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### **FRESH FOOD: Natural Meat: Stampede!**

*The natural and organic meat marketplace is booming with supplier introductions and retail programs. But is the boom as healthy as it appears?*

**By Meg Major**

*JULY 01, 2006 -- Fresh meat has received its share of attention as a segment of the burgeoning natural foods movement. The momentum is prompting more and more grocers -- mainstream and specialty, chain and independent -- to stake their claim with new or expanded programs featuring natural or organic proteins. The level of activity is leading some industry players to question*

whether this movement in the meat segment is in danger of stampeding out of control.

"Nearly all major packers are entering the category of natural," says Charlie Moore, v.p. of marketing for Denver-based Maverick Ranch, "with either a minimally processed line, meaning 'not enhanced,' or truly naturally 'raised without antibiotics or hormones'. Because these offerings are so broad and inconsistent to specific product attributes, the category is becoming even more confusing to the consumer."

Moore's comments echo the observations of other packers as well as some retailers, who are concerned about the potential for confusion and, even worse, abuse of consumers' trust as natural and organic meat programs increasingly turn up in the meat cases of megaretailers.

No one can argue against the robust growth in demand for premium-positioned meats increasingly taking on the patina of 'natural,' which in this case refers to proteins free of growth hormones, antibiotics, and animal byproducts in the feed. Many retailers are increasing shelf space, in spite of an overall overabundance of protein on the market. Driving the herd are more nutritionally aware, quality-conscious consumers.

The challenge is that this class of leading-edge consumer is also hungry for specific knowledge about the food they're buying, and how and where it's being produced. And as retailers are now discovering, the better-educated consumers are about nutrition, health, and food quality, the more comfortable they are trading up to products with multiple quality-oriented attributes.

Austin, Texas-based natural food pioneer Whole Foods has put its own spin on the natural meats movement, using findings from a national survey that confirmed Americans' affinity for meat. The retailer found that consumers eat meat an average of 4.2 times a week, or 218 times a year. The chain's survey also revealed that flavor is just one attribute they look for: Safety and the humane treatment of animals are also top factors in their selection of which meat and poultry to consume.

Tellingly, however, it was also clear in Whole Foods' research that many consumers are themselves not too clear on what their stores' policies are for choosing and merchandising premium meats. While 51 percent said that a retailer's set standards for meat products were a key factor in deciding where to shop for meat, 51 percent also admitted that they were unsure of what those standards were.

"The results of this survey tell us that Americans are lacking information about the way their meat and poultry is

raised, and that having more information is nearly as important as the flavor of the meat they purchase," says Edmund LaMacchia, Whole Foods' v.p. of purchasing, perishables.

The store ought to be the ideal source for this information, say some in the industry. Single-store operator Aileen Magnotto, who co-owns a Shop 'n Save in Hermitage, Pa. with her husband, Michael, is one of them.

"I think people are very confused about what the word 'natural' means," says Magnotto. She aspires to change that personally by, among other tactics, hanging around her store's meat department as much as possible to draw out customers and respond to questions.

Magnotto probably has more of a stake in the issue than most. Diagnosed with stage 1 breast cancer a little over a year ago, she spent much of last summer researching her diet, after learning that her cancer was hormone-driven, potentially as a result of hormones found in meats and animal products such as milk and eggs -- all of which previously were her dietary mainstays.

On a hormone-blocking drug, and armed with a new understanding and belief in hormone-free meats, Magnotto first tested the retail waters last Thanksgiving with free-range turkeys. After finally linking up with a distributor, Magnotto brought in 25 free-range turkeys, only three of which were pre-ordered when placing the original order.

"We quickly found out there was a demand, even though we didn't advertise them," she says. "But by word of mouth we sold double what we originally projected."

The experience prompted Magnotto to expand hormone-free offerings across all species. Her assortment today includes Freeport, Maine-based **Wolfe's Neck Farm** for beef; Ohio's Amish Gerber Farms for chicken; and Jackson Center, Pa.-based Wil-Den Farms for pork. Sales of all three naturally raised species "are going very well," she says. "We're pulling people in from a 60-mile radius because they know they that they can't get the quality anywhere else."

Magnotto is on a mission to educate consumers about hormones in their diet. "Things that are called 'natural' are not standards that I would want, so it's important that we communicate our assortment and help consumers accurately sort out their options."

The U.S. Department of Agriculture's loosely defined "natural" designation remains, in the minds of some, the chief culprit of the confusion. Fresh meat and poultry could soon bear new nutrition information labels that would detail such information as protein, fat, and carbohydrates, as packaged foods already do. The USDA is working on the nutritional-labeling plan, and a final federal law for a nutritional-labeling rule may be issued by year's end.

Perhaps even more momentous effects will come in the wake of Wal-Mart's well-publicized natural and organic rollout, which of course includes the meat department. Maverick Ranch's Moore says that it will be interesting to see how the initiative plays out.

"It brings legitimacy to the natural category, but will force other retailers to lower margins on natural meats to be competitive," predicts Moore. "Additionally, with large retailers like Ahold's brands and other retailers going with a private label natural meat program, there is a risk of the natural category losing its consumer value."

Given his status as a specialty branded marketer, it shouldn't be a surprise that Moore wonders out loud if consumer trust might erode "without the presence of a strong or identifiable family/company behind the natural brand." But he says his concern arises from the segment's historical ties to family farming.

"Extensive consumer feedback has shown that this consumer -- who wants to support small-family farming and smaller-scale operators, whose corporate values are reflected in family, integrity, and environmental causes far better than in profits and shareholder returns -- doesn't necessarily trust big conglomerate brands, or brands without a track record or identity," says Moore.

A natural meat leader that was among the first companies to offer retailers a one-stop shop for multiple all-natural proteins, Maverick recently added 100 percent certified organic meat and poultry, which Moore is convinced is the future.

"Many of our current retail partners have enthusiastically encouraged us to pursue organics, and it's our goal to

have the largest product selection of organic meat, poultry, and oven-ready items within the next five years," says Moore. "We already have many farmers in a transitional organic stage."

Compared to the growth of natural meats, organic meats have lagged considerably, due to small-scale production costs and resulting short supplies that push prices up to three times higher than those of conventional meats. Short supplies notwithstanding, recent research released by London-based Organic Monitor found 51 percent market growth in 2005 for organic meat, a figure that's in close proximity to the 55 percent recently recorded by the Greenfield, Mass.-based Organic Trade Association (OTA).

The disparate supply-and-demand ratios of organic meats come as no surprise to Wheeling, Ill.-based Sommers Organic, which commissioned its own organic research, and discovered that organic meat demand goes largely unfulfilled.

"We realize there's a tremendous growth opportunity with respect to consumer interest in organic meats," said Walter Sommers, c.e.o. of the family-owned company, whose organic meat customers include Lowes Foods, Trader Joe's, Costco, Wild Oats, Cub Foods, and online at Peapod.com. "People are becoming more concerned about the health and environmental impacts of the foods they eat."

Laura Freeman, president and c.e.o. of Lexington, Ky.-based Laura's Lean Beef Co., is a "natural" when it comes to discussing the category from a historical perspective -- her company was incorporated 21 years ago this summer.

"It is a boom time," notes Freeman, "so a big question on the table is the nature of supply and distribution. At Laura's we've always done naturally raised beef for mainstream groceries. When I started, there wasn't a Whole Foods. There was an IGA, and after that, a Kroger. I wanted to make beef truly healthy, and this meant lower in fat. All of our research indicates this is still the choice for kids, boomers, and the population at large."

Several producers are upping the ante, with proprietary source-verified quality standards and rigorous humane handling guidelines, including Kansas City, Mo.-based National Beef, which recently launched a natural NatureSource Angus beef program to complement its Naturewell brand launched in 2004. NatureSource only uses U.S.-born Angus cattle that are raised on 100 percent vegetarian diets and never receive antibiotics or added hormones at any time.

On the right track

Brawley, Calif.-based Brandt Beef is another standard bearer in the premium natural sector with its True Natural brand, a recognizable name among several major restaurants and retailers. The Brandt family has been in the livestock and farming business since the early 1900s and started feeding cattle commercially in 1945. In the early 1990's the company began raising its animals naturally, and today is taking the lead with a fully integrated birth-to-consumption source-verification tracking process offering the latest in tracing technology -- GlobalTrack, a system specifically designed for the Brandt Natural program by GTR-Datastar.

In addition to GlobalTrack, every Brandt Beef shipment benefits from Cryovac iBag Shrink Packing using InfoWrap technology, which provides an additional safety measure enabling tracking not only to each box, but to a particular animal's identity in relation to each piece of meat. Each bar code contains the audit trail of the product through the entire supply chain, even including laboratory test data from internationally recognized food safety laboratory Silliker, Inc. Samples from every Brandt Beef combo bin go to Silliker for testing and the results are obtained before any product is shipped.

The changing global consumer demand for source-verified product that has certified natural attributes is the most significant development in natural/organic meat sales over the past year, according to Brandt Beef's v.p., Eric Brandt. "New and impending changes to the laws that govern food quality, safety, and labeling will ultimately force more producers to change how they do business."

As such, Brandt notes: "Retailers should consider developing retail marketing programs that inform the consumer about the benefits of natural beef and how to identify real natural beef products. There are many products currently being sold under the guise of 'natural' or 'organic,' which in some cases is more marketing than reality."

Among the collective challenges before retail trade partners, Brandt says it's imperative that both suppliers and retailers "educate the consumer correctly. We believe the success of a natural beef program is dependent on the retailer's selection of the right natural beef that has the shelf life, retail case appearance, and product performance."

But he cautions: "The success of these programs doesn't happen overnight. The retailer must stick with it and allow the consumer to learn the difference. Retail partners have the opportunity to develop a fiercely loyal customer base. Consumers often have an emotional response to purchasing decisions. If they find a quality product that they like and it performs, they stick with it and tell their friends."

Indeed, juicy narratives detailing the idyllic pastures, diets, and climates enjoyed by their livestock are part and parcel of the sizzling strategy behind many natural and organic meat producers, allowing retailers to forge an emotional bond with customers at the meat case.

That's just what Matthews, N.C.-based Harris Teeter did when launching its new line of proprietary natural beef as the newest member of its signature Naturals product line. The new beef program features 90 percent lean ground beef, rib eye steaks, top round London broil, and New York strips, among other varieties.

Source-verified for traceability to the ranch of origin, Harris Teeter's natural beef offers a double money-back guarantee to reinforce its promise of a top-quality product. The 147-store chain further notes: "By setting the standards high, Harris Teeter partners with only the finest family-owned farms in the country to ensure that shoppers have the premium natural beef available. All cattle that earn the brand Harris Teeter Naturals Beef are raised on farms certified for humane treatment, never given artificial growth hormones or antibiotics, and are fed a 100 percent vegetarian diet."

Grass-fed beef is another hot topic in the food world these days. At presstime proposed USDA regulations calling for a special "grass-fed" label to be featured on grass-finished meats factored prominently in the headlines. To be eligible for the pending new label, a cattle's energy source would have to be 99 percent grass or other forages, under the rules proposed last month.

### Grazing in the grass

While grass-fed beef is gaining in popularity, it has a reputation for being unappetizing and tough. Indeed, a recent national taste test by scientists at Lubbock-based Texas Tech University found that nearly 85 percent of participants favored cuts from cattle fed on grain. Vina, Calif.-based Panorama Organic Grass-Fed Beef has its sights set on changing that perception.

Produced in Northern California by Western Grasslands, Inc. -- a group of family ranchers who raise Black and Red Angus cattle on natural grasses, legumes, and range forage -- Panorama made its debut in the fresh meat cases of three Whole Foods in Seattle and Portland, Ore. and will gradually be introduced at 19 Whole Foods in Northern California over the next two months. Other Panorama customers include 188 Trader Joe's in the western United States and San Francisco restaurants Acme Chophouse and Jardiniere. (Western Grasslands also produces a nonorganic product, Panorama Natural Grass-Fed Beef.)

### Omega-3 pork

The brand plans to distribute its beef nationally as supply increases. "There are other grass-fed beef producers out there, but tenderness and taste have always been an issue," says c.e.o. Mack Graves. "By carefully controlling the genetics of our cattle, we can raise them primarily on pasture and guarantee the customer a tender, flavorful grass-fed steak."


All Panorama cattle are raised in compliance with the "Born and Raised in the USA" verification program, which requires that all cattle be born and raised in the United States and never implanted with hormones, fed animal byproducts, or treated with antibiotics. The program's organic cattle graze on pastures and are processed in plants that are certified organic by the USDA-accredited California Certified Organic Farmers, based in Santa Cruz.

At presstime Verdancia Farms, a U.S. trademark of Canada's Prairie Orchard Farms, received permission from the USDA to market its naturally enriched omega-3 pork in the States. The result of custom-feeding with

flaxseed, vitamins, and minerals, the product has high levels of omega-3s, which are widely believed to reduce the risk of heart disease by preventing arterial blood clotting.

As far as Freeman of Laura's Lean Beef is concerned, however it gets there, the industry's mission is to clear up the confusion and equip consumers with the knowledge they'll need to make their own choices.

The biggest challenge for retailers, says Freeman, "is understanding the green movement, and thinking hard about how it manifests in the health of us all. Then ask yourself, 'Does an organic Twinkie make sense?' The answer tells us whether the whole thing is a fad or a defining moment."

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