NORTH AMERICAN MEAT INSTITUTE
Lean Trimmings (Supplement)

August 2015

Marketing Trends

Value added Specialty Meat companies being sold for record prices

I picked up the package of "kippered" beef (another name for beef jerky) and tried to find the weight. There it was at the bottom of a very busy label. Net wt. of .75 oz. (21 g.), it said. Then I looked for a price and it, too was difficult to find, but after some careful perusing of the display there it was on the shelf shouting, "On Sale for $2.69 each."

My math isn't that good or that quick so I got out my cell phone and calculated (isn't it great all the things a little hand held device can do?) that $2.69 per .75 of an ounce equated to $57.39 per pound. What could be so expensive? I mean in that same retail grocery store over in the fresh meat case, beef tenderloin steaks were only $35 per pound. (Yikes!)

The ingredient statement for the "kippered" beef listed beef first and for that I was glad. At least it didn't say water or some other ingredient added for flavor and profit. I was paying $57.39 per pound for beef and other ingredients, of course, but beef was listed first, thank goodness.

I wandered around the store looking for other jerky items and found beef jerky in every flavor combination imaginable plus turkey jerky, chicken jerky, salmon jerky (yes salmon) buffalo jerky all in every taste your buds could savor I was getting herky-jerky with all the choices.

My point here is that the progressive, value-added, further processed and specialty meat companies are enjoying not only a renaissance but sales growth that is comforting to say the least. And, their business valuations from suitors eager to take advantage of the new sales and retail space are off the charts.

In case you missed it, Krave, a jerky company of about $35 million in sales recently sold to Hershey (yes, the chocolate company) for somewhere between $250 and $350 million. That's upwards of 10 times sales.

Applegate Farms, the leader in natural and organic lunchmeat with sales of $340 million, recently sold to Hormel for $775 million or over two times sales.

And, Grass Run Farms, a specialty Midwest grass-fed beef company was recently acquired by JBS, the largest meat company in the world.

What's going on?

Well, it's the recognition on the part of these big acquiring companies that consumers want differentiation and value in the meat category. Value translates into new, further processed and flavorful products.

Rather than go thru the tedious process of new product development, these large companies simply search for the category's leader and buy them. They know that they can apply the marketing muscle to drive the sales onward and upward.

In the face of this influx of marketing money to the further processed meat category, what can you do?

1. The competitive landscape will change – If you are in the value added, further processed meat business, you are about to be challenged unlike before. Your tried and true staple of bacon, sausages and hams may not be directly confronted by new products in these specific iterations, but they will be challenged by different products with similar uses.
2. Develop new products – I can't tell you what these products will or should be. I only know that you either need to lead in this effort of new product development or follow or get out of the way. In fact, you must develop new products before someone else does who you may never have heard of that will soon be funded by some large consumer goods company and your new product marketing goose is cooked.

My admonishment to you is encapsulated in one of my favorite sayings, "If you always do what you always did, you always get what you always got." If you are satisfied with those results then by all means continue to what you always have. However, I think that nemesis of progress, "the status quo" is going to be your worst enemy.

The clarion call or rather cry is, "the big boys are coming, the big boys are coming." How can you deny this when we see the multiples being paid for small processed meat companies like the examples listed above? In each of these three examples of small companies being acquired by big ones, the smaller company had developed a unique product and position for their products.

This movement is either a boondoggle or boon for our industry.

It is a boondoggle if the consumer says "ho hum" about these new iterations popping up on the meat case shelves causing all those companies who have invested life savings and total effort in developing such products to struggle. Remember about 80 to 90% of all new products fail within the first year.

It is a boon if the big boys put their vaunted marketing muscle behind these new, yet to be developed products and we see whole new meat categories introduced and take off. And the competitive juices will flow driving prices down and volume up.

Where do you want to be?

###

The August 2015 Marketing Trends article was produced by Mack Graves, senior advisor of Panorama Meats Inc.