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# OUTLOOK '87

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# ANNUAL AGRICULTURAL OUTLOOK CONFERENCE

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Washington, D.C.



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## MEAT MARKETING ISSUES

C. Manly Molpus  
President, American Meat Institute

The meat industry today, has a new game plan. We've shifted from a sluggish defense to an aggressive offense. Whatever pessimism we might have felt in the past has given way to a determined optimism to win back the market share.

The last decade has witnessed a consumer revolution. Unfortunately, we were slow getting our antennas up to sense the changes and to spot new lifestyles. It took time, lost market share and a heavy load of information to convince us that we must discard old habits and retool our thinking if we expected to remain competitive in today's food market.

To the industry's credit, it adjusted its emphasis. This doesn't mean packers and processors are any less concerned about efficiency and productivity. It does mean we've expanded our horizons. We're trying to do a better job of matching our products to consumer needs, whether this means adapting present products or creating new ones...then, effectively calling attention to these products in the marketplace by improved and expanded marketing efforts.

The results have been dramatic. We have embarked on a new era. United, as never before, everyone -- from producer to packer to the retailer -- is rethinking past practices and revamping merchandising efforts. "Marketing," "merchandising" and "promotion" have become the "buzz words" of the 80s.

We've developed new strategies and new products. Yet from the consumers' vantage point, the best is yet to come. We've barely cracked the door. More positive changes will take place in the next three to five years than in the past 20.

1987 will be a "water shed" year for the meat industry. The ideas, information and innovations of the recent past will be coming together in the market place. New products, improved packaging and increased promotion resources will all converge on the market place in 1987. Many of our new approaches will be tested in '87. We believe the results will show that we

are doing the right things.

USA TODAY summed it up very well. "The industry," it said, "is fighting back, offering more consumer information, promoting beef as healthy and nutritious and cutting away the fat."

Coupled with our new attitude is the increased firepower we'll have at our disposal. The beef and pork checkoff programs are now underway. Together they'll generate about \$80 million annually for research and promotion programs.

The beef industry, for example, has earmarked \$21 million for advertising and promotion for February through September. The message will be: "Beef. Real food for real people." Noted personalities Cybil Sheperd and James Garner will be helping tell this positive story.

We have developed a better understanding of consumers in recent years through consumer attitude research and other research such as the National Consumer Retail Beef Study. Consumers have candidly told us they want products that enable quick, easy, convenient meal preparation; that promote leanness; that are accompanied by understandable nutritional information, and that carry brand identification.

The need to provide convenient products comes as no surprise. Homemakers are trading in their kitchen stoves for office desks in steadily growing numbers. Fifty-four percent of married women with pre-school children work, up from 42 percent from 1980. Fully 49 percent of married women with children under two worked or were looking for work in 1985, up 10 percentage points in just five years. The typical American family -- the husband coming home from work to be greeted by the homemaker wife and kids -- has declined from 60 percent in the 1950s to less than 20 percent today. This trend will continue.

Thirty-six percent of the homemakers surveyed last year told Yankelovich they rarely have more than 30 minutes to fix meals. No wonder 44 percent of U.S. households have microwave ovens. But meat hasn't kept pace. Only 7 percent of all meat dishes are prepared in microwaves.

The industry has responded with precooked meats. Working people can now buy a chuck roast without worrying about the time it takes to cook it. One major retail chain carries 26 different precooked products from eight packers. Working homemakers now have the luxury of serving hearty, balanced meals that include meat in a matter of minutes. That's convenience.

It's also progress. Think back a few years. How many of you thought then that the day would come that you could dash into the store on your way home from work, buy a steak that was already cooked, pop it into a micro-

wave and be enjoying it by the time the vegetables had finished heating?

While convenience promotes sales, the negative fallout from the diet-health issue has retarded them. The biggest roadblock has been fat which has been linked to heart disease and cancer. Unfortunately, many people mistakenly equate fat with red meat.

Although beef and pork have been on a diet for the last 20 years and are 10 percent leaner, the fat image has persisted. So the industry is making the fat disappear. Next time you shop, notice red meat's new leanness...less external fat, and increasingly, stores are offering a "lean" type of beef in addition to the "Choice" grade.

Motivated by last year's National Retail Beef Study that found consumers perceive closely or completely trimmed cuts of beef "as being less wasteful and more healthful," retailers were the first to sharpen their butcher knives.

In late January, the number two chain in the country launched its trim program in conjunction with AMI's National Meat Week Campaign. Outside fat went from the standard one-half inch to a lean quarter-inch or less. This one company is trimming some 13 million pounds of fat a year. Shortly thereafter, the number one chain adopted a similar program.

Packers then moved to reduce their trim standards. They're cutting the fat back from the standard one-inch of fat to a norm of one-half inch. In an ad aimed at retailers, one major packer said the trimmed product gives a more salable meat that's designed to meet the tastes of today's consumer.

Consumers like the new lean red meat. Supermarkets that have switched to trim programs report increased red meat sales. One retail executive credited the trim program, coupled with increased customer services in the meat department, with boosting beef tonnage 6.3 percent after only a few months.

At AMI, we're convinced the industry is on the right road. In July, we announced a seven-point lean beef program that encourages packers and retailers everywhere to market trimmed products.

Let me assure you, however, we are not at this point advocating a grading standards change. We support Public Voice's petition to enhance merchandising opportunities for leaner good grade by changing its name. Our goal is assuring that segment of the public, with diet-health concerns, that the meat case offers them the alternative of leaner products.

Expanding consumer choices is evident everywhere you look. In many meat departments, consumers can choose from a lean house brand, "Choice"

and even "Prime" grades. Other stores are marketing specialty beef, such as Natural beef, Natural Light and exotic brands such as Chianina that are naturally less fat. This brings up another point. Trimming fat is expensive. One of the top challenges is to develop animals that produce less external fat without sacrificing palatability.

The processed meats section offers a rapidly growing range of products with reduced fat, sodium and calories. The "fat free" lean hams now have approximately a \_\_\_% share of our ham market. The pork sausage industry is experiencing mild growth by adding value and leanness, brown and serve sausage and sausage and biscuits.

Retailers across the country are giving their meat department's, which account for about 18 percent of their sales, more attention.

In addition to stocking lean, better-trimmed meats, many retailers offer meat recipes, nutrition information, store coupons and meat cutting assistance to attract consumers and boost meat sales. Specialty cases include gourmet items and such time-savers as stuffed pork chops.

Going hand-in-hand with customer services are "Meat Features." The industry has produced four videos on specific cuts: ground beef, top sirloin steak, butterfly pork chop and top round steak. When test marketed, they successfully stimulated sales of these products.

Another industry program, Meat Nutri-Facts, is positively influencing consumer attitudes about red meat's nutritional qualities. Working together, the American Meat Institute, the Food Marketing Institute and the National Live Stock and Meat Board developed this program that provides a nutritional profile at the meat case for 31 cuts of beef, pork and lamb.

Many consumers have been surprised to learn that the calories, fat and cholesterol in red meat are less than they had been led to believe. The easy-to-read bar graphs also show the sodium, protein, minerals and vitamins of the various cuts.

Retailers have overwhelmingly accepted this marketing concept. In just 19 months, the program has been installed in 200,000 stores in every section of the country. The program has added a new dimension to meat marketing. National Cattlemen's Association President Don Butler said, "It's proving to be a really positive force for the beef industry."

The health community likes it too. The American Dietetic Association awarded Nutri-Facts its prestigious "Presidents' Circle Nutrition Education Award." The group commended the program as "an outstanding contribution to nutrition education." That's the kind of endorsement we enjoy getting. There is no doubt this program has dispelled many of the myths surrounding

red meat and has helped educate consumers to the nutritional benefits meat adds to a balanced diet.

Just as fat is disappearing from meat products, the evolving meat case of the 80's also has fewer bones. Boneless beef and pork products that offer more convenience and no plate waste are gaining consumer popularity.

Coming soon is the most dramatic change in the marketing of fresh meat. Branded retail-ready fresh meat products from the packer is on the way.

Packers who initiate trim programs and deliver their products in retail-ready packages want consumers to identify with these products. This can only be done through brand identification, which builds brand loyalty.

The National Consumer Retail Beef Study clearly demonstrated the importance of marketing (and branding) if the industry expects to realize the full potential for new beef products. There's also a move toward breed-branded beef such as Certified Angus Beef or the new Key-light beef. We only have to look at the success of the poultry industry to see why branding is the next logical step.

One major retailer told us, he wants both closer trimmed and branded products -- the sooner the better. "Packers," he said, "must put their names on products if we are going to get beef and pork off the ground."

Several packers are test marketing branded beef and pork products now. For an idea of the magnitude of the change, one packer who will slaughter some 2 million head this year estimated it would cost almost \$50 million to install vacuum-packing machinery and other equipment needed to cut beef into consumer-sized portions and would require 40 percent more employees. But in spite of the enormous costs involved, branded products will be the wave of the future.

At AMI, we formed the Center for Meat Marketing Research to generate market information that we can share with both our industry and retailers. So far we've looked at precooked meats, examined consumer understanding of beef grades and their attitudes toward pork and trichina.

On the drawing board are studies to determine consumers attitudes regarding Choice versus lean beef; and how meat can be merchandised better to appeal to the various population segments as detailed in the Yankelovich studies.

Last year, Yankelovich found that 50 percent of the population falls into the "active lifestyle" or "health-oriented" consumer segments -- the groups that consume the least meat. Most alarming to us, this figure had



climbed 17 percent since 1983.

That's why our industry is excited about and committed to improving our marketing abilities. We can't wait any longer. The future is today in the meat business. We believe the down swing in meat consumption can be stemmed and eventually reversed.

We are encouraged that the potential, and I want to underscore that word, exists to increase per capita consumption of beef, pork and veal. But we've got to work to achieve this growth.

A study conducted for AMI by Farm Sector Economics Associates advised us to do everything in our power to narrow the relative price between red meat and poultry. This includes being more efficient producers and developing more efficient animals. To spur demand, the report said we must promote the nutritional value of red meat and its taste, the latter being red meat's most saleable characteristic; establish brand identification; and develop new red meat products.

As you can readily see from what I've told you today, we agree. And, more importantly, we're doing it. We have seen stories that talk about our activities. They carry such headlines as: BEEF INDUSTRY BEGINS BATTLE AGAINST FAT....VIDEOS SUCCESSFUL IN SELLING RED MEAT....CATTLEMEN MOVE TO MORE THAN TRIPLE ANNUAL BEEF PROMOTION EXPENDITURES....PRECOOKED MEAT IS NEXT WAVE, AMI SURVEY SHOWS...NUTRI-FACTS: POSITIVE NEWS ON BEEF...and this one that I particularly like...DON'T QUIT MEAT, JUST TO AVOID FAT.

Considerable gloom and doom have followed the meat industry around in recent years. Many stories in the consumer press have inferred that we were headed down the fast track to extinction. Our consumer-oriented attitude, coupled with a real determination to change our products rather than fight the times, make the words of Mark Twain most appropriate: "The reports of my death have been greatly exaggerated." We are alive and on the road to recovery.

I'd now be more than happy to answer any questions you might have about the meat industry.