Overview of Demand for Alternative Pork Products

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Meat: Something Almost Everyone Eats

- 90 percent of those surveyed have eaten beef, 84 percent pork, and 96 percent poultry (Mintel)
- Only 3 percent of society are vegetarians
Meat is Something Almost Everyone Eats

<table>
<thead>
<tr>
<th>Product</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>64.9</td>
<td>66.1</td>
<td>65.4</td>
</tr>
<tr>
<td>Chicken</td>
<td>81.6</td>
<td>84.3</td>
<td>85.6</td>
</tr>
<tr>
<td>Pork</td>
<td>51.8</td>
<td>51.3</td>
<td>49.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>17.4</td>
<td>17.1</td>
<td>16.7</td>
</tr>
<tr>
<td>Lamb</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>216.9</strong></td>
<td><strong>219.9</strong></td>
<td><strong>218.6</strong></td>
</tr>
</tbody>
</table>

Source: USDA, ERS
While Per Capita Pork Consumption is Relatively Flat, Sales are Increasing

- Retail Sales Rose from $7.6 billion in 1999 to $11.6 billion in 2004 an increase of 53 percent (Mintel).
There are Only Two Ways to Be Profitable in the Long Run

- Be the low cost producer
- Offer product attributes that consumers are willing to pay a premium for (this implies additional work by producers)
Low Cost Production

- Primarily a technical issue
- Places you on a technological treadmill (always need to adapt cost reducing technology).
Primary Demand Drivers

- Convenience
- Indulgence
- Ethnicity
- Wellness
- Value (Price)
Major Consumer Trends: Convenience

- On average cooking skills are declining, the need for easy to prepare or pre-prepared products is great.
- 71 percent of respondents agree that there is not enough time to get everything done.
- Only 38 percent of households with children ate their main meal together in 2001 (50 percent in 1980).
- Smaller households create a need for smaller portions and cuts of pork.
Major Consumer Trends: Wellness

- Beef and Pork industries producing leaner cuts, or trimming the fat
- Pork: The Other White Meat
- Low carb diets increasing the demand for animal protein
- Mintel survey: 51 percent of red meat buyers try to purchase lower-fat, organic, or hormone-free milk products. 67 percent prefer buying red meat from a recognized brand name
- 40 percent of consumers are concerned about hormones and additives in meat.
Major Consumer Trends: Wellness

- Organic food is quickly becoming mainstream
- Primary consumer interest is health, not environment
- Organic meat industry increased by 365 percent from 2001 to 2004 and is a $121 million industry
- This is a segment with a great deal of upward potential
Being Healthy is Not Enough

- Taste, price and convenience also pay a role.
- The driving factor in U.S. food purchases is convenience
- Movement towards meal solutions
Ethnicity

- From 1990 to 2002 the numbers of Hispanics increased from 22.4 million to 37.4 million an increase of 67.5 percent (U.S. Census)
- Hispanics are now 13.3 percent of the U.S. population
- Hispanics are the largest minority in the U.S.
- The Asian population is also growing
Hispanics and Pork Consumption

- Hispanics consume pork similar to the rest of the U.S, although they are somewhat less likely to consume sausage.
- Opportunities to develop products and cuts that appeal directly to Hispanic consumers.
- Also market to retailers that specialize in serving Hispanic consumers.
Indulgence

- Butcher Shops and Specialty Retailers have become more important outlets of meat products
- This creates an opportunity for high quality products
- Online sales also provide opportunities (Omaha Steaks for pork?)
- Animal Welfare also may provide opportunities in the future
Implication: You Need to Create Your Own Supply Chain

- Producers also have to be marketers, form alliances or be willing to do a multitude of tasks themselves (i.e. distribution, processing, etc.)
- Restaurants and specialty retailers are a potential market
- Potential for having some level of control over price (price premiums) in exchange for more marketing activities undertaken by the producer
- Farmers Markets have potential
Product Center

- Helps potential entrepreneurs interested in pursuing options
- We have counselors located throughout the state
- For more information visit our website http://www.aec.msu.edu/product/