Impact of Consumer Trends on Beef Demand

Reciprocal Meat Conference

June 18, 2013
National Beef Checkoff

• A major program area is Consumer Market Research

• Market Research tracts consumers and is the driver for developing checkoff programs

• For ex: in the 1990’s market research showed at 4:30 pm 73% of meal preparers didn’t know what they were preparing for dinner –so chuck roasts were out!
Beef *demand* is **NOT** the same as beef *consumption*

- **Beef Consumption** is the volume of beef that “disappears” from our inventory.
- **Inventory** = domestic production and imported supply of beef and beef products.
- Relies completely on how much beef we make and import.
- **Per capita consumption** = consumption per person.
So What IS Beef Demand?

**Beef Demand** goes beyond simple volume to the quantity of beef that consumers purchase *at different prices*:
It’s All About the Consumer!

Where beef consumption is a simple quantity, then, Beef Demand figures in the desirability of and consumer preference for the beef you offer.
What are Demand Drivers?

Demand drivers = underlying factors that influence consumer decisions

Types of drivers:

• Economic determinants
• Consumer trends
• Qualities such as taste, consistency & convenience
• Changes in consumer demographics, lifestyles
Safety Grades for Fresh Beef
Year by year percent of Americans rating A or B grade for safety

SOURCE: IPSOS Public Affairs
Consumer Perceptions of Beef and Raising Cattle

Consumer perceptions of **Beef** are considerably more positive than perceptions of **Raising Cattle**

<table>
<thead>
<tr>
<th>Positives of Beef...</th>
<th>Positives of Raising Cattle...</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>Strongly Outweigh the Negatives</td>
<td>Somewhat Outweigh the Negatives</td>
</tr>
<tr>
<td>74%</td>
<td>62%</td>
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62% of consumers feel that the positives of raising cattle somewhat outweigh the negatives, while 43% feel that the negatives outweigh the positives. Conversely, 26% of consumers feel that the positives of beef strongly outweigh the negatives, while 48% feel that the negatives somewhat outweigh the positives.
Recent Surprising Consumer Research

1. Millennials
2. Defrosting
3. Consumer Vision of Beef Production
Generations

- **Boomers (1946 – 1964)**
  - 76 million strong
  - Want to stay productive & strong
  - Discretionary income up as become empty nesters
  - Food spending is dropping

- **Gen X (1965 – 1980)**
  - In between generation:
    - Increasing influence as boomers retire
    - Kids out of diapers

  - 80 million strong
  - Finding their niche in the world… careers, food choices, relationships
  - Less knowledgeable about steaks
  - Food spending is increasing
Distribution of the Labor Force by Generation 2007-2014

The New Face of America

Millennial generation is much more diverse racially

**Millennials (ages 18-29)**
- 61%
- 14%
- 19%
- 5%

**Adults ages 30 and older**
- 70%
- 11%
- 13%
- 5%

Source: Pew Research Center–2010
Time and Impact of Daily Life on Dining Decisions

Need for convenience is heightened

I would like to eat food cooked at home more often, but I just don’t have time

My daily responsibilities can be overwhelming, forcing me to eat out or pick food up to bring home

The Rules Are Changing … We Must Reach Millennials

When and How They Make Decisions

Where They Shop

With Products That Meet Their Needs
Technology used in Alabama Checkoff Programs at the Retail Level

To download a QR code barcode app on your smartphone visit bellefoods.com/qrcode

Scan the code or visit www.bellefoods.com/beef for beef recipes & cooking ideas.
Do you Sleep with Your Cell Phone?

% who have ever placed their cell phone on or right next to their bed while sleeping

- All: 57%
- Millennial: 83%
- Gen X: 68%
- Boomer: 50%
- Silent: 20%

Source: Millennials: A Portrait of Generation Next
Pew Research Center, February 2010
Objective: “to explore and learn what drives the decision of when, where and how (Millennials with children) consume beef and how this plays into the food they prepare and give to their children.”
Cooking Beef is Disappointing

How often do you find the beef you’ve cooked doesn’t turn out just right?

- **Burgers**
  - Millennials: 56%
  - Gen X: 40%
  - Boomers: 40%

- **Steaks**
  - Millennials: 55%
  - Gen X: 46%
  - Boomers: 40%

- **Ingredient**
  - Millennials: 37%
  - Gen X: 29%
  - Boomers: 23%

Over 50% are disappointed with Burger and Steak results.

SOURCE: Millennial Generation and Beef, December 2011
Types of Beef Information Sought

- Easy recipes about beef: 76% (Millennials), 80% (Gen X), 80% (Boomers)
- More "sophisticated" recipes about beef: 49% (Millennials), 59% (Gen X), 65% (Boomers)
- Information about how to cook the different cuts: 67% (Millennials), 66% (Gen X), 60% (Boomers)
- The nutritional content in beef e.g. vitamins, minerals etc.: 50% (Millennials), 54% (Gen X), 58% (Boomers)
- Information about the different cuts: 57% (Millennials), 61% (Gen X), 53% (Boomers)
- Animal welfare or humane treatment of animals: 39% (Millennials), 44% (Gen X), 52% (Boomers)
- Information about how cattle are raised: 35% (Millennials), 45% (Gen X), 43% (Boomers)
- The impact of beef farming on the environment: 30% (Millennials), 38% (Gen X), 42% (Boomers)

Everyone is interested!
Driven by Millennials

SOURCE: Millennial Generation and Beef, December 2011
Lack of Confidence, Lack of Understanding, Need for Information

75% would like information about steaks and how to cook and prepare them

67% would like to see trained butchers on staff to provide cooking advice

50% would buy more beef if they knew more about the different cuts

55% would like more information on preparing and serving beef to children

54% say it's hard to know what cuts to choose in the meat case

SOURCE: Millennial Parents and Beef, Conversion, November 2012
Industry View ...
Consumers keep most steaks in the fridge. When frozen, they are defrosted overnight.
Assumption #1 - Who Would Freeze a Great Steak Purchased at the Grocery Store?

How much steak is frozen when it gets to the house?

A. 25%
B. 35%
C. 50%

For ground beef, answer is about 2/3’s
Assumption #2 – Consumers Defrost Beef Overnight?

Do consumers defrost their beef overnight?

A. Yes
B. No
C. Sometimes they skip using beef because it isn’t defrosted
D. All of the above
Industry View - calves, and heifers are on grass
Q.27a: What is your overall reaction to this picture?  Q.27b: To what extent does this image reflect your view of the U.S. beef industry?

Like what they see – but don’t believe it

Total Liking

74%

Positive (4/5)

Very Positive (5)

5%
Q.27a: What is your overall reaction to this picture?  Q.27b: To what extent does this image reflect your view of the U.S. beef industry?
How Beef Stacks Up ... at Home

Chicken outperforms Beef in attributes most important to consumers, especially when it comes to Value.

Importance Ranking

1. Great Tasting
2. A Good Value
3. Extremely Safe to Eat
4. Good Results Consistently

Source: Consumer Beef Index, July, 2012
Chicken also holds an advantage in other important attributes, especially being a Smart Choice.

- **#5** Balance of Taste/Nutrition
- **#6** Can Prepare Well
- **#7** A Smart Choice
- **#8** Always Tender

Source: Consumer Beef Index, July, 2012
Trust and Food

We must answer the question consumers ask:

<table>
<thead>
<tr>
<th>What they’re asking</th>
<th>What we’re answering</th>
</tr>
</thead>
<tbody>
<tr>
<td>“How are modern farming practices affecting my family’s long term health?”</td>
<td>How is modern farming impacting my food and its health effects?</td>
</tr>
</tbody>
</table>

Source: USFRA
### What do you believe America’s farmers and ranchers should try to accomplish?

<table>
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<th>Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuously improve the methods they use to provide healthy food</td>
<td>44%</td>
</tr>
<tr>
<td>Help consumers know more about where their food comes from</td>
<td>40%</td>
</tr>
<tr>
<td>Reassure consumers their food is safe and healthy</td>
<td>37%</td>
</tr>
<tr>
<td>Identify and share best practices</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: USFRA

“I like hearing that farming is evolving.”
– Opinion Influencer, Washington, DC
These Programs Came About and Have Evolved Due To:
1. The Beef Checkoff
2. Producer Leadership
3. Individuals with Foresight ... state & national level
4. Scientists and Experts
5. Communicators and Researchers

And these Programs Are About:
1. Continuous Improvement
2. Sharing of Best Practices

... And That Matters to the Consumer
QUESTIONS?