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# WATT Poultry USA

The magazine for the integrated poultry industry

# US vs. Brazil

## How the poultry export titans stack up

**PLUS**

**Chicken eating frequency, market penetration drop in survey**

**Changing Salmonella sampling makes comparisons uncertain**

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WATT Poultry USA
VOLUME 13, NUMBER 9
The magazine for the integrated poultry industry

# FEATURES



# DEPARTMENTS



# COVER STORY



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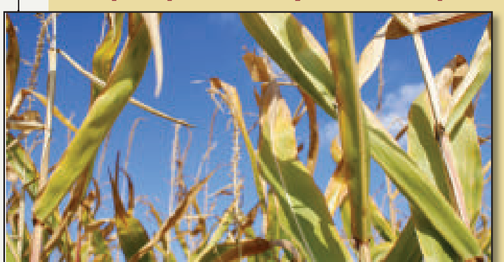

In the midst of the USDA's August Crop Report and a challenging drought, experts Tim Brusnahan, Richard A. Brock & Associates, and Chris Hurt, Purdue University, guide you through forecasts of feed grain costs and availability, analysis of the challenges the protein market will face in 2012 and the global impact.

Learn more about the webinar, which is available anytime, on-demand: www.WATTAgNet.com/ondemandwebinars.aspx

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# FirstNews

CROP REPORT

## Tight corn supplies will force cuts, losses

The bulk of the bad news regarding the 2012 crops should be in by now, according to Tim Brusnahan with Brock & Associates Inc. Brusnahan, together with Dr. Chris Hurt of Purdue University, was a speaker at WATT's August 13 webinar, "August Crop Report: Analysis and Implications."

Brusnahan noted that with corn at $8.00 per bushel, there has been a shifting to alternatives such as feed wheat. Unfortunately, there is not enough feed wheat available to significantly impact corn demand. "So overall, we still have a fairly tight supply around the world," he said.

Brusnahan also observed that erratic rainfall throughout the Midwest still leaves some volatility in the soybean sector, as final yields may come in lower than U.S. Department of Agriculture estimates. This will also provide opportunities for South America to plant large crops and take advantage of high prices.

He summarized that in regard to money flow, the large speculator remains long corn, soybeans, soybean meal, wheat, cattle, hogs and Class III milk. As to U.S. corn and soybeans, corn prices indicate zero carry and soybeans have a large inverse that should cause producers to move their crop to market at harvest. For ethanol, margins have improved and remain in a state of rebalancing. For DDGS, supplies and use are a little uncertain until more is known of Midwest corn quality.

### Drought one of the largest natural disasters in US history

Hurt, a professor of agricultural economics at Purdue, noted that the current drought will most likely end up being the second or perhaps third largest natural disaster in the U.S. in the last 30 years, after Hurricane Katrina and the 1988 Midwestern drought. "Bottom line, there's not going to be enough corn to go around," Hurt said.

For the animal industry, Hurt described conditions in the short run as being "very bleak." He indicated that there will be losses for all species across the board for the next 12 to 14 months. "This will result in some liquidation of herds, it's going to reduce supplies, and over time it's going to bring up retail prices of those animal products and, therefore, the wholesale prices and the farm-level prices."

However, Hurt said this will ultimately give cause for some long-term profits in late 2013 and into 2014 and 2015. The challenge, he noted, will be getting through the next 12 to 14 months.

Both Brusnahan and Hurt addressed a number of questions at the end of the webinar relating to various aspects of the crop report.

To view this webinar, go to: www.WATTAgNet.com/ondemandwebinars.aspx

NATIONAL CHICKEN COUNCIL

## Chicken conference to cover critical industry issues

The National Chicken Council's 58th Annual Conference, October 10-11, in Washington, D.C., will feature speakers discussing pertinent legislative, regulatory, economic and business issues impacting the chicken industry. The conference offers an opportunity to gain a better understanding of the path forward for the industry given current, critical issues confronting chicken producers and processors. In addition to top senior executives from across the chicken industry, conference participants will also include allied industry representatives, government officials and trade news media.

Topics on the agenda for October 11 include international trade, foodservice's success with chicken, the national economy, industry outlook and election insights.

The conference will take place at the Mandarin Oriental Hotel in Washington, D.C., and begins with a reception the evening of October 10. To register for the conference, go to www.nationalchickencouncil.org/conference/

**News updates available at WATTAgNet.com**

OBITUARY

## Poultry researcher Daniel L. Fletcher dies at age 63

Daniel L. Fletcher, internationally recognized poultry researcher, teacher, mentor and administrator, died July 16, 2012, at age 63.

He received B.S., M.S., and Ph.D. degrees from the University of Florida and joined the University of Georgia Department of Poultry Science as an assistant professor in 1977. He was promoted to associate professor in 1984 and full professor in 1990. While at the university, he received 11 awards for teaching and research from his department and college. He taught numerous courses at both the undergraduate and graduate levels and served as Graduate Coordinator for the Poultry Science Department.

His research on egg yolk and broiler skin color work led to improved analysis of egg yolk and broiler skin color and evaluation of pigment sources. His research on early rigor, antemortem stress and early processing factors has contributed to the understanding of the effects of production and processing methods on poultry meat color, texture, shelf life and overall quality. The research also addresses regulatory and animal welfare concerns in the poultry processing industry. Over one million dollars of research support and grants were awarded to support his work, which also led to the publication of 143 refereed journal articles and 292 abstracts, proceedings, invited papers and trade publications. Daniel was active in professional societies, serving on the editorial and review boards of nine journals and contributing to *WATT PoultryUSA*.

After 30 years of service to the University of Georgia, he became professor and department head of the Animal Science Department at the University of Connecticut. He was the recipient of the American Egg Board Research Award, Broiler Research Award, the Continental Grain Poultry Products Research Award, the Merck Award for Achievement in Poultry Science and he was elected a Fellow of the Poultry Science Association.

He did a sabbatical at Spelderholt Institute in the Netherlands, participated in European poultry symposia, and cooperated with the University of Bologna and the University of Helsinki. He received the University of Helsinki Medal and was elected into the International Poultry Hall of Fame in 2008.

Daniel was a devoted husband and father with an unforgettable sense of humor. ■

**WashingtonUpdate** National Turkey Federation

BY JOEL BRANDENBERGER

# Turkey producers seek waiver of Renewable Fuel Standard

As the worst drought in more than a generation continues, the National Turkey Federation and other poultry and livestock producers have begun taking action to soften the blow on feed costs. In late July, National Turkey Federation and its coalition partners petitioned the federal government to grant a waiver to the Renewable Fuel Standard.

The extreme weather conditions have caused significant damage to the nation's corn crop, driving up corn prices and causing analysts to predict a corn shortage later in the year. The coalition's petition clarifies that relief from the Renewable Fuel Standard is urgent as ethanol now consumes more corn than animal agriculture, and the mandate gives ethanol producers a leg up in securing corn when supplies are tight.

## This year's Renewable Fuel Standard mandate is 15.2 billion gallons

Created in 2005, the Renewable Fuel Standard requires refiners to blend a certain amount of renewable fuel (almost exclusively corn-based ethanol) into gasoline each year. The 2012 mandate is 15.2 billion gallons total of renewable fuel, of which at least 13.2 billion gallons is slated to come from corn-based ethanol. The Renewable Fuel Standard combined with another short corn crop would mean much less corn to be distributed to the livestock once the ethanol regulations have been met. This would be devastating to the animal agriculture industry, food manufacturers and foodservice providers, as well as consumers.

## New study shows destabilization of corn prices

A new study, conducted by Thomas Elam, Ph.D., president of Farm Econ LLC, found that federal ethanol policy has increased and destabilized corn, soybean and wheat prices to the detriment of food and fuel producers and consumers.

"The increases we've seen in commodity prices are strongly associated with the Renewable Fuel Standard mandate," said Elam. "At the same time, we haven't seen the promised benefits on oil imports or gasoline prices. This means that while Americans are forced to pay more for food, they're also not seeing lower prices at the pump; it's a lose-lose situation."

## USDA report shows potential yield decline

The USDA, in its monthly Crop Production report, announced a large month-to-month potential yield decline for corn. Currently, about 24 percent of the corn crop is in "good" or "excellent" condition, representing record lows.

As a result of these deteriorating conditions, corn prices have risen dramatically and are likely to remain at record highs. This means billions in increased costs for meat and poultry producers and food manufacturers, putting food processing jobs at risk and jeopardizing farmers' livelihoods.

## Adjustment in Renewable Fuel Standard needed

National Turkey Federation, and other livestock producers, have asked the government to use its available resources by adjusting the rigid Renewable Fuel Standard mandate.

The EPA is being urged to take the necessary steps to promptly analyze the current crisis in agriculture and consider a meaningful adjustment to the Renewable Fuel Standard. ■

*Joel Brandenberger is president of the National Turkey Federation.*

CONSUMER SURVEY

# Chicken eating frequency, market penetration drop in survey

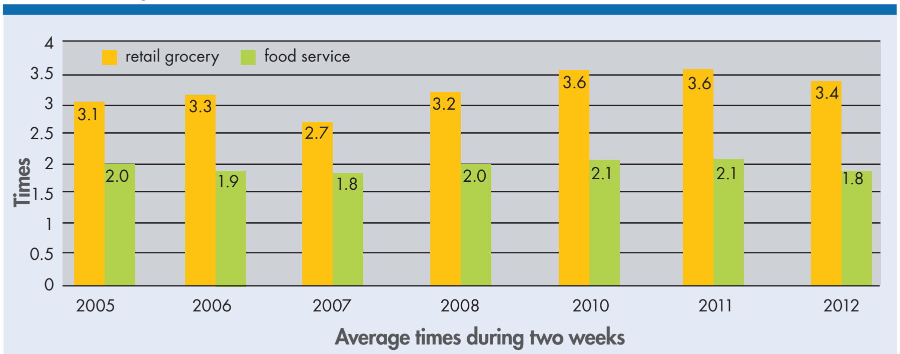
*Chicken is being eaten less frequently and in fewer US households in 2012, according to a survey by National Chicken Council, which points to opportunities for chicken producers.* BY GARY THORNTON

›› A survey of chicken eating behavior in U.S. households by the National Chicken Council showed that purchase frequency and market penetration dropped in 2012, with the biggest slippage occurring in chicken purchased from foodservice restaurants.

Conducted among 1,015 households June 4-5 for the preceding two weeks, the survey was funded by *WATT PoultryUSA* magazine. The results were presented at the 2012 Chicken Marketing Seminar.

Chicken's slippage in purchasing frequency and household share comes after these consumption indicators reached 10-year highs in 2011. The 2012 survey showed lower chicken eating frequency for heavy users and a rise in the number of non-eaters.

**Figure 1. Frequency of eating chicken purchased from retail grocery and foodservice, 2005-12**




Note: Frequency includes all respondents whether they ate chicken or not during the two week time period.

**Combined frequency of eating chicken purchased from retail grocery and foodservice fell from 5.7 times in 2011 to 5.2 times in 2012.**

Shopping behavior for boneless-skinless chicken breasts and tenders, also measured in the survey, showed price playing an important role in purchasing during the two-week survey period.

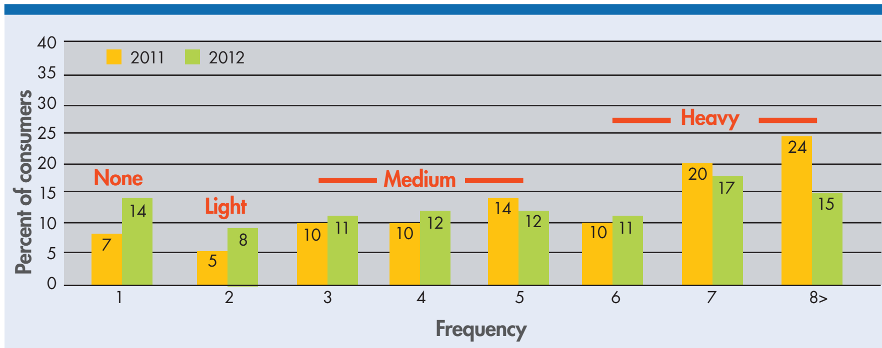
## Consumer survey points to market opportunities

The survey points to opportunities for poultry producers in marketing, sales and product development that would shore up eroding segments and capitalize on areas of market strength. Survey highlights include:

- ✔ Millennial Generation consumers (ages 18-34) ate chicken the most often in the two-week survey period. This consumer segment may be most receptive to marketing that builds product/brand loyalty or converts share.
- ✔ Price is an important trigger of purchasing for many consumers. Marketers should consider using targeted price promotions to reach consumers who might otherwise be non-buyers.
- ✔ Product convenience continues to be important to many consumers. Convenient portion size and packaging may be significant purchasing influencers across diverse consumer groups – even consumers attempting to stretch their food dollars through efficient product usage.

## Figure 2. Patterns of chicken eating frequency, 2011-12

Average number of times in two-week survey period, combined retail grocery and foodservice




Frequency in the heavy usage category (five or more times in two weeks for retail grocery and foodservice combined) fell from 54 percent to 43 percent.

✔The percentage (share) of Hispanic consumers eating chicken in the two-week survey period dropped significantly in 2012. There's opportunity in reclaiming share among this important demographic group.

### Foodservice eating frequency and share drop

Similar weakness was seen in chicken's market penetration, or share, of households eating foodservice purchased chicken. There was a 5 percentage-point drop in share, down from 73 percent in 2011 to 68 percent. By comparison, the share of households eating chicken purchased from retail grocery was down 3 percentage points from 87 percent to 84 percent.

### Fewer heavy users, more non-users

Chicken eating frequency patterns weren't favorable for producers in 2012. Frequency in the heavy usage category (five or more times in two weeks for retail grocery and foodservice combined) fell from 54 percent to 43 percent. At the same time, the percentage of non-eaters in the combined categories rose from 7 percent to 14 percent. See *Figure 2: Patterns of chicken eating frequency, 2010-12.*

Weakness in chicken eating frequency was especially evident in the foodservice category. While non-eaters in the retail grocery category rose by 3 percentage points, an even larger increase occurred in non-eaters of foodservice-purchased chicken. The number of households not eating any chicken purchased from foodservice in the two-week period rose by 5 percentage points, from 27 percent to 32 percent. By comparison, the survey showed 16 percent of respondents not eating any chicken purchased from retail grocery in a two-week period in 2012.

### Heavy users of foodservice chicken cut back the most

The chicken industry's most loyal consumers for foodservice chicken ate less in 2012, according to the survey. The percentage of consumers who ate chicken purchased from foodservice more than four times in two weeks dipped from 20 percent to 13 percent. In contrast, heavy users of chicken purchased from retail grocery rose by 1 percentage point to 29 percent.

### Frequency and share among generational, demographic groups

Chicken eating frequencies and household shares differed markedly across generational and demographic groups. Following are survey highlights:

**Women are more likely than men to have eaten home-cooked, boneless-skinless breasts or tenders – 89 percent versus 83 percent.**

✔Foodservice chicken consumption among the Boomer Generation (ages 45-64) and white con-

CONSUMER SURVEY

FIGURE 3: SHARES OF DEMOGRAPHIC GROUPS EATING CHICKEN, 2010-12

| | | Demographic Group | | | | |
|---|---|---|---|---|---|---|
| | | Any Hispanic | Black Only (Non-Hispanic) | White Only (Non-Hispanic) | All Others | All Respondents |
| | Year | Percent | | | | |
| (A) Chicken Purchased at Retail Grocery | 2010 | 90 | 89 | 83 | 91 | 85 |
| | 2011 | 95 | 89 | 86 | 85 | 87 |
| | 2012 | 85 | 91 | 84 | 59 | 84 |
| (B) Chicken Purchased at Foodservice | 2010 | 79 | 76 | 62 | 80 | 67 |
| | 2011 | 83 | 84 | 68 | 83 | 73 |
| | 2012 | 70 | 79 | 67 | 64 | 68 |
| Combined A & B | 2010 | 92 | 92 | 89 | 91 | 90 |
| | 2011 | 96 | 91 | 92 | 95 | 93 |
| | 2012 | 89 | 89 | 87 | 61 | 86 |

Market penetration declined across all groups and categories except for Black consumers and purchases from retail grocery.

sumers is weathering tough U.S. economic conditions the best. While eating frequencies and household shares are lower in these groups, Whites and Boomers reported less volatility in these indicators.

- ✔Eating frequency of chicken purchased from retail grocery was flat among Whites at 3.3 times in the two-week period, while among Hispanics it was up from 4.2 to 4.5 times and among Blacks it was down from 4.5 to 3.7 times.
- ✔Greater volatility occurred in eating frequencies of foodservice-purchased chicken among Hispanic and Black consumers. While Whites reported only a slight decrease from 1.8 to 1.7 times, frequencies fell from 3.2 to 2.2 times among Hispanics and from 2.5 to 1.7 times among Blacks.
- ✔The most dramatic shifts in market penetration occurred among Hispanic households, with shares plunging 10 percentage points for retail grocery-purchased chicken and 13 percentage points for foodservice-purchased chicken.
- ✔Market penetration among Black consumers was mixed with shares for retail grocery-purchased chicken rising from 89 percent to 91 percent and foodservice-purchased chicken dropping from 84 percent to 79 percent.

**Respondents living in the Northeast seem to have a preference for boneless-skinless chicken breasts or tenders prepared at home.**

## Shopping behavior for boneless-skinless breasts and tenders

Consumers were asked about their shopping behavior for fresh, boneless-skinless breasts and tenders and what would cause them to buy more of these products. They reported purchasing behavior that may provide useful marketing insights.

## Price shoppers prevail

Forty-one percent of shoppers buy only when chicken breasts and tenders are featured at reduced prices and they stock up on the products. Another 19 percent buy only when the products are featured but they don't stock up. Nonetheless, a significant segment of consumers (25 percent) buy as these products are needed without too much concern for price.

Demographics play a role in this price shopping behavior. White consumers, for example, buy boneless-skinless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CONSUMER SURVEY

**FIGURE 4: HOW CONSUMERS SHOP FOR BONELESS-SKINLESS BREASTS AND TENDERS BY DEMOGRAPHIC GROUP**

| For Boneless/Skinless Chicken Breast Meat/ Breast Tenders: | Share of Respondents percent | | | |
|---|---|---|---|---|
| | White | Black | Hispanic | All Respondents |
| Buy only when on sale at featured lower price and stock-up to put in home freezer | 44 | 37 | 37 | 41 |
| Buy as needed without too much concern for price | 28 | 16 | 22 | 25 |
| Buy only when on sale at a featured lower price, but do NOT stock-up to put in home freezer | 17 | 14 | 21 | 19 |
| Buy only for special occasions, such as gathering of extended family and friends, outdoor grilling, food for special gathering outside of home, and similar occasions | 4 | 7 | 15 | 6 |
| Rarely, if ever, buy because preference is for other parts of the chicken, such as leg, leg quarter, thigh, drumstick, or whole chicken | 4 | 21 | 4 | 6 |
| Buy boneless/skinless chicken thigh meat because it is preferred over boneless/skinless breast chicken meat or breast tenders | 3 | 5 | 1 | 3 |
| TOTAL | 100 | 100 | 100 | 100 |

Forty-one percent of the consumers said they buy boneless-skinless breasts and tenders only when on sale and then stock up.

## 3 keys to selling more chicken breasts and tenders

Product price, convenience and taste are the top motivators for consumers to buy more boneless-skinless chicken breasts and tenders, according to the NCC survey.

Bob Wasiluk, senior product manager, Tyson Foods, said at the Chicken Marketing Seminar that product convenience and taste represent significant opportunities for marketers.

### Convenience and taste

"Where pricing is concerned there isn't a lot that marketers can do other than manage promotional prices of boneless-skinless breasts and tenders. The good news is that two other motivators of purchasing ranked highly in the survey – making the taste better and making the products more convenient," Wasiluk said.

### Flavor profiles that can't be produced at home

"There is a lot that poultry marketers can do to make breasts and tenders more desirable for the consumer from a flavor standpoint," he continued. "Flavors introduced in the past have included lemon pepper and barbecue, things that people can do at home. However, there are opportunities in offering consumers flavors [not easily] replicated at home. There has been a resurgence of ethnic flavors in foodservice that retailers can take advantage of, including Mediterranean, Caribbean, Asian, Latin American and Indian.

### Greater convenience

"Many poultry companies are now growing larger birds – often at live weights of 6.5 to 7.5 pounds. So, there is the opportunity to give the consumer what they want as well as take advantage of these live weights with thin-sliced, boneless-skinless breast meat.

"Another marketing opportunity is in highly convenient packaging, including individually wrapping the product so that consumers don't have to touch the chicken."

■ CONSUMER SURVEY

breasts and tenders on feature prices in larger numbers and stock up at higher rates (44 percent) than Black and Hispanic consumers (37 percent). Hispanic consumers, on the other hand, are more likely than Whites to buy only when product is featured but not stock up (21 percent versus 17 percent). See *Figure 4: How consumers shop for boneless-skinless breasts and tenders by demographic group.*

Greatest Generation and Boomer Generation consumers lead as groups that prefer to buy boneless-skinless breasts and tenders at featured prices and stock up (50 percent and 43 percent, respectively), while Millennial Generation consumers are the least likely to do so (32 percent).

## Preference for dark cuts

A significant percentage of Black consumers (21 percent) report they rarely, if ever, buy boneless-skinless breasts and tenders, and that's because of their preference for whole chickens or other parts of the chicken such as legs, leg quarters, thighs or drumsticks. This is in sharp contrast to the 4 percent of Hispanic and White consumers who did not purchase breasts or tenders in the two-week period.

## Reasons to buy more chicken breasts and tenders

Consumers rated price as the strongest of reasons to buy more boneless-skinless breasts and tenders. This was the case across all generational and demographic groups.

Convenience was rated as the second-strongest reason to buy more breasts and tenders. Black and Hispanic consumers rated convenience, and other factors such as taste, recipes and uniformity of pieces in packages, as slightly more important factors in their purchasing than White consumers.

Having more nutritional information was rated as the least important of reasons to purchase more boneless-skinless breasts and tenders. Consumers apparently feel they have enough nutritional information about these products. ■

# US vs. Brazil: How the poultry export titans stack up

*US poultry's competitiveness in exports is improving but needs more customer focus to successfully compete with Brazil's producers, says an international banker.* BY GARY THORNTON


›› The international competition in poultry exports is vital to the future success of U.S. poultry producers. That's because demand for poultry is growing in the world's developing economies but not in the U.S. Even for those producers not directly involved in exporting it is essential because U.S. markets will rise or fall on the influences of foreign demand. What's more, because demand for poultry is shifting to grain-deficit regions of the world, trade will become more important.

Poultry producers in Brazil and the U.S. are the world's top exporters, but the list of competitors is growing – as is the complexity and fierceness of the competition.

## Banker's view of the competition

"We know how fierce the competition is among poultry companies, but no wonder," said Adriaan Weststrate, global co-head of Rabobank's Animal Protein Sector, as he began a presentation to members of the USA Poultry & Egg Export Council by reading from the Smithsonian Magazine article, "How chicken conquered the world":

*The chickens that saved Western civilization were discovered, according to legend, by the side of a road in Greece in the first decade of the fifth century B.C. The Athenian general, Themistocles, on his way to confront the invading Persian forces stopped to watch two cocks fighting and some of his troops saying, 'Behold, these do not fight for their household gods, for the monuments of their ancestors, for glory or liberty, or the safety of their children*


"We know how fierce the competition is among poultry companies, but no wonder," said Adriaan Weststrate, global co-head of Rabobank's Animal Protein Sector.

*but only because one will not give way to the other.' It does not describe what happened to the loser nor does it explain why the soldiers found this display of instinctive aggression inspirational rather than pointless and depressing. But history reports that the Greeks, thus heartened, went on to repel the invaders, preserving the civilization that today honors those same creatures by breading, frying and dipping them in one's favorite sauce.*

The competition for the poultry export business may be fierce, but the future is bright for the competitors, Weststrate told listeners at the USA Poultry & Egg Export Council meeting. "I sincerely believe that there is no better business to be in than the food business. The production of animal proteins is absolutely a fantastic business to be in, if you are able to execute on the opportunities that exist around the world."

## US poultry's export competitors

**Rabobank's Adriaan Weststrate provided the following review of U.S. poultry's export competitors:**

**Europe:** High and rising costs; no GMO crops allowed; animal welfare and environmental issues

**Argentina:** Lowest-cost producer of poultry in the world, but governmental regulations hinder exports.

**Russia:** Joining the WTO which will bring constraints. Grain costs are high. Problems with infrastructure, port access, property rights and lack of rule of law.

**Ukraine:** Low-cost grains and good port access, but issues exist with rule of law, property rights, legal consistency and transparency.

**China:** Large and growing market, but issues include food safety, supply chain, cold chain, legal transparency, emerging corn deficit and labor.

**Brazil:** Large corn and soy producer, government friendly to agriculture, but rising labor costs, cost of capital, and infrastructure.

**Thailand:** Good regional access to growing markets in Asia, but export growth is dependent on corn prices and availability.

### Global battlefield for sales and profits

The U.S. is taking share (from a low base) in key markets from Brazil, according to Weststrate. For example, the U.S. compound average growth rate in the last six years to Saudi Arabia, Japan and Hong Kong is growing faster than for Brazil. At the same time, however, the U.S. exports have grown slower in China, Japan and Kuwait.

Brazil's exports to China have increased as U.S. exports there were shut out. "The Brazilians have almost taken over the China market from the U.S. since 2009. In 2012, we expect there to be almost 300,000 tons of poultry meat going to China. There are roughly 65 Brazilian plants approved for export to China. There are a log of leg quarters and especially wings going to China from Brazil," he said.

Near-term, Brazil will remain the biggest competitor for the U.S., Weststrate said. Over the longer term, Russia and Ukraine will become bigger factors. He predicted that Ukraine will become an important export competitor, especially to markets in the Middle East, and eventually to Europe.

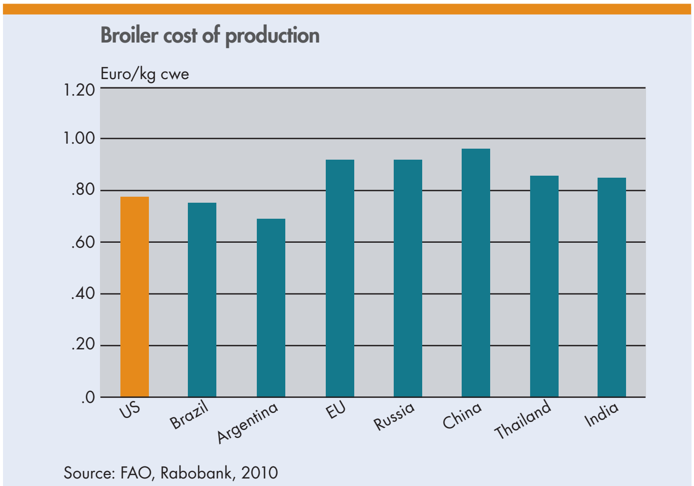
**"UNTIL A FEW MONTHS AGO,** THE US POULTRY INDUSTRY WAS WELL ON ITS WAY TO BEING A LOWER-COST PRODUCER OF POULTRY THAN BRAZIL'S INDUSTRY." – ADRIAAN WESTSTRATE

### Export competition grows in complexity

The competition in poultry exports is not just about productivity anymore. It's more about how companies and industries manage a host of issues including cur-

POULTRY INDUSTRY COMPETITIVENESS

## Figure 1. Competitiveness starts with feed costs




**World regions with inherent advantages are the Americas and the Black Sea region.**

rencies, transportation costs and market access.

Weststrate, whose bank has $15.5 billion in commitments to global animal proteins businesses around the globe, outlined for the U.S. poultry exporters the fight they face against challengers in Brazil, Argentina and at least five other nations. But the toughest competition is with Brazil, which enjoys edges in cost of production and state-supported financing.

What is it to be competitive? The good news is that the U.S. is a grain surplus country and a low-cost animal protein producer. But more is involved in competitiveness today.

"In the past, poultry industry competitiveness was linked primarily to productivity in things like feed conversion ratio, days to maturity and yield. The business is now more complex," he said.

New complexities involve risk management and other factors. At what price is corn purchased? Is the supply chain secure, especially in developing countries like China? How much say will NGOs and the government have in the business in the countries where you operate?

### Brazil executes better than the US

The requirements for successfully executing against the growing poultry export opportunities are changing, according to Weststrate, and Brazil's poultry industry is doing a better job of this than the U.S., he said.

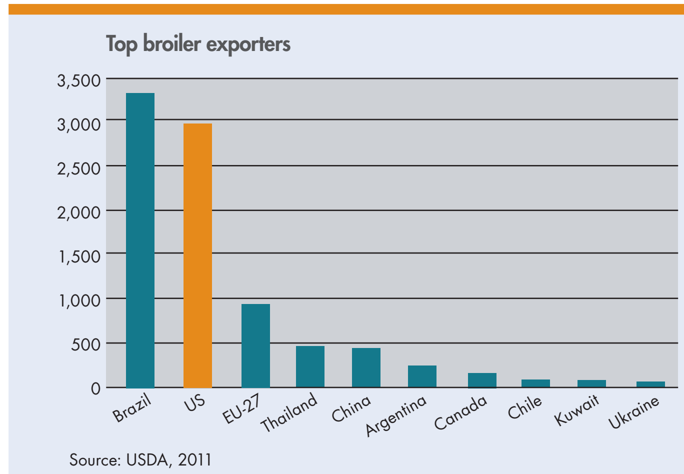
"I think that Brazil's poultry industry is doing a better job, in general, in executing on the export opportunities than is the U.S. industry. That's not just because of the U.S. industry but because of the [lack of] political support it receives from Washington," he said.

### Government support in Brazil

The Brazilian industry, by contrast, receives better support from its government, he told the U.S. group. "Until a few months ago, the U.S. poultry industry was well on its way to being a lower-cost producer of poultry than Brazil's industry. This was simply because the economy in Brazil is doing so well and as a result is for the third year in a row experiencing double-digit increases in labor costs."

The Brazilian government, in fact, was not satisfied to stand by and see poor profitability and deteriorating competitiveness of its agricultural sector.

## Figure 2. Brazil and the US dominate exports




**Brazil is by far the top competitor in poultry exports for the US industry.**

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**FIGURE 3. US IS TAKING SHARE IN KEY MARKETS FROM BRAZIL**

**US vs. Brazil export volume growth in Brazil's key destinations**

| Country | % of Brazil's Volume in 2011 | 2005-11 CAGR in export volumes: Brazil | 2005-11 CAGR in export volumes: US |
|---|---|---|---|
| Saudi Arabia | 17% | 8% | 37% |
| Japan | 12% | 2% | 14% |
| Hong Kong | 10% | 14% | 24% |
| UAE | 6% | 9% | 39% |
| China | 6% | 9% | -5% |
| Kuwait | 5% | 1% | -15% |
| Singapore | 2% | -2% | 29% |
| Total | 58% | 6% | 14% |

Source: SECEX for Brazil, USDA for US, 2012

**US poultry exports to Saudi Arabia, Japan and Hong Kong are growing faster than for Brazil.**

So, it intervened in currency markets to drive Rea-to-U.S. dollar exchange rates from around 160 in 2011 to around 190 in 2012.

"At that exchange rate, Brazilian companies are profitable and very competitive. So, from being disadvantaged sometime last year, Brazilian companies have come back with government help. It shows. In Brazil, the government really does give help to the agricultural sectors just to make sure that they keep competitive on the export markets," he said.

## Support from Brazil's Development Bank

High labor cost isn't the only disadvantage faced by the Brazil poultry


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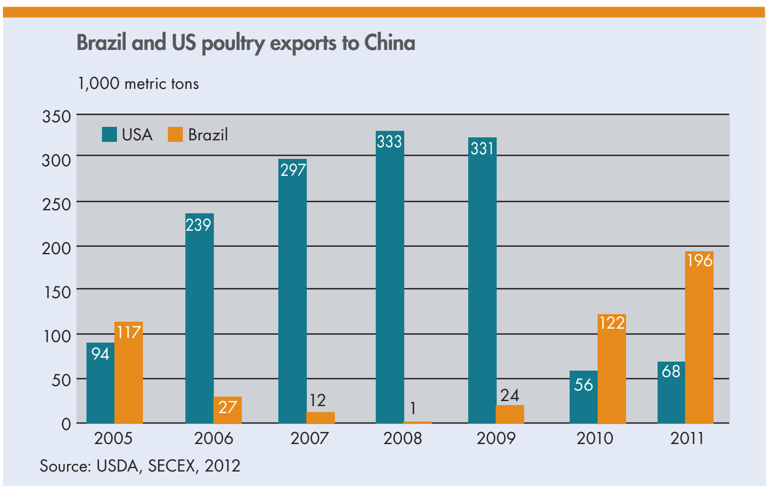
■ POULTRY INDUSTRY COMPETITIVENESS

industry. It also faces a high cost of capital. Again, however, the government provides support. The Brazilian Development Bank, which is a federal public company associated with the Ministry of Development, Industry and Foreign Trade, is there to provide long-term financing at favorable rates to major poultry companies and for projects that improve overall competitiveness.

**Figure 4. Brazil's exports to China increased while US decreased**




The Brazilians have almost taken over the China market from the US since 2009.

## Managing all the issues

"It's not just about productivity anymore; it's more about how you manage all the issues," Weststrate reiterated.

He offered the following conclusions for the U.S. poultry exporters at the USA Poultry & Egg Export Council meeting:

✔ U.S. chicken companies will need to rely more on exports as the domestic market matures.

✔ The U.S. has key advantages with a large domestic market and plentiful feed supplies.

✔ The biggest competitor for the U.S. is Brazil, which is facing rising labor costs, in addition to having weak infrastructure and high capital costs.

✔ The U.S. needs to do a better job of customizing its product for import markets and not just sell chicken leg quarters to whoever will take them.

As poultry meat demand shifts to grain-deficit regions, trade will continue to increase, Weststrate concluded. He predicted that by 2020 the poultry trade will be 12 million tons or 17 percent of global production. ■

FOOD SAFETY

# Changing methods in Salmonella sampling make comparisons uncertain

*Non-validated changes in the Food Safety and Inspection Service's Salmonella sampling and lab methods make comparisons uncertain.*

BY JOHN CASON

›› How has *Salmonella* prevalence changed in poultry since the implementation of Hazard Analysis and Critical Control Point regulations by the Food Safety and Inspection Service in 1998? Nobody can say with assurance.

Comparing test results over time demands continuity in testing methods. Unfortunately, the lack of continuity in regulatory sampling of raw meat and poultry makes it impossible to say with any confidence exactly how *Salmonella* prevalence has changed in the last 15 years.

**TABLE 1. CHICKEN BASELINE AND HACCP SALMONELLA METHODS**

| Data Set | Sampling location | Rinse liquid | Screen |
|---|---|---|---|
| Baseline 1994-1995 | Carcass shipped to lab, rinsed in lab | Butterfield's phosphate diluent | None |
| Baseline 1999-2000 | Carcass rinsed in plant, rinse shipped to lab | Buffered peptone water | None |
| Baseline 2007-2008 | Carcass rinsed in plant, rinse shipped to lab | Buffered peptone water | PCR |
| HACCP 1998-present | Carcass rinsed in plant, rinse shipped to lab | Buffered peptone water | Imm, PCR |

**Baseline and HACCP Salmonella prevalence estimates may be affected by changes in time and location of sampling, rinse liquid used, and the screening methods used to reduce lab work.**

"First, it should be possible to compare the results of the new baseline to the old baseline to determine if the situation is improving, worsening, or staying the same," according to "Scientific Criteria to Ensure Safe Food," an expert report produced by the Institute of Medicine and National Research Council in 2003. The Food Safety and Inspection Service conducted baseline studies in the 1990s that were used to set *Salmonella* performance standards for raw meat and chicken. More recent baseline studies have been compared to the previous results even though the methodology changed.

## Sampling methods changed

The accompanying table shows the sampling methods used by Food Safety and Inspection Service to test chicken carcasses for *Salmonella*. In the broiler chicken baseline sampling in 1994 and 1995, for example, chilled carcasses were removed from processing plants and were shipped overnight to Food Safety and Inspection Service labs where the carcasses were rinsed in Butterfield's phosphate diluent on the following day, followed by incubation of a portion of the recovered rinse. In the broiler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FOOD SAFETY

chicken baseline studies conducted in 1999-2000 and 2007-08, however, Food Safety and Inspection Service rinsed chilled chicken carcasses in buffered peptone water in processing plants and a portion of the recovered rinse liquid was then shipped overnight to labs where the samples were incubated on the following day. The differences between the methods were length of time after chilling before the rinse was done (0 versus ~24 hours), diluent used (BPD versus BPW), and length of time between rinsing and incubation (0 versus ~24 hours).

USDA's National Advisory Committee on Microbiological Criteria for Foods has stated that Food Safety and Inspection Service "conducts extensive validations prior to implementing new methods," but nothing has been published to justify comparisons of results obtained with such different methods. *Salmonella* cells that were shipped to the lab on chicken carcasses might have been better protected from pH stress due to the additional buffering capacity of the skin and carcass. There should have been more nutrients available as well, with a possible effect on cell survival, as compared to cells removed from carcasses and shipped in buffered peptone. In addition, some more recently approved antibacterial chemicals do not rely on pH effects alone and may not be adequately neutralized by buffered peptone water, so some cell injury and death could occur during overnight shipment rather than in the processing plant where effects are assumed to occur.

## Screening method added

Besides the change in the rinse liquid and time and place of sampling, a screening procedure was added in the 2007-08 chicken baseline study. Samples were not subjected to cultural testing for *Salmonella* unless a PCR-based assay indicated first that a sample was *Salmonella* positive. Testing positive by two methods rather than one is usually a more demanding requirement for a sample to be considered positive.

*Salmonella* sampling under chicken HACCP is usually compared to the 20 percent prevalence rate found in the 1994-95 baseline, so changes in HACCP methodology compared to that baseline are important. Chicken HACCP testing has always been based on chilled carcasses rinsed in buffered peptone water in the processing plant, with recovered rinse liquid shipped overnight to Food Safety and Inspection Service labs. PCR-based screening of HACCP samples was started in 2003, with an immunological screening method used for some time before 2003. As with the case of comparison between different baseline studies, comparison of HACCP results with the original 20 percent baseline prevalence, or comparison with other HACCP years with different methods, has uncertain validity. Despite occasional disclaimers, Food Safety and Inspection Service makes those comparisons routinely.

## Office of Risk Assessment and Cost-Benefit Analysis

At about the same time that the Pathogen Reduction: HACCP Final Rule was issued in 1996, USDA created the Office of Risk Assessment and Cost-Benefit Analysis to analyze the impact and cost of major new regulations. Few people seem

■ FOOD SAFETY

to know that the first regulation analyzed by the office was the new PR:HACCP rule, but the review is a fascinating document that contains a lot of interesting commentary on the Food Safety and Inspection Service version of HACCP for raw meat and poultry.

The first issue listed by the review panel was the assumption that baseline levels of *E. coli* and *Salmonella* could be used to set detection standards that would be used for samples using a different methodology. The review panel wrote, "There are major differences in the carcass sampling method used in the national baseline survey and the method carried out at the plant [referring to HACCP samples]." The Office of Risk Assessment and Cost-Benefit Analysis was also concerned about differences in measurement errors between the two methods and the implication for control charts.

Previous articles in this series have discussed the seasonality of *Salmonella* in poultry ›› **Read More: www.WATTAgNet.com/150810.html** and the interaction of seasonality with the irregular sampling schedules used by Food Safety and Inspection Service ›› **Read More: www.WATTAgNet.com/152050.html**.

Changes in sampling and lab methodology cause even more uncertainty in trying to compare *Salmonella* prevalence in chilled chicken carcasses over the 15 years that Food Safety and Inspection Service HACCP has been in operation. ■

*John Cason retired from the Agricultural Research Service of USDA in December 2011 after 40 years in poultry-related jobs, including two years working with chickens as a Peace Corps volunteer. He spent the last 21 years investigating poultry processing and food safety issues as a research physiologist at the Russell Research Center in Athens, Ga. His PhD is from the University of Georgia.*

INTERNATIONAL PERSPECTIVE

# 2 Sisters' strengths overcome difficult UK poultry market

*Customer focus and innovation are winning ways for the UK poultry processor.*

BY EMMA BELLIS

›› Despite the tough UK economic climate, 2 Sisters Food Group, one of the country's largest poultry processors, stands out as being fit to ride the storm. A report this year by Rabobank highlighting the inefficiency of the UK poultry industry singled out 2 Sisters Food Group for getting things right.

It's not surprising that since humble beginnings as a small-scale frozen retail cutting operation in 1993, the company has grown to become the UK's fourth largest food company with total sales topping $3.4 billion. It recently acquired Northern Foods and announced an investment in a new facility in Thetford with the aim of "revolutionizing" the production of coated foods available in the UK.

To learn more about 2 Sisters, visit Top Companies at www.WATTAgNet.com/worldtoppoultry.html


All Oakham birds have access to the range.

2 Sisters now employs 18,000 people across 42 sites in the UK, Ireland, the Netherlands and Poland. Eleven of the sites are in the UK, with seven in the Netherlands and one in Poland.

2 Sisters processes more than 6 million birds per week with 3.3 million birds coming from the UK — about 20 percent of UK-reared chicken — and 2.7 million birds from its European network. In total, it has over 30 million birds on the ground. The UK birds are

■ INTERNATIONAL PERSPECTIVE

sourced mainly via a 50-50 joint venture with PD Hook — the UK's largest broiler chicken supplier.

## From primary processing to prepared food

The company operates in three areas with three separate divisions. In the UK, there are four primary processing and slaughter facilities for chicken. A further four secondary processing facilities take meat from these sites for portioning, deboning and filleting. Several more facilities produce processed products such as breaded and roasted chicken, ready meals, savory stocks, sauces, gravies, soups and ready-to-cook BBQ meats.




Oakham Chicken, produced by 2 Sisters, is the only fresh chicken sold by one of the UK's leading supermarkets.

It is a major supplier of raw and prepared chicken products to the big UK supermarkets, including Tesco, Sainsbury's and Marks and Spencer as well as quick-service restaurants. In addition, it produces several of its own branded products, including Buxted and Devonshire Red, which represent five percent of the business.

The expansion of the prepared food part of the business has helped to cement what 2 Sisters refers to as its "virtuous circle," which has been fundamental in helping the company respond to an increasingly challenging and competitive market. "By working to our virtuous circle, i.e. driving volumes to increase efficiency in our factories, we are differentiating ourselves from our peers," says a company spokesperson.

### Northwestern European network

The northwestern European network is proving invaluable in driving efficiency in a saturated UK market with high feed costs. "It's about achieving maximum efficiency and flexibility for sourcing fresh meat," according to Rabobank.

The business currently exports large volumes back into the UK, representing about 50 percent of its turnover. "But we are also working to develop more of a footprint to supply into the retail market on the continent," says 2 Sisters. The company hopes to achieve this by transferring skills from the UK supply retail chains, leveraging its strong UK relationships.

### Customer focus

These strong customer relationships set 2 Sisters apart, and "delighting" customers is a core strategy and at the heart of everything the company does. This strategy has been fundamental in helping to anchor the company in the stormy UK waters of fierce competition and oversupply.

2 Sisters says that this means spending more time with customers — about 20 percent of its time — and really understanding and responding to specific requirements. This approach requires "relentlessly innovating to please customers," which counts for a lot in the high value UK market.

For example, last year it worked with Tesco to develop a chicken product with two days'

■ INTERNATIONAL PERSPECTIVE

Upton Farm in Great Yarmouth, UK. 2 Sisters has now installed solar panels on 28 farms and at three factories.

additional shelf life. This year it is working with one customer to develop a range of themed chicken products ahead of the Queen's Jubilee, which will be a key event in the UK calendar.

One of the best examples of this desire to innovate occurred around 10 years ago when 2 Sisters became the first company to develop a system that not only addressed welfare concerns, but was also affordable, bridging the gap between indoor reared chickens and the outdoor systems. It had listened to a key supermarket, Marks and Spencer, and the result was Oakham chicken — the only fresh chicken sold by Marks and Spencer and exclusive to the retailer.

Birds are reared in controlled environment barns and housed on straw or wood shavings with constant access to food and water. The temperature and lighting levels in the house are controlled by the farmers, but birds do receive natural daylight. The chickens are housed at a maximum stocking density of $30kg/m^2$. Oakham free-range birds are reared in similar houses to standard chickens, but have constant access to the range. The internal stocking density is $27kg/m^2$ and the area of the range is determined on the basis of $1m^2$.

## Ethical model factory

Marks and Spencer's commitment to sustainable retailing — known as Plan A — is driving a more systematic change across the 2 Sisters' business and again exemplifies the company's responsiveness to its customers' requirements. Oakham chicken is produced at 2 Sisters' primary processing factory in Flixton. In 2007, Marks and Spencer, like its rival supermarkets, came under fire for labor conditions at its poultry processing plant. Its own ethical audits had revealed some worrying problems. Its response was to pilot the idea of "ethical model factories," as part of its Plan A program. This has required 2 Sisters to cut energy and water use and waste and to confront the working culture. The numbers of agency staff, which had reached 55 percent at times, have been cut, with many migrants offered permanent jobs and training and more promoted to supervisory roles. Bullying managers have been disciplined or asked to leave. The result has been a significant fall in staff turnover and increased productivity.

At the moment Flixton is the only "ethical model," but 2 Sisters has a broader commitment to reducing energy costs, which is part of a multimillion pound investment.

## At a glance

- ✔ **Who:** 2 Sisters Food Group
- ✔ **Where:** United Kingdom, Ireland, the Netherlands, Poland
- ✔ **Headquarters:** West Bromwich, West Midlands
- ✔ **Revenue:** US$3.4 billion
- ✔ **Production:** 6 million birds/week
- ✔ **Product:** Chicken, various
- ✔ **Employees:** 18,000
- ✔ **Website:** www.2Sfg.com

"We are looking at a couple of other broader eco initiatives, one around reducing our waste at each site and the other where we're investing in renewable projects to become more energy efficient, for example our joint venture with PD Hook with wind turbines," explains a 2 Sisters' spokesperson.

## Efficiency gains

Not only is this good for relationships with all customers, who are all increasingly focusing on the environmental and ethical credentials of their supply chain, but it is paying dividends in driving efficiencies in a more challenging market. It is one of the ways in which the company is able to offer "highest quality for lowest cost" — one of the key trademarks of the business.

"By focusing hard on our operations, our waste and our costs, we can still maintain the highest quality products but at the lowest possible cost," says the company.

And now, as a much broader food company following the acquisition of Northern Foods, what about the future of the poultry business?

"The poultry business remains significantly important to 2 Sisters," says the spokesperson. "It is 50 percent of group turnover and serves a core category for consumers — the poultry business can share its strengths, and also learn from other parts of the group.

The company is confident that it is well placed to meet the challenges of the highly competitive marketplace head on. "We are now in more meal occasions, we are now serving a wider range of customers and we have real scale and talented people to help us grow towards our goal of £3 billion [$4.7 billion] sales by 2015," says the spokesperson. ■

*Emma Bellis is a freelance writer specializing in agriculture, food and health.*

# ProductReview

## SPACE-RAY BROODERS BIG FOOT RADIANT TUBE BROODER

Space-Ray Brooders' Big Foot radiant tube brooders are rectangular-shaped and engineered at a 19-degree angle, available in natural or propane gas. Big Foot heaters use positive pressure to push products of combustion through the calorized aluminized steel combustion chamber, each with a choice of one- or two-stage input controls. Big Foot brooders are available in four sizes from 60,000 BTU/hr. (18 kW/hr.) to 90,000 BTU/hr. (26 kW/hr.).

**www.spaceray.com**

## HARDY DIAGNOSTICS PDX-SIB SALMONELLA TEST

Hardy Diagnostics' PDX-SIB test provides presumptive results for the most common *Salmonella* species within 24 to 48 hours, with no sub-culturing or specimen transfers required. The *Salmonella* selective enrichment media contains a *Salmonella*-specific color change indicator, which turns the PDX-SIB broth yellow when *Salmonella spp.* is present. This AOAC-RI-approved collection and test system is a closed system.

**www.hardydiagnostics.com**

## COMBISCALE INC. 360 ONLINE SUPPORT

360 Online Support from CombiScale Inc. is a bundled software, available on all PrimoWeigher combination scales, that allows the company's service technicians to connect to a PrimoWeigher through the 360 Operating System. 360 Online Support uses software including Skype and LogMeIn. With a wireless or landline connectivity, the system requires a pin code and the customer's consent for technician access to the system.

**www.combiscale.com**

## ADAM EQUIPMENT WARRIOR WASHDOWN SCALES

Adam Equipment Warrior washdown scales are well-suited for the production line or clean-room environments and can also weigh animals of various sizes. The Warrior series features seven models with capacities from 16 lb to 330 lb and readabilities from 0.001 lb to 0.02 lb. The scales weigh in grams, kilograms, pounds, ounces, pounds/ounces and newtons.

**www.adamequipment.com**

## CENTRAL LIFE SCIENCES ATTACK-ALL LIVESTOCK & PREMISE FLY SPRAY


Central Life Sciences' Attack-All Livestock & Premise Fly Spray is a ready-to-use pump spray, approved for use in California, which can be used outside or inside on or around livestock, and in milking parlors, calf hutches, barns, poultry houses, swine quarters, pens and more to kill and repel insects. The spray is approved for treatment of stable, house, face and horn flies as well as moquitoes, gnats and more.

www.centrallifesciences.com

## MUSTANG 4000V SKID STEER LOADER


Mustang's vertical lift 4000V skid steer loader is rated up to 4,000 pounds with a vertical lift height of 144 inches and 99 gross horsepower Cummins engines. It features a hydraulic fan with swing-out cooler, optional high-flow up to 40.8 gpm, and a standard level II ROPS/FOPS cab-forward design with side-folding restraint bar.

www.mustangmfg.com

## SCHOBER USA RSM-MX IN-MOLD LABEL ROTARY DIE CUTTING TECHNOLOGY

Schober USA's RSM-MX rotary die cutting technology is designed for in-mold label production. Web widths of 10 inches, 13 inches and

## PRODUCT REVIEW

16 inches can be accommodated with a maximum roll diameter of 30 inches, and a typical die circumference of 17 inches to 25 inches. A vacuum generator is included for the vacuum conveyor that collects die cut labels prior to stacking.

**www.schoberusa.com**

### DOUBLE L GROUP LTD. ATTIC AIRLOCK SLEEVE

Double L Group Ltd.'s Attic Airlock Sleeve prevents hot air from entering the attic while the inlets are closing and reduces condensation in the attic. The Attic Airlock Sleeve is universal and can be custom made to fit any size inlet. It is constructed of corrugated plastic.

**www.doublel.com**

### GLENROY INC. HPC FLEXIBLE PACKAGING

Glenroy Inc.'s High Performance Component HPC flexible packaging is a high-performance tie layer technology for foil-based flexible packaging. HPC flexible packaging structures are chemical resistant, with oxygen and moisture barrier properties, machinability and roll conformity. HPC is available as a component in Glenroy's line of foil-based flexible packaging laminations and ExpressWeb surface printable packaging films.

**www.glenroy.com**

## SULLAIR 230 VOLT S-ENERGY ROTARY SCREW AIR COMPRESSORS


Sullair's line of 230 volt VSD S-energy lubricated rotary screw air compressors is designed to meet the demand for variable speed drive energy efficiency in a 230V package. The line includes models 1100e, 1500e, 1800e, 1800, 2200, 3000P, 3700 and 4500. These models range from 15 to 60 horsepower, with capacities from 46.4 to 222 cfm and pressures ranging from 100 to 175 psig. Sullair's air-end design with low restriction inlet valve, the low-pressure drop air-fluid separation system, and a high efficiency centrifugal cooling fan also help with energy cost savings.

**www.sullair.com**



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# People&Companies

The U.S. Poultry & Egg Association has released a video, "Poultry & the Hormone Myth," to explain the scientific, economic and legal reasons hormones are not needed or used by the U.S. poultry industry.

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Foster Farms, university faculty, students and community leaders broke ground on the new Foster Farms Poultry Education and Research Facility at The Jordan College of Agricultural Sciences and Technology at Fresno State. The 16,000-square-foot eco-friendly, power-efficient building will include advanced climate-control and feed delivery systems replicating professional poultry production.

---

The Meat Industry Suppliers Foundation, a philanthropic organization of the Food Processing Suppliers Association, has announced the winners of the 2012 scholarship program: Rebecca Acheson, Harrison Bartlett, Ethan Blom, Simon Kern and Daniel Neely.

---

CTB Inc., formerly known as Chore-Time, celebrated its 60th anniversary July 17 with more than 600 employees, past and present, in Milford, Ind.

---

Aviagen's 49th Production Management School, held from June 2 through June 29, in Alabama, focused on poultry nutrition, veterinary, hatchery operations, production and farm management best practices for managing successful breeder and broiler operations.

---

Nissan Forklift Corporation has added Charles VandenBosch as the company's senior manager of outside sales.

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# Datelines

Send trade show, meeting and technical symposium information to: Gary Thornton, *WATT PoultryUSA*, at gthornton@wattnet.net. For a comprehensive list of events plus detailed information go to Events at www.WATTAgNet.com.

## 2012

### SEPTEMBER

**National Meeting on Poultry Health and Processing 2012**

**17-19**»Delmarva Poultry Industry Inc., Ocean City, MD, United States, www.dpich-icken.org

**Vaccines and Diagnostics for Transboundary Animal Diseases Workshop**

**17-19**»Ames, Iowa, United States, www.cfsph.iastate.edu/Meetings

**CCS Poultry's Poultry 101**

**18-20**»University of Arkansas-Fayetteville, Fay-etteville, AR, United Stateswww.poultry101.com

**Georgia Poultry Conference 2012**

**25-26**»Classic Center, Athens, GA, United States, +1.706.542.1325, www.ugaextension.com

**USPOULTRY Poultry Production and Health Seminar 2012**

**25-26**»The Wynfrey Hotel, Birmingham, AL, United States, +1.770.493.9401, www.uspoultry.org

### OCTOBER

**Poultry Protein and Fat Seminar 2012**

**4**»Doubletree Hotel, Nashville, TN, United States, +1.770.493.9401, www.uspoultry.org

**National Chicken Council 58th Annual Conference**

**10-11**»Mandarin Oriental Hotel, Washington, D.C., United States, www.nationalchickencouncil.org/conference

### NOVEMBER

**USPOULTRY Communications Strategies Workshop 2012**

**1**»+1.770.493.940, www.uspoultry.org

**USPOULTRY Grain Forecast and Economic Outlook Conference 2012**

**7**»Airport Hilton Hotel, Atlanta, GA, United States, www.uspoultry.org

## 2013

### JANUARY

**International Production and Processing Expo 2013**

**29-31**»Georgia World Congress Center, Atlanta, GA, United States, www.ippe13.org

## Adindex

**Company Name** — **Page No.**



# WATT PoultryUSA

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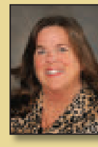

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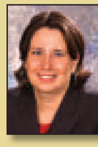

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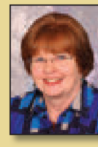

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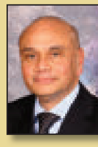

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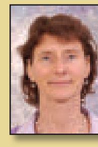

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## Marketplace

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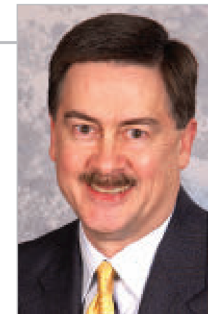
## Editor's Comment BY GARY THORNTON

# Turning chicken's foodservice challenges into opportunities



Chicken's share of the menu at foodservice restaurants is 45 percent – far and away the greatest among meat proteins – but there's room to grow that share ... if marketers exploit key disconnects between foodservice operators' perceptions and consumer behavior.

That's according to Maeve Webster, senior director for the market research firm, Dataessential. She presented new meat protein market studies at the 2012 Chicken Marketing Seminar.

### New survey tracks chicken

According to a survey of 388 foodservice operators, chicken's average share of entrees and appetizers that feature meat proteins is 35 percent for white-meat chicken and 10 percent for dark-meat chicken. Compare those shares to 27 percent for beef, 13 percent for seafood/fish, 13 percent for pork and 2 percent for lamb.

Chicken also leads in consumption increases in a recent Dataessential survey of 3,500 consumers. Thirty-five percent of consumers have increased their ordering of chicken, while 31 percent increased their ordering of seafood/fish and 26 percent increased their ordering of beef.

### Opportunity for gaining share for chicken

Webster pointed to three opportunities or challenges for chicken marketers to exploit. Each is connected to disconnects between the perceptions of foodservice operators and consumer behavior.

### Disconnect 1: Pork is the new focus for foodservice

More foodservice operators are planning to add pork (25 percent) and seafood (19 percent) to their menus than new chicken items (13 percent) in the next two years, according to the survey. That's despite the fact that 35 percent of consumers are increasing their ordering of chicken items.

### Disconnect 2: Beef receives more seasonal and limited time offer promotion

Foodservice operators are more likely to consider beef for winter- and fall-specific items and limited time offers, but there is no reason that chicken would not perform well in these categories due to its superior versatility and value.

Chicken marketers need to focus on foodservice operators who are not using chicken to position themselves against their competitors. Chicken marketers need to say to them, "Look, this is who we are, and this is what we can do."

### Disconnect 3: Price shifts are likely to impact menuing

Foodservice operators indicated that if the price of beef was at or below the price of chicken, they would consider increasing their menuing of beef overall (45 percent); consider adding higher-end cuts of beef (34 percent); or would not change menuing (33 percent).

Consumers, however, are not as sensitive to pricing differentials as the operators' menuing intentions would indicate. Thirty-five percent of consumers were as likely to order either entrée when beef is at or below the price of chicken. And while 15 percent of consumers were much more likely to order an entrée with beef, 22 percent were much more likely to order an entrée with chicken. The percentages of consumers somewhat more likely to order one entrée or the other were essentially the same.

Chicken marketers should consider educating foodservice operators about these disconnects between marketing plans and consumer behavior, Webster said. "It is not unusual for foodservice operators to not fully understand all the trends and issues for their customers," she concluded.

The Chicken Marketing Seminar is sponsored by the National Chicken Council and the National Poultry and Food Distributors Association. ■