Naturally Raised Marketing Claims

Martin E. O’Connor, Chief
Standards, Analysis and Technology Branch
Livestock and Seed Program
Agricultural Marketing Service
Outline

I. Background
   - Regulatory Policy on Natural
II. Agricultural Marketing Service
   - Benefits of Standardizing Claims
   - Issues We Face
III. Tools of the Trade
   - Verification
IV. Future Plans
   - Publish a *Naturally Raised* Marketing Claim Standard with a Request for Comments
Food Safety Inspection Service

☐ Authority
  ■ Federal Meat Inspection Act
  ■ Poultry Products Act
  ■ Egg Products Inspection Act

☐ Public Health Regulatory Authority
  ■ Meat, Poultry, and Egg Products
  ☐ Safe, wholesome, and accurately labeled
Regulatory Background on Natural

- Voluntary labeling
- In addition to required label features

Natural Definition:
- The product does not contain artificial flavors, colorings, chemical preservatives or other synthetic ingredients.
- The product and its ingredients are minimally processed.

Policy guides are conveyed as policy memos and entries in the FSIS Food Standards and Labeling Policy Book.
Regulatory Background on Natural

- Labeling Program and Delivery Division

- Will be publishing an Advanced Notice of a Proposed Rule (ANPR)
  - Currently going through approval with the Office of General Council

- www.fsis.usda.gov
FSIS Evaluation and Approval of Voluntary Claims

- Reviewed on a Case-By-Case Basis
  - Various Program Scopes
    - Confusion Among Generally Similar Programs with Different Elements
- Information Needed to Support the Truthfulness of the Claim
  - Producer Testimonials, Production Protocols, and Affidavits
  - or AMS Certified or Verified Program
Agricultural Marketing Service

- Authority
  - Agricultural Marketing Act

- Provide Voluntary Services
  - Facilitate the strategic marketing of agricultural products
Agricultural Marketing Act of 1946

- Directs the Secretary to,
  - “...develop and improve standards of quality, condition, quantity, grade, and packaging, and recommend and demonstrate such standards in order to encourage uniformity and consistency in commercial practices.”
  - “...inspect, certify, and identify the class, quality, quantity, and condition of agricultural products when shipped or received in interstate commerce, under such rules and regulations as the Secretary of Agriculture may prescribe...”
Agricultural Marketing Act of 1946

The services provided under that Act shall be conducted in a manner that, “agricultural products may be marketed to the best advantage, that trading is facilitated, and that consumers may be able to obtain the quality of the product which they desire, except that no person shall be required to use the service...”
Services that Segment Value Differences throughout the Supply Chain

Auditing Quality Management Systems for unique marketing claims

Reporting on the markets

Adding value through grading & certification

Helping convey quality attributes to the consumer
Today we still raise cattle the old fashioned way; the way nature intended, without the use of antibiotics or added hormones, and always 100% vegetarian fed.

These farmers raise animals from farrow to finish, feeding a rich corn-and soy-based diet free of antibiotics and artificial growth stimulants.

... these cattle are raised on a strict all-vegetarian diet and are never administered antibiotics or growth hormones.

They are raised with out the use of sub-therapeutic antibiotics or growth-promoting hormones.

... permits treatment of animals to save their lives (that is the humane thing do), but actively campaigns against low-level doses in feeds.
Natural/Organic Beef Market Share
of Total Beef Volume (Pounds) in Retail Supermarket Channel

98.6%
1.4%

Source: FreshLook
Additional Retail Scanner Data - BEEF

- Natural and organic retail sales are rapidly increasing -- 28.5% in 2006, up from 17.2% in 2005
  - All beef sales -- up just 0.4% in the last year

- Natural and organic beef sales in the Q1 2007 were $81 million (up from $59 million in the Q4 2005)
  - Compared to $3.6 billion for all beef products
Additional Retail Scanner Data

- Natural and organic beef products average $5.23 per pound (Q1 2007)
  - Compared to prices for all beef products -- average $3.48 per pound
  - Natural/organic and total beef prices have begun to level off over the last year.
  - In the last 6 quarters, natural/organic beef prices have increased approximately 0.1% while total beef prices decreased approximately 2.5% during the same time period.
Change in Dollar Sales vs. Last Year

Source: FreshLook
Some consumer research has indicated that consumers would like to have natural claims reflect the process under which animals are raised.

\[ \text{Consumer Perceptions and the Marketplace} \]

\[ \text{+ } \quad \text{Natural} \]
What Image Do You Associate with All Natural Beef Products?

<table>
<thead>
<tr>
<th></th>
<th>Kansas City</th>
<th>Dallas</th>
<th>Oklahoma City</th>
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<tbody>
<tr>
<td>N</td>
<td>136</td>
<td>194</td>
<td>102</td>
</tr>
<tr>
<td>Environment</td>
<td>7.53%</td>
<td>6.70%</td>
<td>8.82%</td>
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<tr>
<td>No Antibiotics/hormones</td>
<td>65.44%</td>
<td>79.38%</td>
<td>46.08%</td>
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<tr>
<td>Taste/tenderness</td>
<td>19.85%</td>
<td>11.86%</td>
<td>27.45%</td>
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<tr>
<td>Family Farms</td>
<td>7.35%</td>
<td>2.06%</td>
<td>17.65%</td>
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</tbody>
</table>

Study of Consumer Perceptions of All Natural Meat Products
- Funded by the Kerr Center for Sustainable Agriculture

Image of All Natural Beef

- On average, consumers associated All Natural Beef products with taste and tenderness and antibiotics and hormones.
- However, found that responses varied among different consumer on the 3 days of survey.
- Concluded that All Natural Beef does not have a consistent image among consumers

Marketing Issues for Natural Products: Opinions of Supermarket Meat Managers and Consumers by Kansas State University

Review - Consumer Preferences for Natural and Organic Pork Products: Locating a Niche for Small-scale Producers

<table>
<thead>
<tr>
<th>Chemical/Method</th>
<th>Percent of Individuals Expressing Extreme Concern</th>
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<tbody>
<tr>
<td>Pesticides and Farm Chemicals</td>
<td>67.4</td>
</tr>
<tr>
<td>Food Additives</td>
<td>60.7</td>
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<tr>
<td>Synthetic Hormones</td>
<td>57.6</td>
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<tr>
<td>Irradiation</td>
<td>51.1</td>
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<tr>
<td>Antibiotic Use</td>
<td>49.7</td>
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</table>

Consumer Research

- The Beef Checkoff will be funding consumer research regarding natural beef products
  - October 2007
Key Issues to be Considered by AMS

- Current voluntary claims are variable
- Should “naturally raised” be definitively classified for clarity in the marketplace?
- What is an appropriate standard for extending natural claims to livestock production?
Key Issues continued

- Level playing field
- Minimum Threshold
- Uniform application
- **Verification**
- Ultimately – bring buyers and sellers together
Key Issued "continued"

- Uniform Standard
  - Minimum Threshold for Compliance
- Cooperation with other Agencies
- Science vs. Marketing
- Niche vs. Commodity
- Future Ramifications
- Specific Standard Details
AMS Process

- Conducted three public listening sessions regarding the use of natural claims in reference to livestock production -- Naturally Raised.
- Gather related input from representatives of interested parties.
- Develop and publish a proposed standard with request for comment in the fall 2007.
  - [http://www.regulations.gov/fedmspublic/component/main](http://www.regulations.gov/fedmspublic/component/main)
Specific Comments Received

- Received 38 verbal comments at the three listening sessions
- Received 53 written comments
- Transcripts and comments are posted at http://www.ams.usda.gov/lsg/stand/naturalclaim.htm
Naturally Raised Marketing Claim Standard

- The use of any “Naturally Raised” Livestock and Meat marketing claim standard developed and maintained by AMS will be voluntary on the part of producers, processors, and consumers.

- This standard will allow producers and processors to more clearly differentiate their products in the marketplace and allow consumers to obtain the quality of product they desire.
Naturally Raised Marketing Claim Standard

- Will not address or imply requirements related to food safety.

- Products imported into the U.S. will receive “...no less favorable treatment..” than U.S. products.
Naturally Raised Marketing Claim Standard

- Potential export opportunities
  - USDA verified products
Alternative Production Methods

- Pesticides and Chemicals
- Antibiotics
- Grass fed
- Environmental Stewardship
- Animal Handling & Welfare Practices
- Animal By-products or Vegetarian Feed
- Growth Promotants
- Genetically Engineered Feedstuffs
AMS’ review of consumer research and comments indicate that the prohibited use of antibiotics, growth promotants, and animal by-products are the main factors consumers associate with meat and meat products from livestock they perceive as naturally raised.
Quality Systems Verification Programs

- Voluntary
- User-fee funded
- Provide 3rd party verification that claims are met
Quality Management System (QMS)

- Documentation Requirements
- Record Requirements
- Management Responsibility
- Resource Management
- Production of Product
- Measurement, Analysis and Improvement

Show definitive **traceability** to animals or groups of animals

- Auditable and Dependable Records
The Branded Promise
Thank you!

Martin.OConnor@usda.gov

www.ams.usda.gov/lsg/stand/claim.htm

www.regulations.gov