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The background is a solid light green color with several overlapping, semi-transparent white circles of varying sizes scattered across it.

# **Identifying the 21<sup>st</sup> century beef consumer**

# In The Traditional Supply-Chain The Consumer is a Passive Participant!

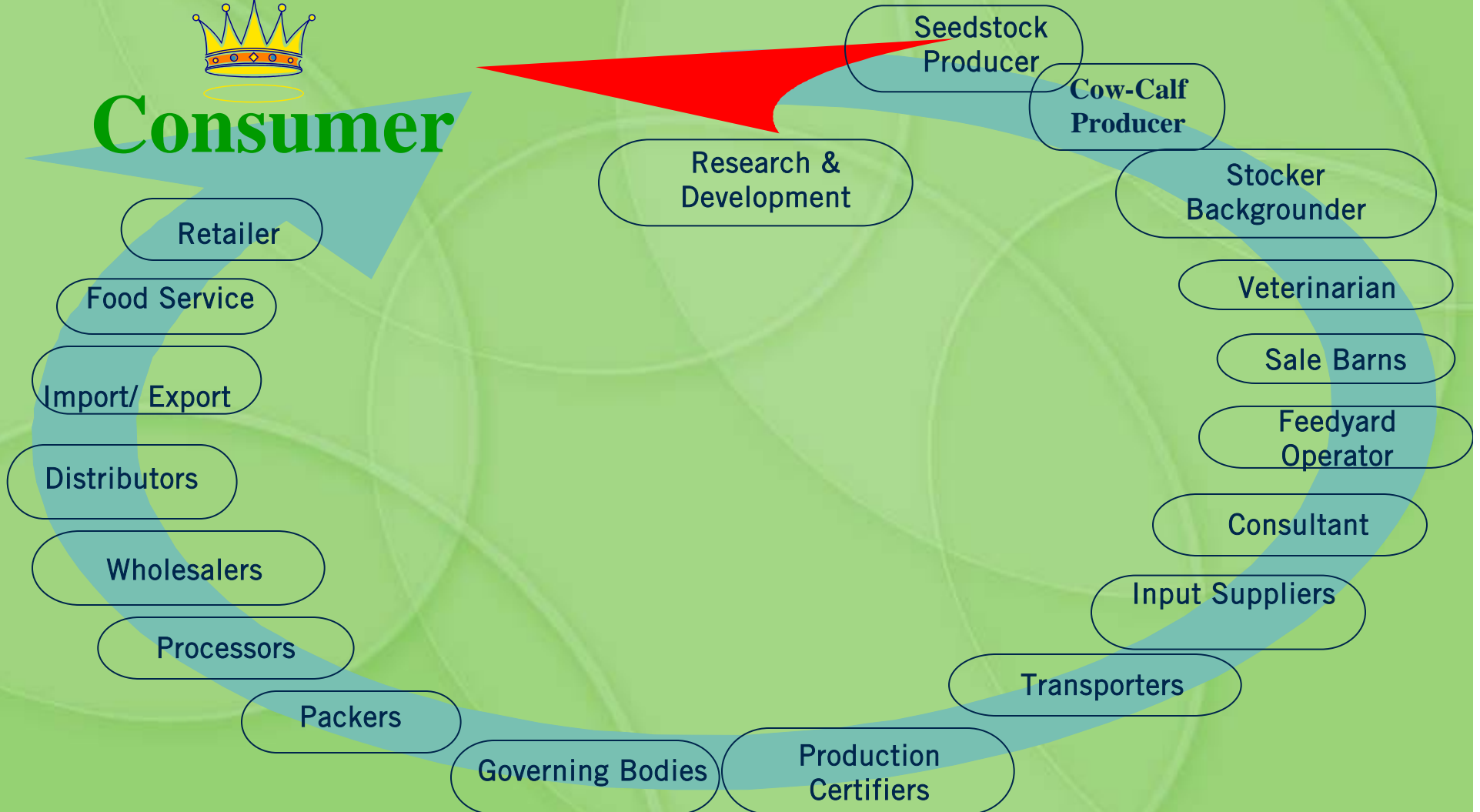
Manufacturer → Wholesaler → Retailer → Consumer

*Source: From Mind to Market (Roger D. Blackwell, 1997)*

# In the New Demand Chain the Consumer is King



**Consumer**



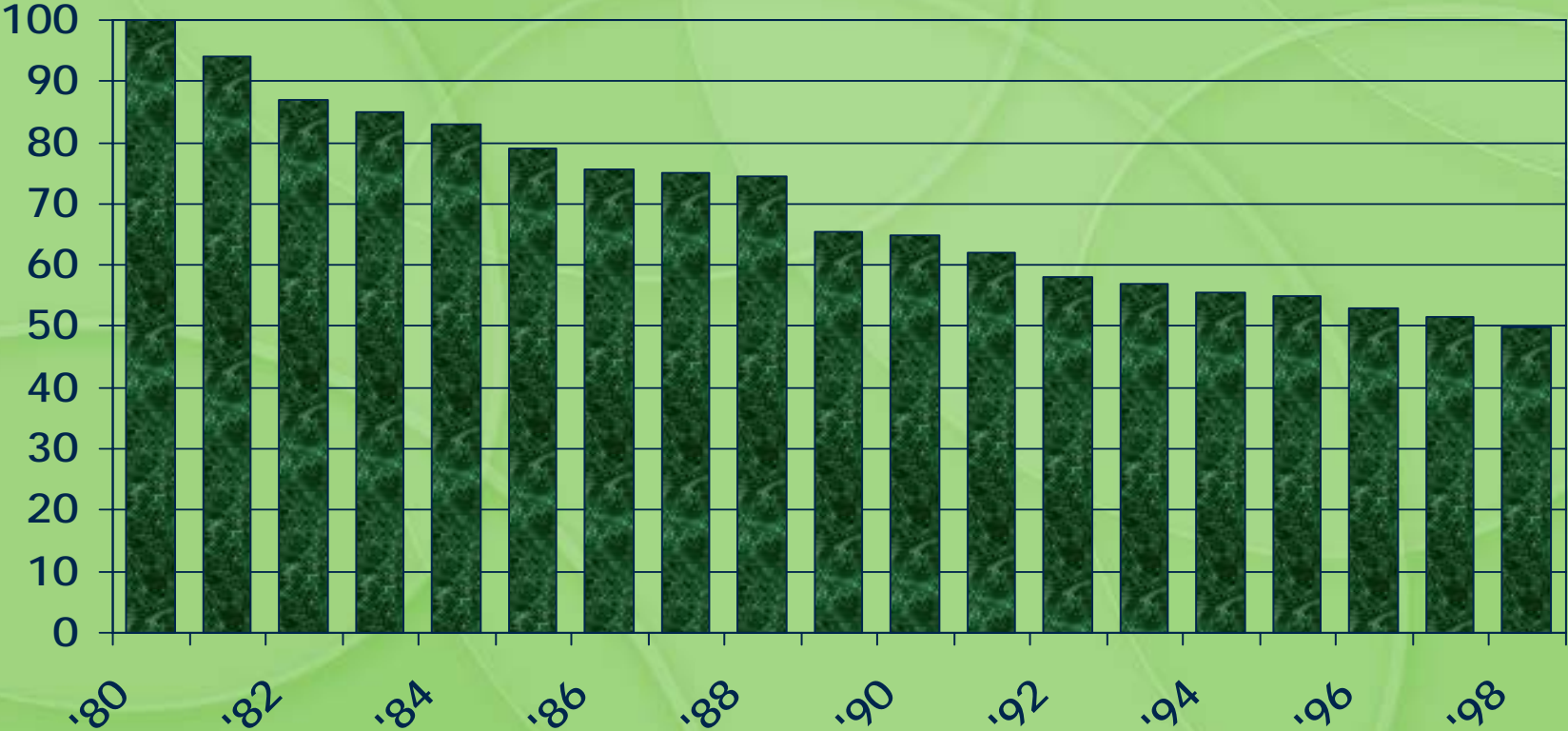
In this “Age of the Consumer” it is critical to monitor how they have changed.

- # More people
- # Higher incomes
- # More single and single parent households
- # More females as head of household
- # More women in the workforce
- # More households where both work
- # Married couples with children are down
- # Ethnic diversity is up
- # Overall U.S. population is aging
- # Global food-systems perspective



These changes led to an increased scrutiny on beef as a product, and the industry was sluggish in its response.

Quantity Adjusted Index for Beef Demand

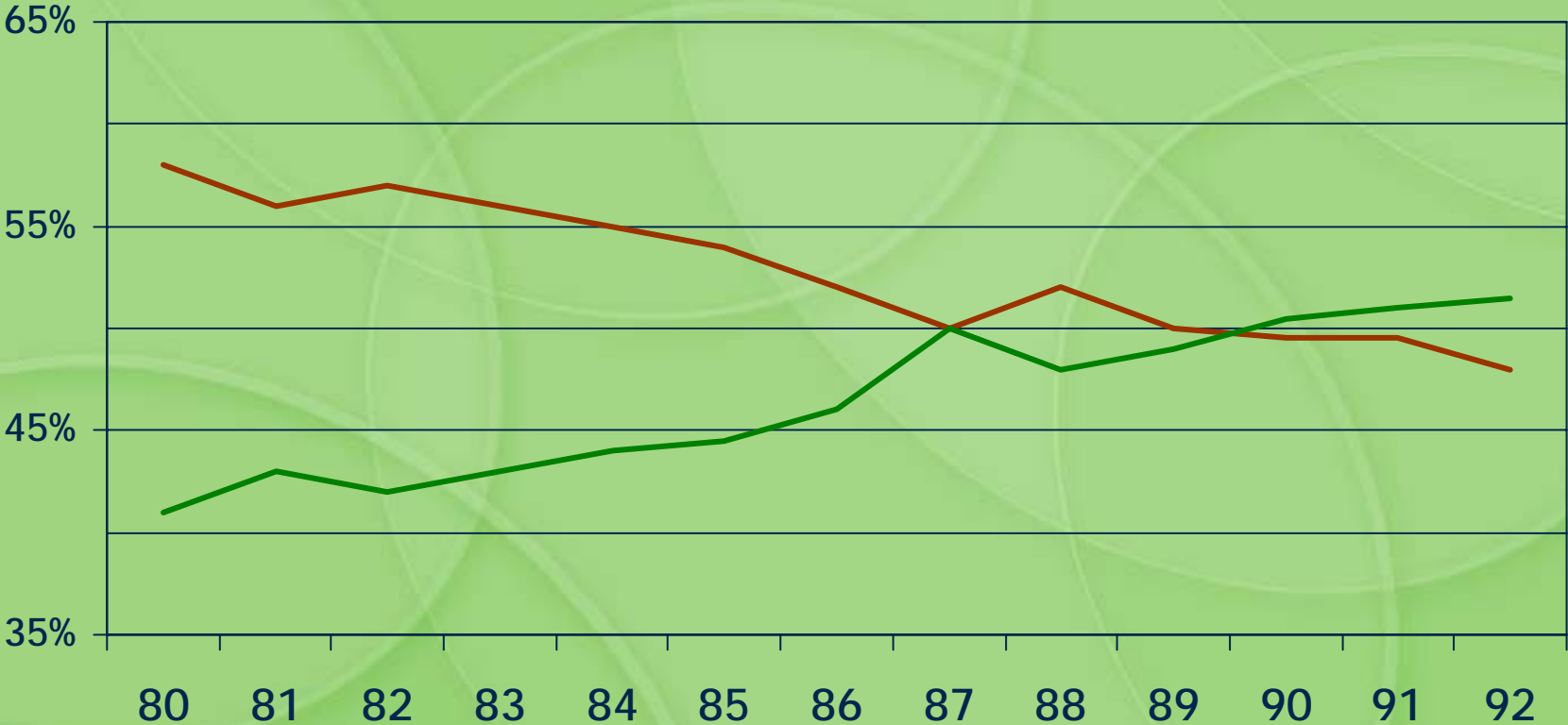


Source: Cattle-Fax and Cattlemen's Beef Board

# Poultry and Pork Were Quicker to Respond to the Changing Consumer

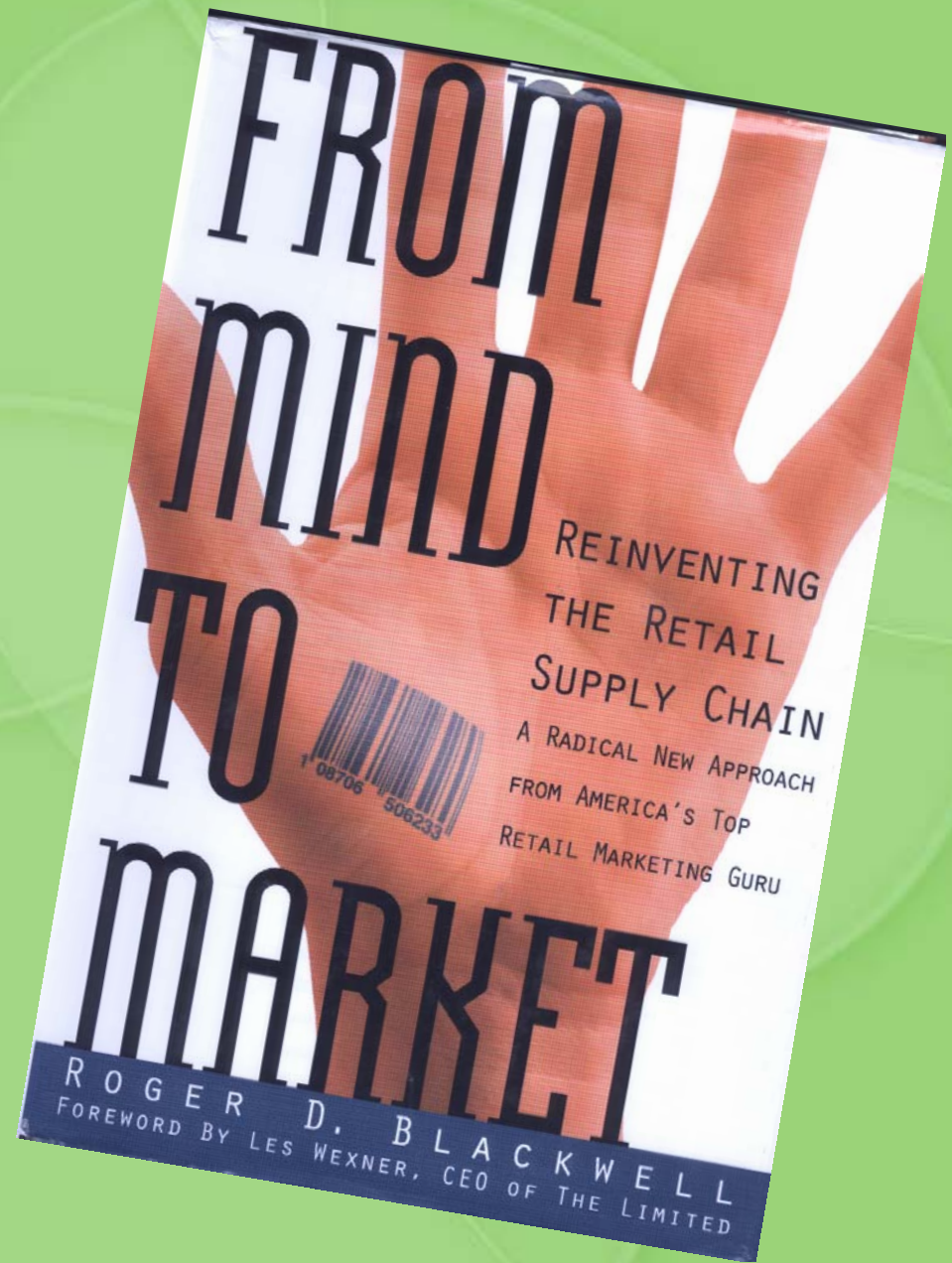
(Share of Consumer Meat Expenditures)

— Beef — Poultry and Pork




Source: USDA

*“The first step toward a sale is identifying a problem or recognizing an unmet need. While this may seem elementary, far too often businesses start the product development process based on what they are able to make or sell rather than basing the process on satisfying customers’ wants and needs.”*





The image features two Tesla coils, one on the left and one on the right, both emitting a bright blue lightning bolt that arcs between their top terminals. The background is black, making the glowing blue light stand out. The text is centered over the lightning bolt.

**A new  
economic  
signal was  
sent that  
changed from  
pounds to  
value.**

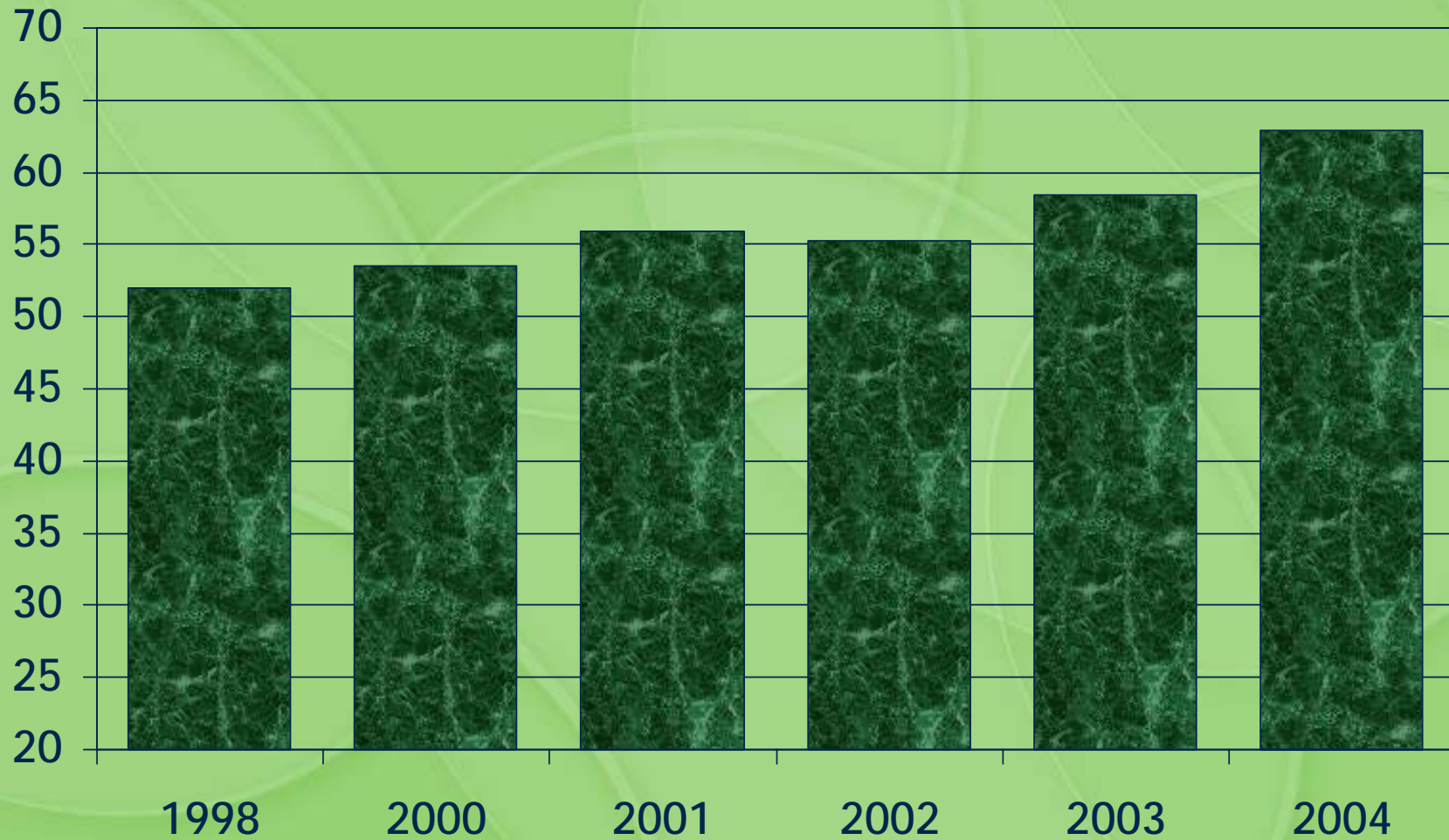
# The Beef Industry Responded by Improving the Product

- Higher quality, consistency and uniformity.
- Introduced new cuts and 50% of beef sold at retail is now branded.
- Created an atmosphere for dedicated, committed producers.
- From 1997 to 2003 the beef industry introduced nearly 2,200 new products.

(Burson-Marsteller Review/New Product News 2002-03)



## 1998 Marked the upturn of beef demand



Source: Cattle-Fax and Cattlemen's Beef Board



*The painful lesson learned is to keep your eye on the consumer and ensure your product is poised to respond to change.*



If the consumer changes  
→ then the buyer of your  
goods/services has to change  
→ you have to change as a  
marketer → I have to change  
as a beef food chain  
communicator.

*It's the ripple effect.*



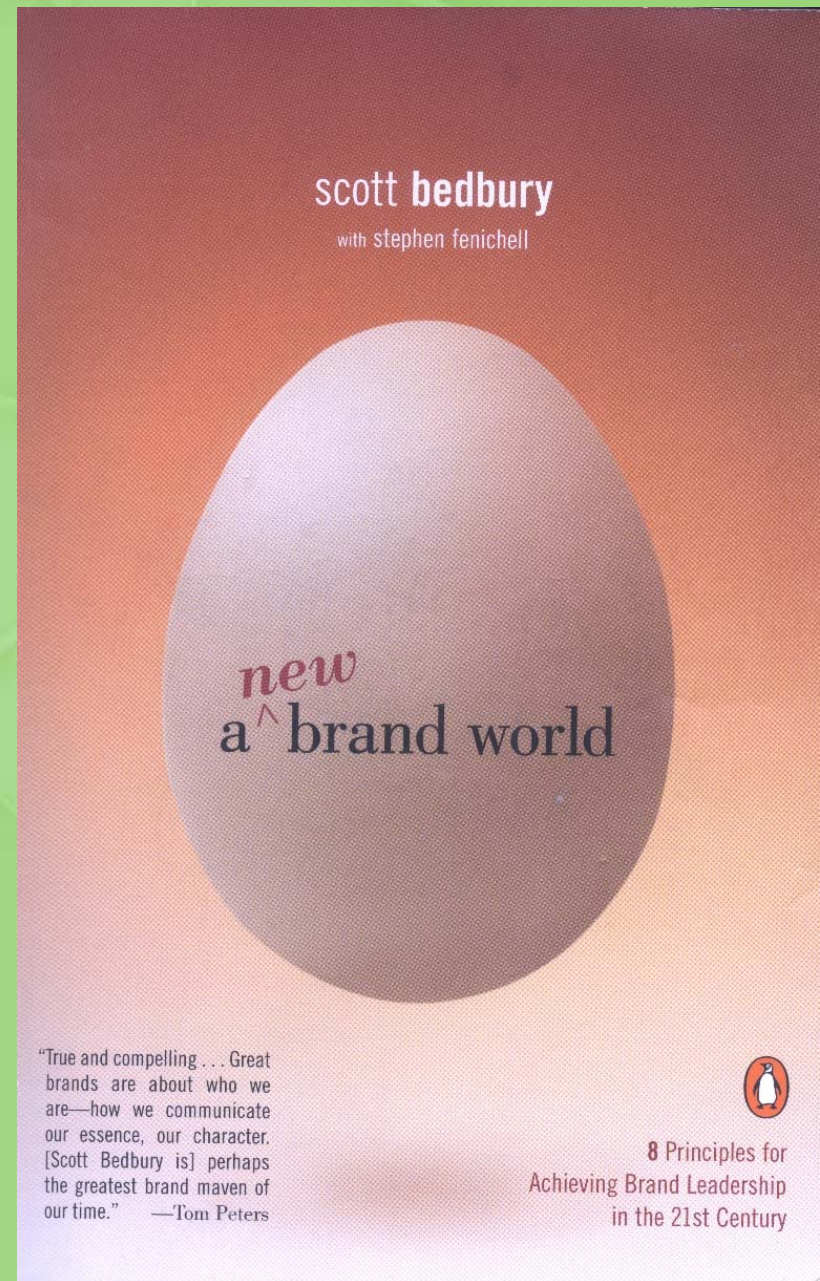
## Your 21<sup>st</sup> century beef consumer is:

- Better educated
- Pushed for time
- Perceived health conscious
- Acquiring a “full-chain view”
- Brand/value driven
- Critically analyzing inputs
- Conscious of food industry issues
- Seeking accountability of all members in the beef food-system
- Safety/security focused

***Food is an emotional purchase!***

“A product is no more than an artifact around which customers have experiences.”

Scott Bedbury  
*A New Brand World*





## Natural Meat Survey

As a Whole Foods Market shopper, you are important to us and we value your opinion...the information we collect will be used to help us better understand what you, our shoppers, expect from Whole Foods Market when purchasing meat.

Please help us serve you better by completing this short survey.

**1) Please indicate how important each of the following factors is when you purchase fresh meat and/or poultry:**

Quality of the cut

Flavor

Variety

Labeled "Natural" or "All Natural" Certified

Organic by the USDA

Raised locally

Raised in the United States

Consistency in flavor and quality

Availability of custom cuts and special requests

Price

Market special or feature of the week

Availability of unique offerings such as bison, ostrich, etc.

Old-fashioned one-on-one butcher service

Take home recipe suggestions and/or cooking tips Oven-ready prepared items  
(raw but ready to cook, pre-seasoned or marinated)

**4) Please indicate how important each of the following factors is when you purchase fresh meat and/or poultry at Whole Foods Market:**

The meat/poultry is free from added growth hormones and growth promoting agents

The animals were never given antibiotics

The animals were raised and processed according to humane animal treatment standards

The animal or bird was raised in natural living conditions appropriate for the species

The meat was not irradiated

The animal could be traced back to the original farm

Food scares such as mad cow disease and avian bird flu

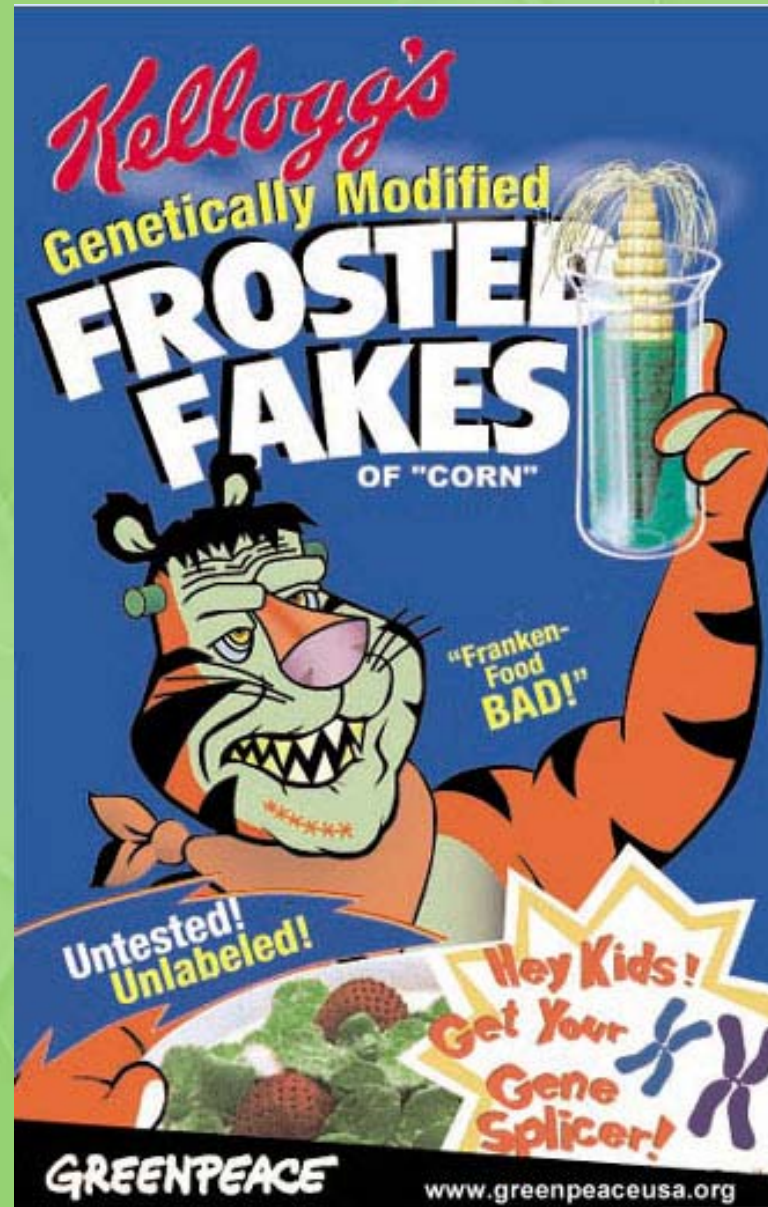
The animal was raised organically

The animals were raised on pasture (as opposed to a feed lot) for the majority of their lives

The animals or birds did not have their tails docked, their beaks trimmed, their teeth clipped or other such practices performed

The animals' or birds' feed contained no animal byproducts







# Case Study



- '99 Global guiding principles
- '00 Animal welfare
- '01 Laying-hen guidelines
- '02 FMI, NCCR animal welfare guidelines
- '03 McDonald's global policy on antibiotic use in food animals



**Proud to be  
U.S. agriculture's  
#1 customer.**

More than one billion lbs. potatoes

Nearly one billion lbs. beef

Nearly 500,000,000 lbs. chicken

590,000,000 lbs. flour

250,000,000 lbs. pork

190,000,000 lbs. cheese

130,000,000 dozen eggs

110,000,000 lbs. lettuce

55,000,000 gallons milk

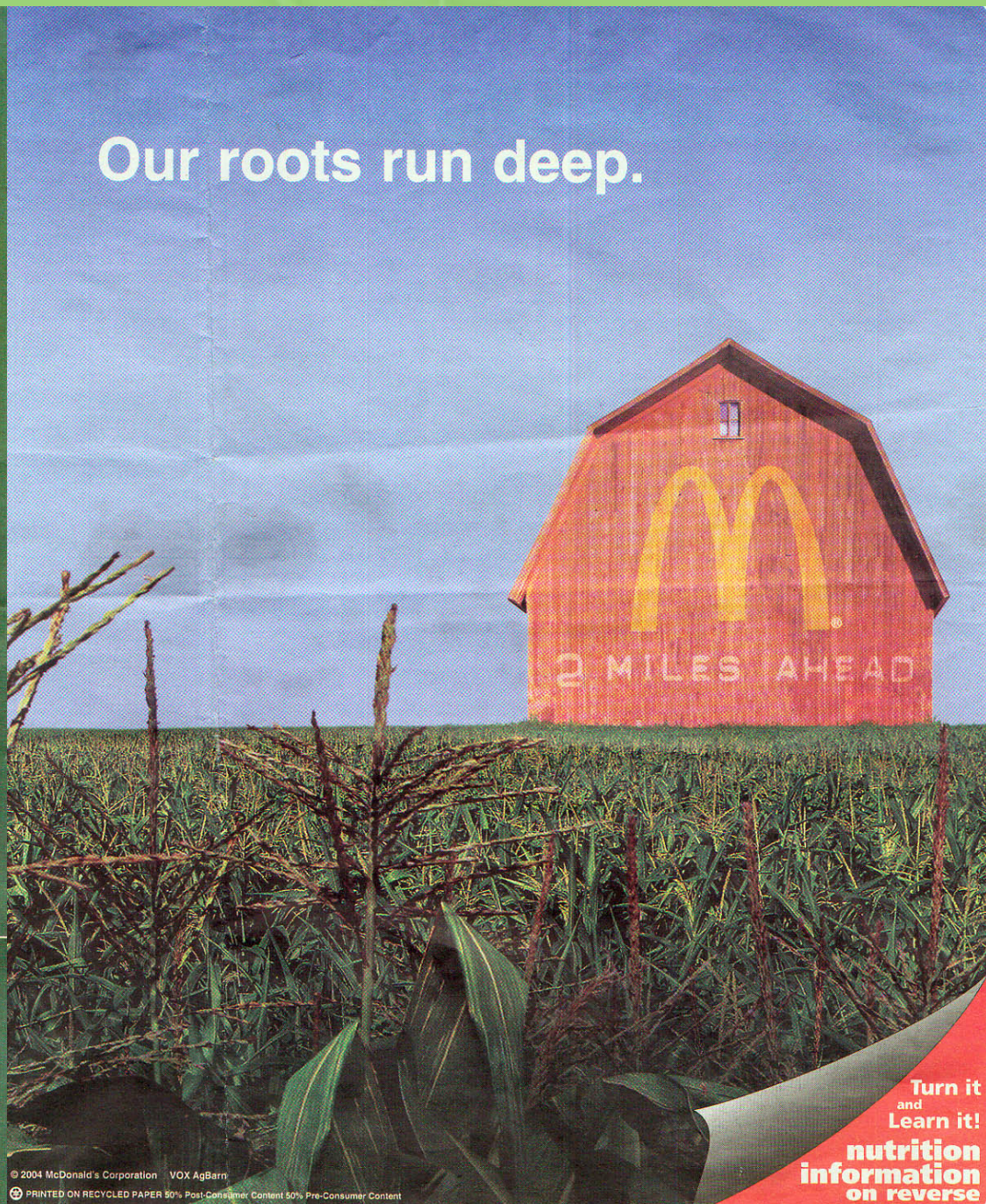
50,000,000 lbs. tomatoes

34,000,000 bushels soybeans

Based on 2002 system purchases.

That's just part of our annual shopping list. . .  
and our preference is always to buy the products of  
America's farmers and ranchers. For almost 50 years,  
these purchasing alliances have been the foundation of  
our business and our roots in the American landscape.

**Our roots run deep.**

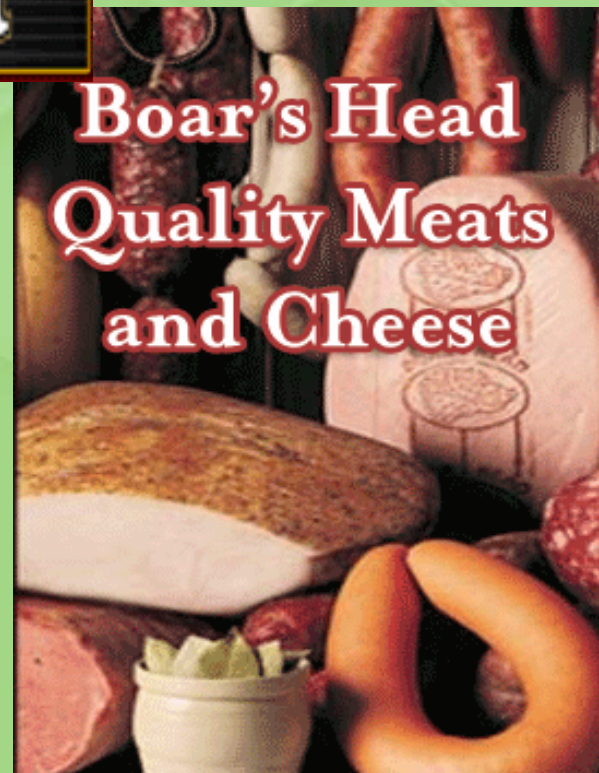


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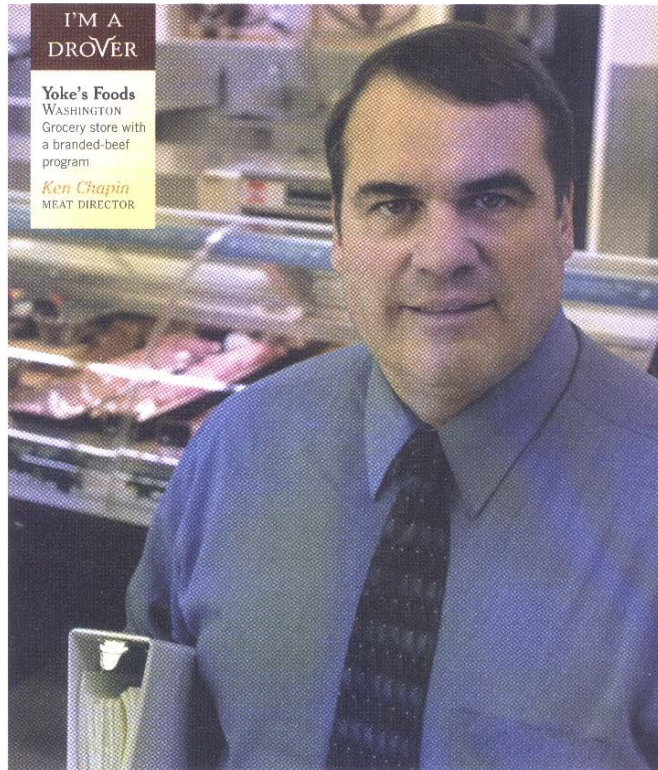
**Turn it  
and  
Learn it!  
nutrition  
information  
on reverse**





*How a  
grocery  
store  
started a  
cattle  
company.*

BY SUZANNE BOPP



## LOCAL FLAVOR

Like most grocery stores, Yoke's Foods in Washington state buys and sells meat. Unlike most grocery stores, Yoke's Foods also buys and sells calves. ¶ Yoke's is a regional chain of 12 (soon to be 13) stores, and things started to change in their meat department when Ken Chapin, the store's meat director, toured a processing plant — and had a revelation. “At the end, the stuff left over was the commodity beef,” he

says. “That’s what we were selling. That’s what most stores were selling.” But that thought caused him some concern, and he began looking for remedies.

Some stores he knew offered two-tiered programs, selling a premium brand in addition to commodity beef. That solution didn’t appeal to him. “It seemed like you were saying to customers, ‘If you have money, you can buy this good beef. Everyone else can buy the commodity beef.’”

He found a way around that when he learned

about Certified Hereford Beef, a branded program that, he says, offered great beef that could be competitively priced. In May 1999, Yoke's Pride USDA Certified Hereford Beef became the only beef in their meat department.

This could be the story of any number of grocery stores, but what happened next took Yoke's down an unusual path. In the process of promoting the new program, Chapin learned that there were more than 100 members of the Hereford Association nearby



# Movement/Transportation

MARKETS

## Taken for granted?

### MOVEMENT/TRANSPORTATION

Transportation helps shape societies.

That was true 2,000 years ago when the Romans built roads, and thus spread their culture, across much of Europe. It is true today in our trend toward suburban sprawl, with the automobile allowing the growth of decentralized communities.

The ready availability of transportation also has influenced our country's livestock industry. The interstate highway system and the 50,000-pound livestock trailer have allowed the evolution of a system in which most cattle are transported at least three times in their lives and are finished hundreds or even thousands of miles from their birth place.

The ability to transport cattle quickly over large distances is critical to the industry's economy, and transport methods are important in assuring animal welfare, animal health and beef quality. The industry's attention toward the transport sector, however, seems low in proportion to its importance.

Part of the reason for this is that livestock haulers generally do a good job, says Tim O'Byrne, president of Calico Beef Consulting of Las Vegas. O'Byrne works closely with the trucking industry and with livestock producers to identify and resolve challenges in livestock transport. The industry continues to make progress in minimizing stress and protecting animal health during transport, he says, but outside pressures are forcing the need for more uniform standards, better documentation and communication between producers and truckers.

Pressures are building both here and abroad, O'Byrne says. Recently, for example, the World Organization for Animal Health (OIE) has focused

on animal welfare, and specifically livestock transportation. O'Byrne says the OIE is poised to supply standards for livestock transportation, largely developed from a European perspective. As a member of the OIE, the United States could need to comply with those standards to maintain trade status.

Here at home, animal-rights activists have begun to focus on animal transport. O'Byrne says that in October 2005, four well-funded organizations, the Humane Society of the United States, Farm Sanctuary, Compassion Over Killing and Animals' Angels, filed a petition with USDA to enforce limits on transport time. In Europe, he says, the Animals' Angels group has successfully lobbied for reductions in transit times for livestock.

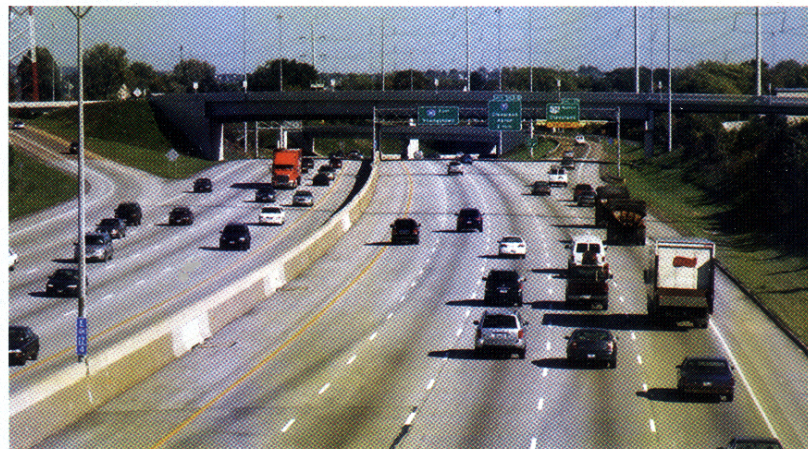
Our industry needs to take steps to protect this critical component of the beef-production system, O'Byrne says. He suggests several steps:

- The industry needs to define which standard operating procedures are working in North America and stand by them.
- Identify the procedures that are not working and fix them.
- Identify any practices that have no place in the industry and get rid of them.
- Connect with the livestock-trucking sector and share information both ways. They have some valid issues such as driver shortages, lack of training and support and hours-of-service conflicts, and the industry needs to listen to them.
- Organize and challenge animal-rights groups with confidence based on a strong set of standards and proven performance. ▼



JOHN  
MADAY

For a collection of articles on aspects of livestock transportation from *Drovers* and other food360° publications, go to [www.drovers.com](http://www.drovers.com).





## It's only natural

Lately, growth in the grocery business in general has been uninspired, nearly flat-lining at 2 or 3 percent annually. But something quite different has been happening in the organic and all-natural aisle: there, business is booming, with growth reported to be about 20 percent. ¶ The natural- and organic-beef market is holding up its part of that trend, growing at about 20 to 25 percent per year. The U.S. beef

industry represents about \$100 billion in annual sales, and the rapidly growing natural/organic niche now represents about 1 percent of the total market. And people are not just buying more of those products; they are willing to pay more for them, according to a new survey from North Dakota State University. The survey found that nearly 38 percent of those questioned probably or definitely would be more inclined to buy beef labeled natural. About 53 percent would pay 5 to 10 percent more for it.

Other studies of consumer preferences for natural beef have shown similar results. In 2001, a three-state survey found that nearly 65 percent of consumers in Kansas City, Kan., 70 percent in Oklahoma City and 80 percent in Dallas had a positive attitude toward "all-natural" beef. Those numbers were obtained when the consumers decided for them-

selves what all-natural meant. Once they read a description of the term, the number of people with a positive attitude rose to 81.7 percent in Oklahoma City, 83.2 percent in Kansas City and 88.6 percent in Dallas. The same survey found that 47 to 81.7 percent, depending on location, were willing to pay more for natural beef.

The definition of natural beef is a little hazy for most consumers. Strictly speaking, natural does not have the same precise interpretation as organic does. According to the USDA Food Safety Inspection Service, all fresh meat qualifies as natural, but those carrying the natural label cannot contain any artificial flavoring, coloring ingredient, chemical preservative, or any other artificial or synthetic ingredient. The product and its ingredients should not be more than minimally processed — for instance ground, frozen or smoked. Further label claims may be added to a natural label if they can be verified. The NDSU survey didn't define natural, but it has come to be associated closely with beef that came from cattle raised without antibiotics or growth-promoting implants.

So, it's understandable that the lines between natural and organic in the minds of consumers — and then grass-fed has to go in there, too — get blurred. But it is clear that each element of the whole broad category is growing, and all of those words seem to be tied up in consumers' minds with a perception of wholesomeness and safety, and, basically, a product that is differentiated. Kansas State University research showed that consumers tend to associate natural beef with local, family farms and perceive an increased value from that aspect. That's the idea that draws them, that they are willing to pay more for.

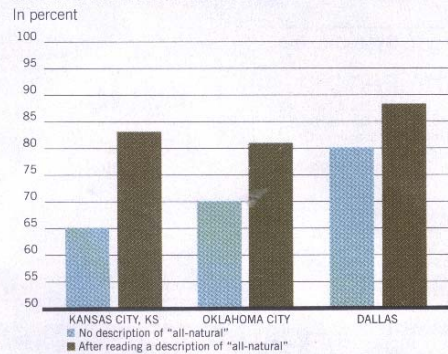
Over the past few years, the industry has been adjusting to the idea of selling beef, not cattle. But the fact is, it's not just beef either, it's those particular characteristics: flavor, tenderness, wholesomeness. There is a consumer segment that is paying attention, and all of the research says their numbers are growing. ¶

Associate editor Suzanne Bopp writes for *Drovers* and *Meat & Seafood Merchandising* magazines.



SUZANNE  
BOPP

INCREASE IN PREFERENCE FOR NATURAL BEEF



# Branding Evolution

“Increasingly a brand is far more than just a name on a product. Winning brands are carefully designed business systems. These systems stretch from the choice of raw materials to final service with the customer. And it is the total system the customer purchases, not just the product.”

The Boston Consulting Group  
*Breaking Compromises*

*“Thank you!”*