



## Natural Beef Market in the United States

December 2005



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### Overview

- Continued dramatic sector growth despite age of sector
- Proliferation of product into mainstream grocery stores
- Health-conscious consumers driving growth

The "Natural" beef market in the United States is one of the fastest growing segments of the beef market. Growth has been driven by healthier eating choices, food scares and health related issues as well as consumers looking for and the proliferation of organic and "Natural" products available at the retail level.

Despite being an active and growing market segment for over 20 years, the "Natural" beef market has experienced increased exposure and large increases in recent years. The key issue of utilizing antibiotics and growth hormones in livestock has recently pushed a growing percentage of the population to look for more natural alternatives. Regardless of evidence, a popular backlash against the use of hormones and antibiotics in beef production is creating a growing market for "Natural" beef.

### The Sector (Value)

- 1% of total US beef market
- 20% annual growth rates

It is estimated that in 2005 there were roughly 375,000 to 425,000 head of cattle in the US that qualify as "Natural", out of a total 100 million head nationwide. The US "Natural" beef sector is estimated to be worth US\$500 to US\$550 million annually, or 1% of the total US beef market. Overall beef sales in the US have been slowing since peaking in the 1970's, and overall beef production figures continue to decline. However, the "Natural" beef sector is growing by roughly 20% annually.

### Regulations and Requirements

The term "Natural" in reference to meat products is one of the loosest with regards to labeling practices and requirements. The term does not have the same strict interpretations as "organic". While it may not be as strong as an organic certification, "Natural" can add value if advertised properly because of the growing popularity of its product attributes.

### "Natural" Meat

All fresh meat in the USA qualifies as "Natural" under current USDA definitions. However, all products claiming to be "Natural" should be accompanied by a brief statement which explains what is meant by the term "Natural".

- Products labelled "Natural" cannot contain any artificial flavour or flavouring, colouring ingredient, chemical preservative, or any other artificial or synthetic ingredient; and the product and its ingredients are not more than minimally processed (ie. ground, frozen or smoked).

- Various claims as to what makes a product "Natural" can be made on a label, but label claims are regulated by the FDA and must be verifiable should a challenge arise.

The US has a number of certification bodies which can help producers highlight the environmentally and health friendly aspects of their natural products. For instance, Food Alliance is an American non-profit organization that promotes sustainable agriculture by recognizing and rewarding farmers who produce food in environmentally friendly and socially responsible ways. Food Alliance also educates consumers and other stakeholders in the food system about the benefits of sustainable agriculture. Food Alliance is widely recognized as one of America's leading certification organizations for environmentally friendly and socially responsible agriculture products.

Food Alliance  
1829 NE Alberta, Suite 5,  
Portland, OR 97211  
Tel: 503.493.1066  
Fax 503.493.1069  
<http://www.foodalliance.org/>

### **Industry Terminology**

- "Natural" beef product attributes determined by industry
- Antibiotic and growth hormone are essentially prerequisites for the term "Natural"
- Environmentally friendly production growing in importance in the use of the term "Natural"

Over the past 20 years, producers and marketers have evaluated the product attributes that typical consumers would expect to see in a product labeled "Natural". Given that the standard set for the use of the term "Natural" is very vague, ranchers and marketers have taken it upon themselves to better define what is meant by "Natural" beef.

While no one definition exists, "Natural" beef has come to mean antibiotic and growth hormone free beef. Some "Natural" beef producers have gone one step further by meeting additional stipulations such as strictly grass or vegetable fed cattle. These measures are targeted at consumers who are seeking assurances that their beef comes from cattle that are never fed meat by-products, eliminating potential exposure to BSE.

Issues that are becoming increasingly important in the marketing of "Natural" beef products are the environment (waste management, resource protection), animal welfare (more humane treatment), enhanced nutrition (higher nutrient content) and small farm support. These traits are becoming as important as beef free from antibiotic and growth hormones when marketing "Natural" beef to a larger audience.

### **Consumer Market**

Consumers rate the following factors as the most important considerations when purchasing beef marketed as "Natural":

- No use of growth Hormones
- No use of antibiotics
- Production takes steps to Protect open streams
- Production does not endanger wild animals
- Cattle not raised in pens
- Beef properly aged
- Cattle are grass fed
- Beef comes from local farms

When marketing "Natural" beef to a processor, retailer or consumer it is an absolute must that the product be free from growth hormones and antibiotics. While products containing these items may technically be marketed as "Natural", consumers will not buy them and processors will not accept them. The sectors own standard has raised the bar well above that of the government's regulations.

Protecting the local environment is rated very highly by consumers when purchasing "Natural" beef. This is in keeping with the image of "Natural" beef as a product that is produced locally. Consumers see value in buying products produced by a farmer/rancher who is invested in the welfare of the local environment.

Dry-aging is increasingly popular among consumers and "Natural" beef producers. This is a sought after attribute in "Natural" beef, and is viewed as a value-added attribute that enhances flavour. Dry-aging also addresses some tenderness issues with some "Natural" beef products.

Consumer surveys have demonstrated that consumers, either rightly or wrongly, associate "Natural" beef with local family farms. On top of product attributes, consumers have looked to "Natural" meat as a way to support local producers. This may dampen the prospects for imported natural products; however, according to consumers "locally produced" was the least important attribute for "Natural" beef and its consideration at time of purchase is entirely dependant on the region. For instance, beef that was "locally produced" was a major consideration in beef producing states, whereas it was less important in the more industrialized Eastern states. In addition, "Natural" beef consumers in the US do not view a product said to be produced in state as enough of a qualification to support a "locally produced" advertisement. The product must literally be produced within 50 to 100 miles to benefit from any locally produced claim.

Most surveys of US consumers have shown that people are willing to pay more for certain "Natural" beef products and growth in the sector is focused around higher-income and suburban consumers.

Educating consumers on product attributes is the key to success in this sector. In a series of surveys, 75-80% of consumers had a different, but positive, view of "Natural" meats after reading a brochure which highlighted benefits and discussed the issues surrounding the sector.

Surveyed consumers have also expressed a willingness to pay more for "Natural" products. Most surveys have demonstrated that roughly 70% of people who had a firm understanding of what "Natural" beef meant, would pay a 10 – 20% premium for "Natural" beef products. This is highly dependant on the cut, but does illustrate

that once consumers know and understand the product they are willing to pay for quality.

## **Retailers**

- Key successes at the retail level have come from educational marketing campaigns. Retailers and producers have extolled the benefits of their products. Due to the vague definitions of "Natural" many producers have begun advertising what "Natural" means in relation to their product.
- Some smaller independent retailers have begun selling only "Natural" beef products. Large regional fast food restaurants have also begun selling only "Natural" beef products that are hormone and anti-biotic free.
- As of June 2003, McDonalds has made the shift to buying meat that does not use growth promotion antibiotics. Their meat supply cannot be classified as "Natural" under the strengthening but informal industry standard because McDonalds does allow for the use of medically necessary antibiotic treatments. However, this is an indication of growing importance of this issue.
- Many "Natural" beef producers and processors have turned to direct marketing through the Internet as a popular means of reaching consumers and selling their products.
- In keeping with the popularity of the local image of "Natural" beef, a number of smaller producers have begun direct marketing to local foodservice or retail outlets. This is increasingly popular with smaller chains given the positive image associated with locally produced beef and the idea of community enhancement through support of local producers.

## **Key retailers**

### *Whole Foods Market*

Founded in 1980 with one store in Texas, Whole Foods Market is now one of the world's leading retailers of natural and organic foods, with 180 stores in North America and the UK. Whole Foods obtains products from local producers as well as international producers who offer unique and special foods produced with an eye on the environment.

Whole Foods Market, Inc.  
550 Bowie Street  
Austin, TX 78703-4677  
512.477.4455  
512.477.5566 voicemail  
512.482.7000 fax  
<http://www.wholefoodsmarket.com>

## *Wild Oats*

A key retailer in the US of Organic and Natural products. Wild Oats maintains a very successful store brand throughout its full service supermarkets.

Wild Oats Markets, Inc.  
3375 Mitchell Lane  
Boulder, CO 80301  
<http://www.wildoats.com>

### **Issues & Challenges**

There are a number of key issues to consider when marketing a beef product as "Natural".

Consumer education will be vitally important in securing a premium for products in this growing niche market. For instance:

- As late as 2001, 75% of American consumers believed that "Natural" and "Organic" were the same thing.
- Many consumers have stated that they assume the term "Natural" beef means locally produced beef. In some cases consumers believed that this did not simply mean produced in State, but locally or regionally produced. Some of the major US processors and suppliers have recognized this and gone as far as stating in their advertising campaigns that they do not use imported beef.

Despite consumer perceptions, this is not a local, small farm industry. Major suppliers and processors are beginning to dominate this industry establishing their own criteria for what "Natural" beef means.

- While this market is growing at a considerable rate and premiums are available for "Natural" cuts, experts are predicting that the consolidation of producers and processors will bring down market prices.
- One of the best routes into this growing market is by supply inputs to one of the large and growing "Brand" name "Natural" beef companies. However, when selling to an established "Natural" beef brand, your company must meet that company's established standards for quality and production. This must be done without the benefit of a learning curve. In addition, your company will not benefit from the same premiums as the name supplier.
- If attempting to market under a separate or individual brand, companies must be aware that competitors have been known to challenge "Natural" label claims with the FDA. Companies must ensure the validity of all statements with regards to products "Natural" attributes.

Product attributes common to some "Natural" beef items have raised certain issues with buyers and in some cases consumers.

- Grass fed beef tends to produce cuts with slightly yellow coloured fat. This has been an issue to buyers, less so with consumers, who do not understand

why the product does not have the more traditional white fat. Again education has played a key role in gaining acceptance for this anomaly. For instance, studies have shown that yellow fat has higher nutrient content and is more flavourful.

- Grass fed beef tends to be less tender than grain fed. Grass feeding increases the time needed to bring a cow to market, thus decreasing tenderness. Production techniques like needle tenderization of frozen beef have removed this issue for the most part, but again this is an issue that requires education to address any lingering doubts about the product.
- "Natural" steaks could see a premium charge of 50-70%, but other cuts will have more difficulty charging a premium. Surveys have shown that ground meats could carry as much as a 20% premium.
- In certain cases, sales of "Natural" beef products in the US have suffered because of poor product packaging. "Natural" beef producers have struggled when their packaging has failed to reach the standards that consumers are use to seeing in meat products. Given that premiums will be charged for this product, attractive packaging that makes the product look fresh and safe will be very important.

## Key US Producers

Coleman – Purely Natural  
1767 Denver West Marriott Road  
Suite 200  
Golden CO 80401  
<http://www.colemannatural.com>

Laura's Lean Beef Company  
2285 Executive Drive, Suite 200  
Lexington, Kentucky 40505  
Tel: (800) ITS-LEAN  
Fax : (859) 299-6822 Fax  
<http://www.laurasleanbeef.com>

MAVERICK RANCH NATURAL MEATS  
5360 North Franklin Street  
Denver, Colorado 80216  
Toll-Free Nationwide: 1-800-497-2624  
<http://www.maverickranch.com>

Painted Hills Natural Beef, Inc.  
PO Box 245  
Fossil, Oregon 97830  
Toll Free: 877.306.8247  
Phone: 541.763.2333  
<http://www.paintedhillsnaturalbeef.com>

PM Beef Group  
USDA Est. 683  
Hwy. 60 North  
Windom, MN 56101  
Phone: 507-831-2761  
<http://pmholdings.com/b.html>

Meyer Natural Angus  
5285 McWhinney Blvd.  
Suite 130  
Loveland, CO 80538  
<http://www.meyernaturalangus.com>

Wolfe's Neck Farm  
184 Burnett Road,  
Freeport, ME 04032  
Tel: 207.865.4469  
Fax: 207.865.6927  
<http://wolfesneckfarm.org>

Van Wie Natural Foods  
6798 Route 9  
Houston River Valley, NY  
12534  
Tel: 518-828-0533  
<http://vanwienaturalmeats.com>

North Star Neighbors  
<http://www.northstarneighbors.com>

Harris Ranch  
<http://www.harrisranchbeef.com>

Country Natural / Oregon Country Beef  
<http://www.countrynaturalbeef.com>

Montana Range Beef  
<http://www.montanarange.com>



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