
- **Customer service** —Customer service was a mid-tier attribute with an average score of 7.3. Supermarkets were scored much better than supercenters on the helpfulness and knowledge of their associates. As noted in several places throughout this report, having knowledgeable staff in the meat department can be an excellent way to improve sales, customer satisfaction and loyalty.

Rating on a scale 1-10, where 10 is highest	Vs. 2013	Average All Shoppers	Average Supermarket	Average Supercenter
Cleanliness	↑	8.1	8.2	7.7
Quality of fresh meat and poultry	=	7.7	7.9	7.1
Actual availability of product in the self serve case	↑	7.5	7.7	6.4
Prices of items on promotion	↑	7.4	7.3	7.5
Customer service/helpful, knowledgeable meat department associates	↑	7.3	7.5	6.7
Variety of meats and poultry cuts available	=	7.2	7.4	6.9
Variety of package sizes available	=	7.0	7.2	6.7
Selection of private brand meat and poultry	=	7.0	7.0	7.0
Everyday prices	↑	6.9	6.7	7.3
Helpful Information (Recipes, Meal Suggestions, Etc)	N/A	6.4	6.5	6.2

Retailers can use these averages to compare their own performance against that of industry peers to determine the strengths and weaknesses of their own operations.

Quality and Customer Service Drive Meat Department Satisfaction

Fifty-eight percent of shoppers are "very satisfied" with the meat department they shop most, which equates into an average score of 3.5 on the 4-point scale. Supermarkets did slightly better at 3.6. Importantly, the primary drivers of having satisfied shoppers are ***not*** everyday or promotional pricing, but quality product, customer service excellence, good in-stock performance as well as a variety of cuts available. Supercenter meat department shoppers show a different line up, with in-stock performance having the greatest influence on department satisfaction as well as a good variety of package sizes.

	All shoppers across outlets	Buy meat/poultry at supermarkets	Buy meat/poultry at Supercenters
Percentage of sample	100%	62%	23%
Department satisfaction Overall satisfaction with the meat department (4-point satisfaction scale, where 4 = very satisfied)	3.5 Avg with max score of 4.0 58% % Very Satisfied	3.6 Avg with max score of 4.0 61% % Very Satisfied	3.4 Avg with max score of 4.0 49% % Very Satisfied
Drivers of satisfaction Linear regression to determine strength of relationship between attribute scorecard and department satisfaction	Quality of meat/poultry Customer service Availability (in-stock) Variety of cuts	Customer service Quality of meat/poultry Variety of cuts Availability (in-stock)	Availability (in-stock) Customer service Quality of meat/poultry Variety of package sizes

A few more insights:

- Supercenter patrons who buy meat and poultry in the *supermarket* channel rated the meat department there with an above-average 3.7. In other words, they make the conscious decision to shop for meat and poultry outside of their primary grocery channel and are highly satisfied doing so. This will make it hard for supercenters to increase shopper conversion within their channel. Supermarkets can secure their purchase through operational excellence in inventory and quality. Private brand offerings are also more important to supercenter shoppers.
- While prices (both price per pound and package price) are the most important attributes in the meat purchasing decision process, they are not primary drivers of satisfaction with the department. This underscores the notion that few, if any, retailers can compete on price alone. Instead, shoppers seek value. One shopper wrote, "quality of product is more important than price...up to a point."
- Even though the bulk of the meat purchase comes from the self-serve case, good customer service generates the most satisfied shoppers, especially in the supermarket channel. As documented in recent years, shoppers' knowledge of buying and preparing meat and poultry leaves much to be desired. Expert advice and meat cut to order go a long way in driving satisfaction.
- Out-of-stocks is one of the greatest detractors of satisfaction in general and in the meat department. Among supercenter shoppers, actual availability is the number one driver of a satisfied shopper and the number three driver overall. In-stock performance of items on sale especially is important to creating satisfied shoppers.

Having satisfied shoppers is important to the bottom line. In their annual research, The Supermarket Experience Study, The Retail Feedback Group found that satisfied shoppers tend to shop more frequently, spend more, are more likely to recommend the store to others and are more loyal to the store — all great reasons to maximize performance on quality, service, in-stock performance and variety of cuts.

Shopper Recommendations

Lastly, respondents shared suggestions on how to improve shopping the meat department. This year, comments surrounded four central themes:

- Lower prices — Better pricing has been a popular theme these past few years, with meat and poultry prices subject to above-average inflation.
- Better variety — This includes both comments relative to package size and the various proteins.
- Better customer service —Recurring comments include having a butcher available, having knowledgeable staff to help with advice and special cuts and better/friendlier customer service.
- Freshness and Quality — Several comments referred to the need for fresh meat, low in fat and gristle. Quality is highly related to a satisfactory experience, as seen above.

Comment categories are listed below, including a selection of verbatim statements for each.

Price

- It seems everything has gotten more expensive, including bacon and hamburger meat. Even looking around for a deal at different stores, I end up buying less to make ends meet.
- Lower prices would be nice. Chicken without bone and beef especially.
- Price is my biggest complaint. Can't afford it as often anymore. I buy rotisserie chicken at Sam's because taste and price are much better and it's bigger! Make three meals out of it.
- My only complaint is prices. If cheaper, I could buy more.
- The only thing is the prices...I shop pre-packaged because it is cheaper than the meat counter.

Types and Cuts of Meat and Poultry (Variety)

- They should start selling chicken variety packs.
- They should have more brands. There isn't a store brand or any other brand for beef anymore.
- More variety, like bison.
- Have more to choose from. Sizes and different kinds of cuts.
- Only thing I would change is offer some whole cuts of meat that can be cut to order, such as a whole beef tenderloin etc...
- I wish they would sell prepackaged half turkeys. I like doing turkey but often a whole one is too big and the stores do not like to cut them due to metal banding to hold the legs together.
- All meat should cater to customer preference. Cut to be ready for cooking when they get home.
- Add more pork options, like pork shoulder.
- More exotic meats need to be offered.

Better Availability (In-Stock)

- Keep your meat shelves stocked.
- When they have a sale, have enough for everyone to buy or give a rain check.
- I sometime run into the problem of product availability in the self-service areas. There seems to be a shortage of popular items (particularly in the poultry section) from time to time, which makes it difficult for me to purchase the desired items to complete my shopping. I would suggest stocking popular products more often than what is currently the standard procedure.
- More quantity on sales days.
- Never seem to have the cut of meat that is in the ad--usually like pork chops are cut very thin--and aren't worth the money.

Customer Service / Bring Back the Butcher

- My store started to do more sampling in the meat department. I like that a lot and they "get me" often. But I can learn how to prepare it and ask questions.
- More people behind the counter. I tend to wait 15-20 minutes in line.
- In my store the butcher is always around, asking if I need anything and up for a little chat. It's great.
- More butchers during busy hours.
- A real live butcher to talk to if I have a question.
- Have someone available about health concern diets.
- I would like to see people that have knowledge of the cuts of meat out in the store.

Quality and Freshness

- Trim the fat off of chicken before packaging.
- Make sure all stocks are fresh.
- Keep meat fresh. Check the dates.

Cleanliness, Packaging and Better Organization

- More in non-leak packages.
- Clean and not smelly.
- Packaging to prevent leaking…if things leak out, things like germs can get in.

More Package Size Variety

- Maybe more half pound hamburger meat packages. Enough for two people. One chicken breast instead of three big ones. We always end up having leftovers that I eventually toss out.
- I would like to see hamburger sold in smaller packages to meet the needs of aging baby boomers. Unless I have company coming over, my meat needs are less most of the time.
- We go to the store much less often than we used to. Bigger pack sizes of our favorite meats (chicken, hamburger meat, pork chops) would be nice to save.
- Pre-portioned fresh meats from in store butcher in a self serve fridge so that I can run in and quickly grab 1 lb of ground beef instead of waiting to ask at the counter.
- More choices in sizes. Don't display 30 packages of ground beef that all weight 0.98 to 1.1 pounds!

Information, Better Signage/Labeling

- Should include information like the date when the meat was prepared and packaged.
- Better labeling on cases of what cuts are where. I have a hard time locating cuts of meat and frequently have to ask where in showcase it has been placed.
- Cooking tips.
- My meat department needs to be organized a little more. More signs for the products would be helpful.

Methodology

The data for *The Power of Meat 2014* were collected through an online consumer panel. The survey was conducted in the second and third week of November 2013, among a national sample of 1,406 U.S. consumers. Sample adjustments were made to ensure the sample accurately mirrored the population. The margin of error associated with the survey is 2.7 percent at the 95 percent confidence level. Percentages may not always add to 100 percent due to rounding. Respondents must have met the following requirements to participate in the survey:

- A minimum of 18 years of age.
- Primary or equally shared responsibility for food shopping.
- Not adhere to a vegetarian or vegan lifestyle.

The report was prepared by Anne-Marie Roerink of 210 Analytics, LLC. For additional data, insights or explanations, email aroerink@210analytics.com or call 210.485.4552.

Sample Selection

The surveys were conducted through an online consumer database, comprised of several million respondents who have agreed to participate in survey research. Interviews took place using a self-administered, online questionnaire via web-assisted interviewing software. To maintain the reliability and integrity in the sample, each invitation contained a password that was uniquely assigned to a panel member. Survey research shows that certain kinds of people have a greater or lesser likelihood to be online and, therefore, to participate in online surveys. The sample shows a higher-than-average representation of Caucasian, college-educated and higher-income shoppers. To account for this, the sample has been tested on key demographics such as income, education, ethnicity and age, and adjustments have been made resulting in a reliable nationwide cross-section of grocery shoppers.

Sampling Error

All survey results are subject to sampling error — the difference between obtained results and those that would have been obtained by studying the entire population. The percentage difference varies with the size of the sample and with the percentage of respondents giving a particular answer. The table below shows the minimum percentage difference that must occur to be considered real for varying sample sizes.

Sample Size and Margin of Error

1,500	1,200	1,000	800	600	400	200	100
↓	↓	↓	↓	↓	↓	↓	↓
2.5%	2.8%	3.1%	3.5%	4.0%	4.9%	6.9%	9.8%

Geographic Regions

- Northeast: CT, RI, MA, VT, NH, ME, NJ, PA, NY
- Midwest: IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI
- South: AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, WV
- West: AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Segment Market and Trend Reviews

Lamb Industry Overview
By: American Lamb Board

There are approximately 80,000 farmers and ranchers in the U.S. that produce 100 million pounds of lamb each year for the U.S. market. Roughly 40 percent of American Lamb is sold into foodservice and 60 percent into retail. Lamb imports from Australia and New Zealand now represent approximately half of total lamb supplies in the U.S. Annual per capita consumption of lamb in the US has remained steady over the past ten years at approximately 1 pound. According to FreshLook Marketing data, fresh lamb sales (pounds sold) in the latest 52 week period increased 7.8 percent for the year, compared with the same period year ago. Lamb prices were down 3.6 percent. The highest consumption of lamb is in the Northeast, Southeast and California — accounting for 70 percent of total U.S. lamb sales.

The top selling lamb cuts by pounds sold are: 1. Shoulder 2. Leg 3. Loin 4. Rib and 5. Ground
The top selling cuts by dollar sales are: 1. Leg 2. Shoulder 3. Loin 4. Rib and 5. Ground

The lamb section of the meat case has come a long way in the past ten years, with retailers stocking a variety of lamb cuts year round. Lamb suppliers are providing a wider variety of cuts and convenient products, including ground lamb, sirloin chops, pre-seasoned leg roasts, pre-cut stew meat, sausages and more.

- **Nutrition labeling** has expanded which presents a great opportunity to educate consumers that American Lamb is a lean, nutritious protein choice.
- Providing consumers with **cooking information and lamb recipes** is critical because many consumers are not confident about how to prepare lamb.
- **Natural lamb products have grown,** with most American Lamb suppliers now offering a line of naturally-raised lamb that have no artificial hormones and no antibiotics.
- The **American Lamb Board has resources available** for stores that are moving towards store branding and packaging, including recipes, cooking information, images and more.
- As butchery is making a comeback, many progressive retailers are looking to return to full service meat counters and butchering whole carcasses. The American Lamb Board has **training tools,** from cut posters to fabrication guides and videos.
- A growing number of shoppers are interested in where their foods comes from, are willing to pay more for U.S. raised meat and are aware of Country of Origin Labeling. The American Lamb Board has on **pack labels that comply with the labeling requirements** and will ensure that consumers know they are buying American Lamb.

According to the American Lamb Board's most recent consumer usage and attitude study (2011), interest in lamb is increasing, yet consumers are not confident in how to buy and prepare it. Compared to the 2006 usage and attitude study, people are more likely to purchase lamb for household use today and significantly more likely to ask their butcher for lamb from the United States. While price is still a top barrier to purchasing lamb, there is great opportunity to increase lamb consumption by educating consumers about how to cook lamb and providing easy recipes. Lamb is the protein of choice in many countries throughout the world and not surprisingly, there is strong demand for lamb by numerous ethnic groups in the United States including the growing Hispanic and Muslim populations. Minority populations account for more than 50 percent of the total U.S. lamb consumption.

Beef Industry Overview
By: The Beef Checkoff

In 2013, total beef dollar sales at retail were $21.8 billion (+1.8 percent versus 2012). Beef pound sales were 4.9 billion (-0.3 percent over 2012). Beef represented 48.9 percent of total meat dollar sales and 34.1 percent of meat pound sales. Beef prices increased 2.2 percent to $4.42/lb in 2013, while total meat prices increased 2.1 percent.

Within the beef category:

- Ground beef was the largest contributor to dollar sales at $8.4 billion, a 1.4 percent increase over 2012 numbers. There was a decrease in pounds sold of 0.7 percent, while the average retail price increased by 2.1 percent.
- Loin is the largest segment for whole muscle beef dollar sales at $4.4 billion (+2.2 percent versus 2012). Loin retail prices increased 2.0 percent, while pound sales were flat at 594 million.
- The whole muscle round segment is the second largest on a pound basis at 532 million (-2.1 percent from 2012). Round retail prices increased 1.9 percent while dollar sales slightly decreased 0.2 percent to $2.2 billion.
- Chuck whole muscle cuts showed an increase in dollar sales at 3.7 percent and pound sales increased by 0.9 percent on a retail price increase of 2.8 percent.
- Cuts from the shoulder increased 5.0 percent in dollar sales in 2013, while increasing 0.5 percent in pound sales on a 4.5 percent increase in average retail price.
- The brisket segment increased in dollar sales by 5.5 percent, while pound sales increased by 12.4 percent. Brisket retail prices decreased 6.1 percent in 2013 compared to the previous year.

2013 Beef Primal and Ground Beef Summary

	Beef Dollars		Beef Pounds		Beef Average S/lbsPound	
Segment & Subprimal	**2013 $ Sales in B**	**% Change vs. 2012**	**2013 lbs Sales in B**	**% Change vs. 2012**	**2013**	**% Change vs. 2012**
Ground	$8.4	1.4%	2.4	-0.7%	$3.49	2.1%
Loin	$4.4	2.2%	0.59	0.0%	$7.46	2.0%
Round	$2.2	-0.2%	0.53	-2.1%	$4.22	1.9%
Rib	$2.4	2.2%	0.33	-0.4%	$7.41	2.6%
Chuck	$1.7	3.7%	0.43	0.9%	$4.00	2.8%
Shoulder	$0.4	5.0%	0.08	0.5%	$4.49	4.5%
Brisket	$0.3	5.5%	0.09	12.4%	$3.08	-6.1%
Plate	$0.2	2.6%	0.03	-0.2%	$5.99	2.8%
Miscellaneous*	$1.2	3.6%	0.25	0.4%	$4.72	3.2%
Total Beef	**$21.8**	**1.8%**	**4.9**	**-0.3%**	**$4.42**	**2.2%**
Total Meat	**$44.6**	**2.7%**	**14.5**	**0.6%**	**$3.08**	**2.1%**

**Miscellaneous includes Flank, Foreshank, Cubed Steak, Stew Meat, Cubes, Strips and Whole Cut.*

Total retail outlets featuring meat ads decreased in 2013 by 0.4 percent. Beef also experienced decline with a 4.6 percent decrease in total outlets, but continues to be the number one protein in terms of total ad share at 38.3 percent. For more information visit www.BeefRetail.org.

SOURCE: FreshLook Marketing Retail Scanner Data/VM Meat Solutions, 2013 vs 2012; USDA Market News, categorized by VM Meat Solutions.

Pork Industry Overview
By: The National Pork Board

2013 at a Glance
As expected, 2013 was a solid year for the pork industry. With competing proteins increasing in price, retailers were successful in aggressively featuring pork and communicating its value, convenience and versatility to consumers. The year started with some surprise export market closures and this hiccup in the first quarter brought more pork home to be sold domestically, thus helping keep consumer prices moderate.

At the farm level, producers experienced an above-expected harvest in 2013 for both corn and soy beans. Feed costs dropped significantly versus the previous year, which sets the stage for 2014 to be a positive year for pork producers.

Maximizing Sales Opportunities
In 2013, the National Pork Board laid out an aggressive plan for the year, rolling out revised nomenclature for fresh pork products, and promoting key loin cuts along with consumer messages focusing on proper preparation. Domestic demand, as measured by consumer expenditures, rose, while actual pounds sold increased as well.

According to FreshLook Marketing, for the 52 weeks ending 12/29/13, fresh pork sales increased 0.7 percent in dollar sales and two percent in volume compared to the same period a year ago. In contrast to other proteins, the average price of pork decreased 1.2 percent during this time period.

During 2014, the National Pork Board will continue to promote pork's versatility, great taste and position as a solid value for consumers. Retailers are encouraged to continue featuring pork through the spring and summer months, offering consumers savings at the meat case.

Enhancing the Meat Case
The National Pork Board also continues to promote simplified cut names for pork and beef with the revamp of URMIS. This initiative has been a real breakthrough for the entire meat industry, especially as consumers are now able to better understand pork and beef cuts available in the meat case and how to prepare them.

Retailers can now use beef nomenclature for several key cuts from the pork loin. Names like Porterhouse Chop, Ribeye Chop, T-Bone Chop and New York Chop are easily recognizable by consumers and allow retailers to drive added value from one end of the pork loin to the other.

Merchandising Tools
The National Pork Board will continue to offer Grill it like a Steak™ in-store point-of-sale materials that feature mouth-watering photography, making it clear that the Porterhouse and other chops are right at home on the grill. Additionally, the National Pork Board will have in-store point-of-sale materials that feature ribs for the upcoming grilling season including back ribs, spareribs, St. Louis style ribs and country-style ribs.

For more information on merchandising pork in 2014, visit www.PorkRetail.org.

Turkey Industry Overview
By: The National Turkey Federation

Americans eat turkey at nearly twice the amount now than in the past 30 years – each of us an average of 16 pounds of lean turkey protein each year. Today's health-conscious consumer seeks delicious, nutritious meals at home and when dining out. Seven out of 10 consumers focus on eating healthier at restaurants than they did just two years ago and 78 percent of consumers either put some or a lot of effort into ensuring meat and poultry choices are healthful and nutritious. Turkey is often their choice as high in protein, low in fat and versatile for use in barbeque and soups, sauces, salads, and wraps, as well as for breakfast, appetizers and dinner.

Enjoyment of turkey is year-round, as well as for Thanksgiving. Turkey growers have responded to rising consumer demand since 1970, with whole turkeys still the most popular – 21 percent of all sales. Nearly 254 million turkeys were raised last year; 46 million were served on Thanksgiving Day. Well over 200 million birds are served in portions enjoyed throughout other days of the year.

Value-added processing through selected cuts for turkey tenderloins, turkey roasts, medallions and drumsticks drives today's turkey production to a total of just over $17 billion. Exports of turkey reached over 363,000 metric tons, with the United States as the largest supplier worldwide. More than 12 percent is sold to Mexico. While Americans prefer white breast meat, selections of dark meat find more popularity in Europe and the Middle East.

The National Turkey Federation is found at EatTurkey.com, on Twitter @TurkeyGal and on Facebook as Turkey.The Perfect Protein. The National Turkey Federation is the national advocate raising awareness for its members' products, while strengthening their ability to profitably and safely deliver wholesome, high-quality and nutritious food to consumers worldwide. The National Turkey Federation represents growers, processors, hatchers, breeders, distributors, allied services and state associations.

Chicken Industry Overview
By: National Chicken Council

A record corn harvest has prompted corn prices to fall enough to shave at least six cents off the cost of producing a pound of ready-to-cook chicken. Further, the declines in soybean meal prices have saved another two or more cents per pound. Thus, a measurable amount of net margin relief is being provided, despite the softer chicken prices experienced during fourth-quarter 2013.

In 2006, before ethanol requirements affected corn feed prices, per capita consumption of chicken reached a record high of 87.7 pounds. Since then, consumption has varied from a low of 81.0 pounds in 2009 to a high of 86.4 pounds in 2007. In 2013, USDA's estimated consumption is 83.2 pounds per person, 1.4 pounds more than in 2012.

In 2014, USDA sees chicken consumption increasing 1.8 pounds over 2013 to reach 85.0 pounds per person. That forecast is based on the expectation of a 2.9 percent increase in production and an increase of 2.0 percent in exports. Since changes in consumption essentially move in lock-step with changes in production, it is quite possible to see 2014 consumption exceed USDA's year-end forecast. That is, if analysts outside USDA prove more accurate with their production forecasts of a 3.5 percent or even a 4.0 percent increase, and if the increase in exports remains at a modest rate. Per capita consumption could then reach over 86.0 pounds — closer to the 2006 record high of 87.7 pounds.

More important than achieving a record high in consumption is the basic question, "Are consumers ready, willing, and able to pay for a year-to-year increase that may approach three pounds more per person?" Prosperity may continue for the chicken industry in 2014 if the answer to this question is "yes."

Retail Chicken Performance
December 2013 dollar sales for chicken increased slightly (+0.4 percent) versus the prior year, according to FreshLook Marketing and USDA Market News data. Over the past 52 weeks ending December 29, 2013, chicken dollar sales were up 7 percent, considerably higher than total meat category dollar sales (+2.7 percent). While chicken pounds decreased in December (-4.5%), they were up slightly (+0.6%) from the like period from the prior year for the last 52-week period. December's average price per pound for chicken increased versus a year ago (+5.1%), to $2.26/lb.

2013 Top 5 Ranking of Chicken Cuts by Frequency of Supermarket Advertised Sales
1. Breast, boneless/skinless, regular pack: 10.6% of sales / $2.96/lb
2. Drumsticks, value pack: 8.3% / $1.14/lb
3. Boneless/skinless breasts, value pack: 8.0 % / $2.45/lb
4. Thighs, value pack: 7.45% / $1.20/lb
5. Fried Chicken 8-piece mixed: 7.1% / $6.74/lb

Sources: FreshLook Marketing and USDA Market News data

For more information on merchandising chicken in 2014, visit www.nationalchickencouncil.org.