

# Natural/Organic Opportunities: Current Status and Future Projections

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# Current Statistics

- Americans spend 46.4% of food dollar away from home. Expected to increase to 53% by 2010.
- Sales of organic meat, poultry, and seafood grew by 139% from 2003 to 2004.
- Consumers typically pay 30% more for “natural” meats and 15-200% more for “organic” meats.

# Interesting Trends

- Average annual growth rate in organic product sales has been 20-24%.
- The current market for “natural” and “organic” beef products is approximately \$350 million annually. Anticipated to increase with next five years to \$1 billion.

# Interesting Trends

- “**Story Beef**” is the wave of the future – Gary Smith, Ph.D., CSU
- The hottest new food trend is the “**Wellness Consumer**” – Laurie McDermott, Hartman Group.
  - Two biggest concerns with meat products:
    - Antibiotics
    - Artificial hormones
  - Research indicates consumers want:
    - Stronger Flavor, More Variety, Health Benefits, **Guaranteed Tenderness**

# Interesting Trends

- CSU research indicates that the most important consumer motivations for purchasing “Natural” beef are:
  - Artificial Hormone Free
  - Ranch Name
  - Antibiotic Free
  - No fed Animal By-Products
  - Animal Care
  - Environmental Stewardship

# 2003 U.S. Food Categories

- Conventional Foods (\$455 bil)
- Natural & Organic Foods (\$17.2 bil)
  - Natural Foods (\$6.9 bil)
  - Organic Foods (\$10.3 bil)



# Organic Trends

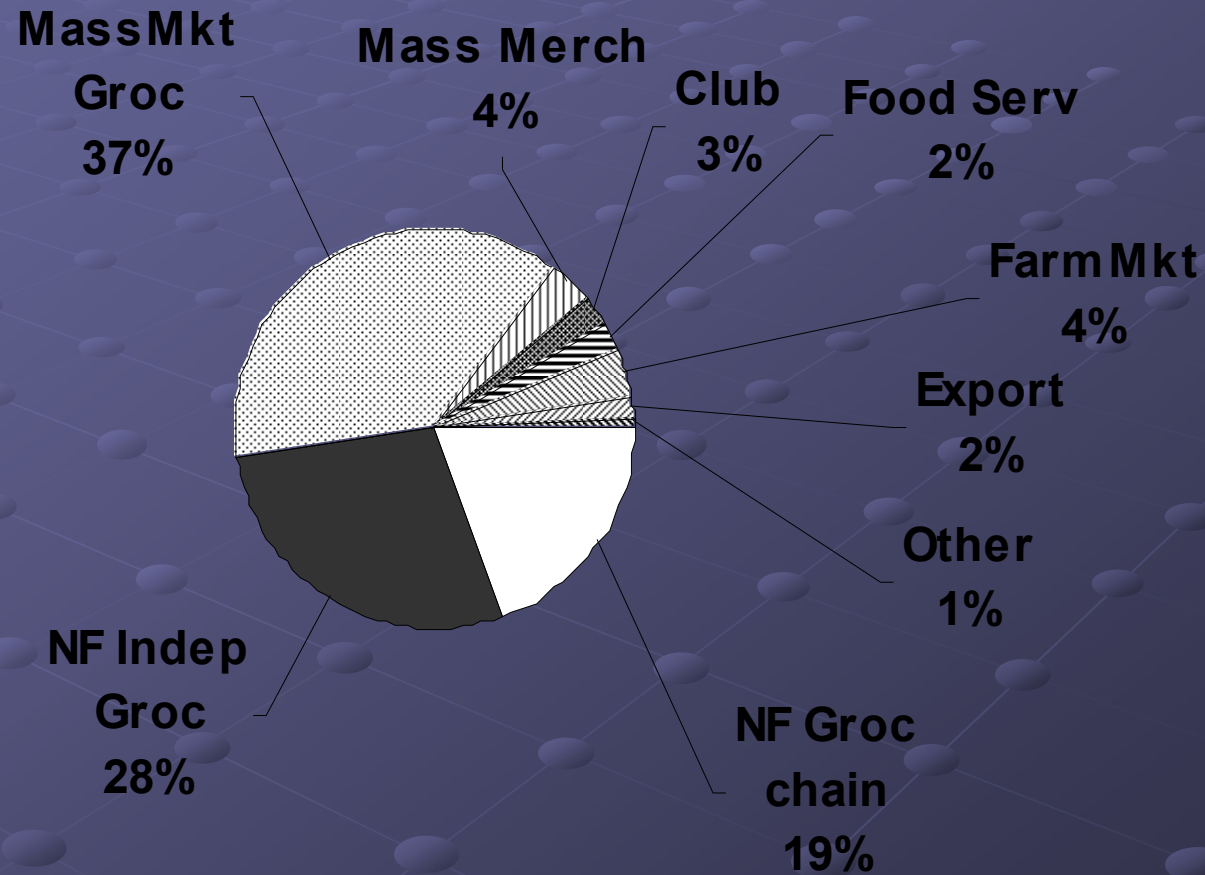
# Size and Growth of Major Organic Food Categories

(sales in \$mil)

<b>Major Categories</b>	<b>03 Sales</b>	<b>03 Growth</b>
Total Organic Food	10,381	20.4%
Dairy	1,385	20.3%
Breads and Grains	966	22.9%
Beverages	1,581	19.3%
Snack Foods	484	29.6%
Packaged/Prepared Foods	1,326	16.0%
Condiments	229	23.5%
Fruit & vegetables	4,336	19.9%
<b>Meat, fish, poultry</b>	<b>75</b>	<b>77.8%</b>

Source: NBJ 2004 Organic Web Seminar

# Organic Food Channel Distribution



Source: NBJ 2004 Organic Web Seminar

# Size and Growth of Organic Meat, Fish & Poultry

(sales in \$mil)

<b>Organic Meat, Fish &amp; Poultry</b>	<b>03 Sales</b>	<b>03 Growth</b>
Meat, fish, poultry	75	77.8%
Beef	10	79.8%
Pork	3	67.9%
Poultry	46	111.9%
Sausages/Deli Meats	16	20.4%

Source: NBJ 2004 Organic Web Seminar

## Organic Food Growth Forecast

Major Categories	2004-08CAGR
Total Organic Food	13.8%
Dairy	15.6%
Breads & Grains	14.7%
Beverages	15.0%
Snack Foods	18.1%
Packaged/Prepared Foods	13.6%
Condiments	14.8%
Fruit & vegetables	11.1%
Meat, fish, poultry	43.4%

Source: NBJ 2004 Organic Web Seminar

# Producer Pricing

- Choice 1-3 Beef - \$2.00/HCWT
- Hogs - \$1.00/HCWT
- Broilers - \$0.90/HCWT
- Turkeys - \$0.90/HCWT
  
- Corn - \$6/Bu +
- Soybeans - \$12/Bu +

# Wholesale Pricing

## ● Beef

- Lip on Ribeye - \$10.99
- Ribeye Steak - \$14.00
- Hamburger - \$3.99

## ● Pork

- Pork Loin - \$5.42
- Pork Chop - \$5.88

## ● Poultry

- Frozen Chicken - \$2.19

# Organic Summary

- Organic Products Sales – Avg 20-24% growth in past decade.
- Over \$15 Billion Sales in 2004.
- \$23 Billion in sales projected by 2009.
- Meat and Poultry Sales jumped 78% in 2003, making it the fastest growing segment.
- Market Concentration on West Coast, Northeast, Major Metro areas.

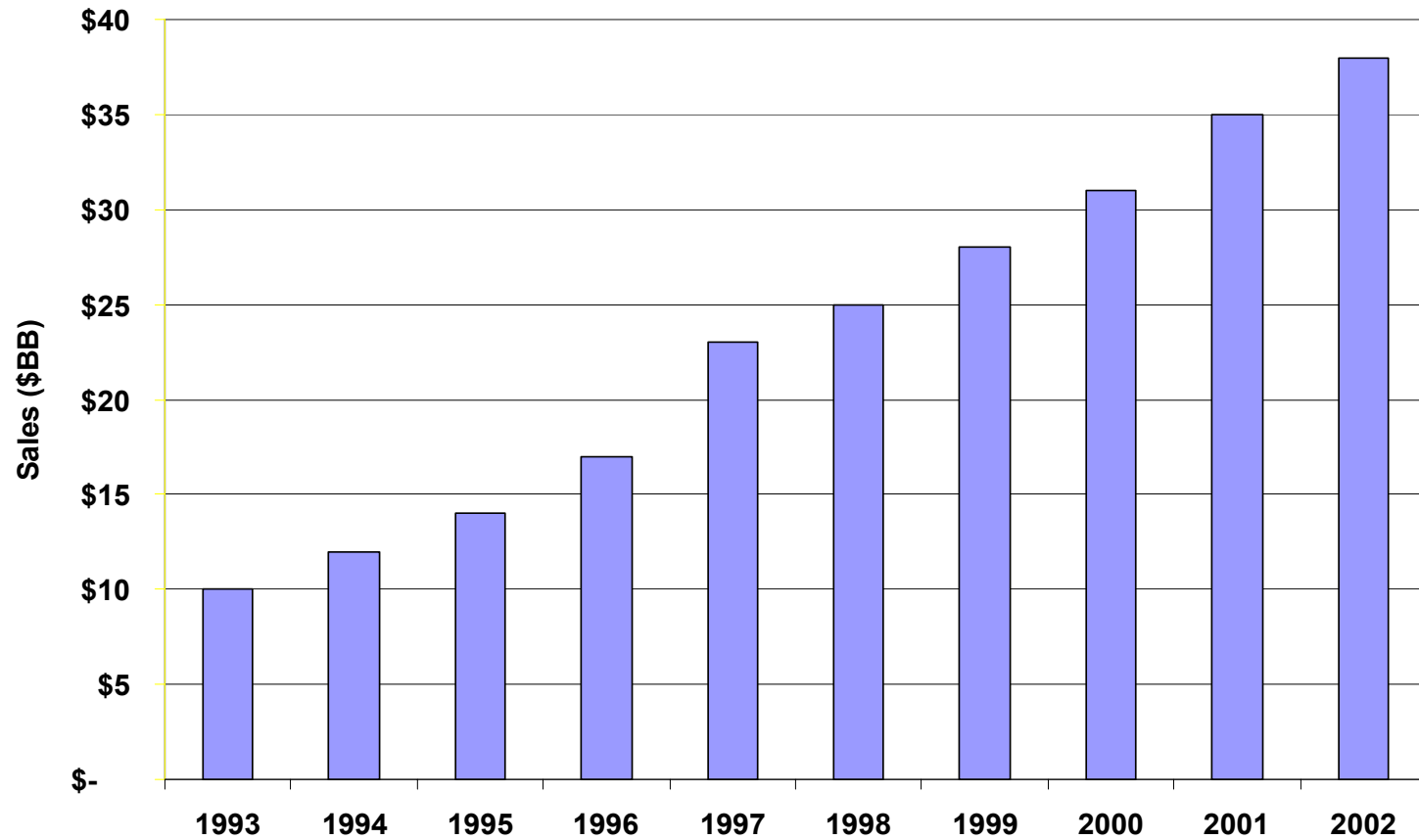


# Natural Product Trends

# Natural Industry Growth

- Averaged 20% for all products over past decade.
- Overall sales of \$38 Billion in 2003.
- Comprises 7% of total \$500 Billion grocery sales.
- Retail Outlets for natural have become more mainstream.
- Growth of “Supernaturals”
  - Whole Foods, Wild Oats, Fresh Market, etc.
- Industry giants offering natural/organic include Tyson, Kellogg, General Mills, National

**Chart 1**  
**Natural Industry Sales Growth**  
**1993 to 2002**



# Natural Beef Industry

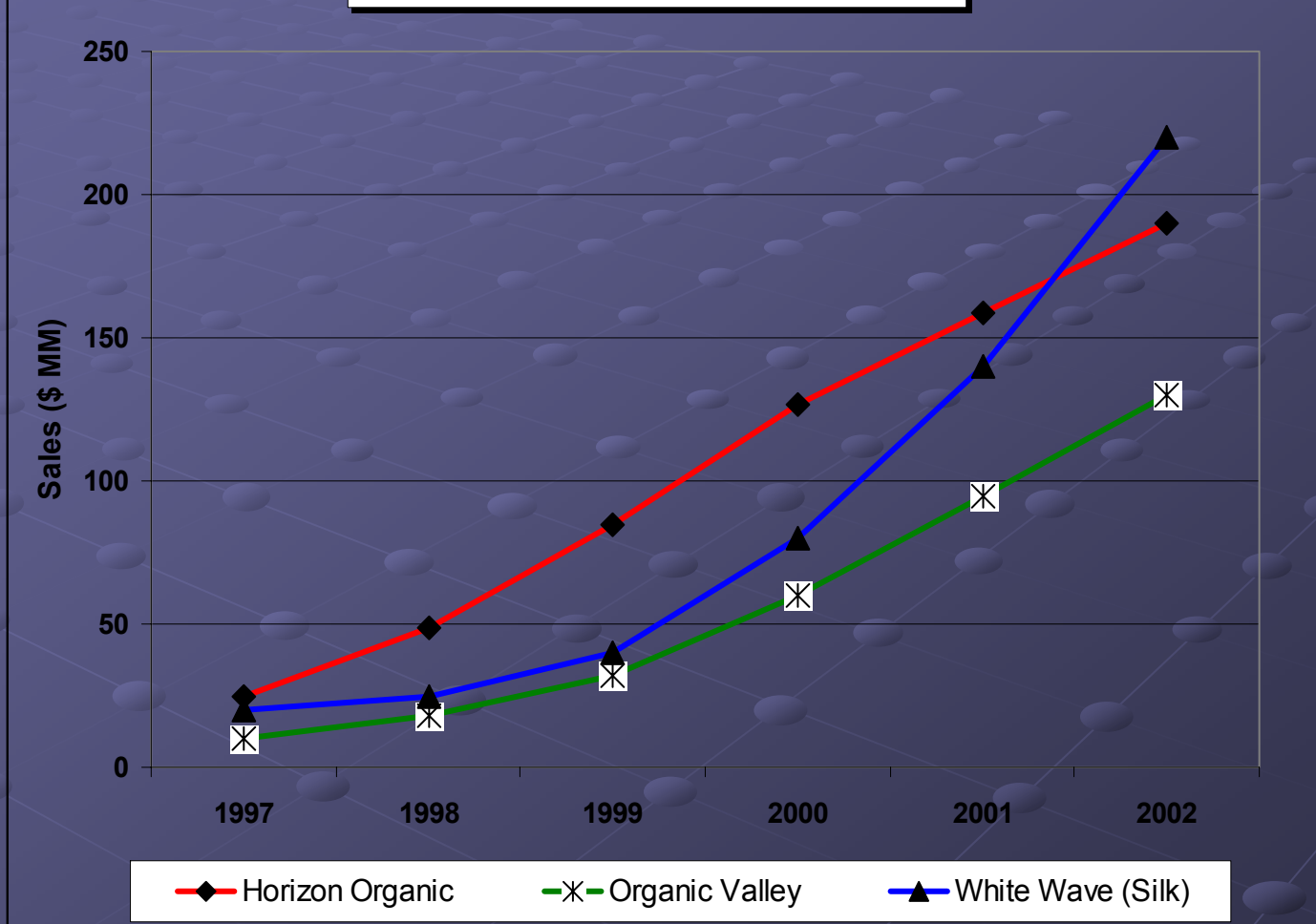
- \$250 million sales in 2003
  - Includes both branded and unbranded products
- Branded Programs:
  - BC Natural Foods
  - Country Natural Beef
  - Laura's Lean
  - Meyer Natural Angus
  - Maverick Ranch
  - Niman, Harris Ranch, Nolan Ryan, etc.

**Chart 4**

**Retail Meat Cuts, Prices and Percent of Sales**

Top Rounds	\$ 4.99	13.8%	Peeled Tenders	\$ 21.99	1.8%
Goosenecks - Heel on	\$ 4.99	12.6%	Export Ribs	\$ 9.99	1.7%
Chuck Rolls	\$ 3.99	10.0%	Butt Tenders	\$ 21.99	1.2%
Shoulder Clods	\$ 3.99	9.3%	Bone In Hind Shank	\$ 3.99	1.2%
Whole Briskets	\$ 4.99	7.0%	Flap Meat	\$ 6.69	1.1%
Peeled Knuckles	\$ 5.69	7.0%	Bone In Fore Shank	\$ 3.99	0.9%
Top Sirloin	\$ 9.99	7.0%	Tri-Tips	\$ 5.99	0.9%
Lip on Ribeye	\$ 12.99	6.0%	Hanging Tenders	\$ 4.49	0.9%
2x3 Short Loins	\$ 10.99	6.0%	Flank Steak	\$ 8.99	0.8%
1x1 New York Strip	\$ 13.99	4.3%	Lifter Meat	\$ 4.99	0.8%
Bone In Chuck Short Rolls	\$ 4.59	2.4%	Inside Skirt Steak	\$ 4.99	0.7%
Chuck Tenders	\$ 4.49	2.2%	Outside Skirt Steak	\$ 4.99	0.3%

**Chart 3**  
**Growth of Natural & Organic Leaders**  
**1997 to 2002**



# Natural Byproduct Markets

## ● Pet Food

- Pet Promise and others
- Utilizes Offal – 36% live animal weight
- \$Avg value - \$0.35 - \$0.40/lb

## ● Ethnic “Carneceria” Programs

- Edible Offal – 2% cold carcass weight
- Growing rapidly

# Market Interest in Niche Beef Products

- Several Major Chain retailers.
- Many small chain upscale retailers.
- Major Distributors.
- Major E-Commerce sites.
- White tablecloth Restaurants throughout the US.
- University Dining and other foodservice.