

Carving Out Meat Profits

BY ROBERT DUNCAN

Co-ops have long been known as the place for vegan and vegetarian products. But it's important for smaller and medium-size cooperative grocers to recognize the importance of running successful meat departments for their communities. *Vegetarian Journal's* Issue 4, 2006, says that while the vegan and vegetarian adult population increased slightly from 2.5% in 2000 to 2.8% in 2003, it had declined to 2.3% by 2006. This nominal fluctuation, during a time when health consciousness is soaring, emphasizes the importance of a successful meat department in helping co-ops become the grocery store of choice.

By serving the dietary habits of meat-eating customers, co-op owners could see growth and increased sales. And in support of sustainability, it would emphasize the cooperative opportunity to shop locally.

It is true that meat departments thrive when specialized skills and resources are present, a fact that may inhibit some otherwise willing managers. However, investing and supporting these fundamental requirements is less risky than failing to support the meat, fish, and poultry diet of the overwhelming majority of potential customers. As noted by C.E. Pugh in the September–October 2008 issue of *Cooperative Grocer*, “Much of today’s sales growth is being driven by growth in prepared foods, fresh meat and seafood...”

When a co-op manager decides to emphasize the value of quality meat proteins, the manager must decide between promoting a retail-ready meat or primal-boxed beef program. The result of this decision will direct co-ops to the critical details of market size, tools, skills, and other specific resources required to satisfy the tastes of the customer base and to compete effectively in the local market.

Retail-ready meats

Meat and poultry producers provide retail-ready packaging programs that allow a good low-cost entry into meat merchandising. This type of program gives small grocery stores the ability to sell meats without having to add an on-site meat cutting facility. A designated section of a self-serve cooler or freezer can be the start of meeting the customer’s demand for sustainable and organic meat, fish, and poultry. These products, at a minimum, are not genetically modified (cloned) and are absent of syntheti-



RETAIL-READY VS. PRIMAL-BOXED

RETAIL-READY	PRIMAL-BOXED
Low investment cost	Higher investment cost
Simplified pricing	More complex, but flexible, pricing
Less labor needed	More labor needed
Longer shelf life	Needs to turn more frequently
Higher purchasing cost	Lower purchasing cost
Limited cut flexibility	Greater cut flexibility
Limited supplier availability	Greater supplier availability
No value-added programs	Value-added programs = higher margins

cally derived nitrates, nitrites, antibiotics, and hormones.

Retail poultry offerings demonstrate the functions of a retail-ready program. Customers visit a store to purchase a whole chicken or tray-packed parts. The processing and packaging of the chicken has taken place at the poultry facility, and the grocery store operators only need to be concerned with pricing and merchandising; no further processing is needed. Comparable programs are available from some beef, buffalo, lamb, and pork companies. The meat department buyer can simply order from a variety of products—market-specific cuts of pork, lamb, beef, or buffalo—which can then be readily priced by department staff.

Discovering the appropriate profit margin for retail-ready meats is not complicated, when compared to primal-boxed meat programs, which require cut tests designed to discover the net cost. Pricing retail-ready meats is similar to pricing most grocery store items. You start with

unit cost, typically by weight, and add the preferred margin to calculate price.

Retail-ready programs initially cost more per pound, since the shipping company completes the majority of the processing. Some processors will price the retail-ready products at their facility with a co-op’s corresponding PLU codes, a service that saves labor dollars and moves them to the bottom line.

Buying retail-ready products saves labor dollars by eliminating the need for multiple on-site journeyman meat cutters. The well-planned store will flourish with one journeyman meat cutter or a person who understands meat cuts and who is able to lead other employees in maintaining an efficient and highly successful department.

Retail-ready products have a much longer shelf life than fresh cut meats because portion-size cuts are vacuum-sealed into airtight packages; once the product is opened, its shelf life is reduced to a few days. Vacuum-packed products

can have a shelf life of from ten to thirty days, depending on the processor's specifications and package date.

Avoiding spoilage or "shrink" in a meat, kitchen, or deli area is a key part of maintaining a profitable department. Reasons for shrink include: ordering more product than a department can sell before product expiration dates; cutting or cooking more product than a department sells in a day or two; and improper rotation of stored meats by using newly received product before using the older ones. Retail-ready programs do not altogether eliminate these problems, but do lessen them a great deal.

Primal-boxed beef

The majority of the grocery stores operate a primal-boxed beef program, in which meat companies send whole muscle meats to retail meat shops for processing. Suppliers break down the various animal carcasses into muscle groups such as (but not limited to) bone-in loin and shoulder (pork), whole leg (lamb), chuck roll, and inside and outside rounds (beef and buffalo). The retail meat department can order a specific muscle group, such as a beef inside round muscle, and then process it into London broil, top round steak, cube steak, extra lean stew meat, stir-fry, and ground beef. Primal-boxed beef programs allow this type of flexibility in generating a variety of cuts from one muscle group.

A meat shop charges assorted prices for each of the items cut from the inside round. The opportunity for various cuts allows for a tiered-pricing layout, which creates greater margin potential—for example, purchasing the inside round at \$3.50/lb. and processing the muscle into multiple cuts, as listed above. Margin improvement comes from selling London broil at \$5.99/lb.; round steak, cube steak, and extra lean stew meat at \$6.49/lb.; stir-fry at \$6.99/lb.; and ground beef at \$4.99/lb. This kind of resourcefulness in cutting generates a 39.65% gross margin for the inside round. To cut the inside round into London broils only and grind the trim into ground beef would only generate a 35.27% gross margin. Over the course of a year, an easy 4.38% increase on a range of cuts can be cause for the meat department and entire co-op to celebrate!

Primal-boxed meat programs are a boon to the smaller store in many ways, creating

- market flexibility
- additional consumer options
- higher margins
- expansive customer selection
- value-added programs

Market trends continue to support more ready-to-cook and ready-to-serve products. The introduction of a value-added program to a meat department can benefit the retail outlet's business as a whole. By simply adding a spice

blend and vegetables to stir fry/fajita cut meat, grinding chuck trim and mixing ingredients to make ready-to-cook meatloaf, marinating fish, or creating an extensive in-house sausage program, customers are enticed to buy higher-priced, labor-saving opportunities to feed their families new and different dishes. Sausage programs reap excellent margins and can generate interest in the store. Offering customers the opportunity to watch employees craft handmade sausage provides an assurance of a fresh wholesome product. In addition, creating value-added entrée and artisan sausage programs could set a co-op apart from competitors.

Tough times require creative actions. With people continuing to enjoy flavorful and nutritious meat as a mainstay of their diets and with competition stronger than ever, co-ops should consider all their options for drawing more customers into their stores. Co-ops can have a powerful influence on the buying habits of people living in surrounding communities by making purchasing and marketing choices that reflect the larger population's requests. Recognizing that you are protecting them from the tainted food system, people will come to your store. The trust that co-ops continue to develop in communities is a main distinguishing point from the conventional grocery store system.

Meat in a vegetarian context

Although vegetarians represent only 2.3% of grocery shoppers overall, co-ops are likely to find a higher concentration of vegetarian and vegan shoppers than normal grocery stores. Their needs, often vocally expressed, can be addressed by providing non-meat substitute products and by emphasizing organic and humanely raised meat products.

In all instances, co-op managers considering meat products must remember that many families may only have one vegetarian, who will influence where they shop and what products are bought.

Co-op storefronts without meat department offerings are failing to meet the primary protein needs of possibly 97% of adult grocery shoppers. This is unnecessary given the availability of retail-ready programs for high-quality meat products and the low cost of entry in setting them up. Moreover, given recent news about mad-cow disease, *E. coli*, and the inhumane treatment of animals in many of our nation's meat-packing plants, taking the opportunity to offer high-quality, organic, humanely raised meat products allows co-ops to expand their market reach and improve service to their local communities. ■



ALL-NATURAL **Garrett County** **QUALITY MEATS**

“Where Good Taste Comes Naturally”

Garrett County Farms is a family owned, privately held company focused on core family values, not stock dividends. We are dedicated to the sustainability and growth of small family farmers and processors. As a result, our products reflect both Wellshire Farms and Garrett County's commitment to being one of the most trusted names in the all-natural food industry. Our products are free of preservatives, with no added nitrites or nitrates, antibiotics or growth promoting hormones, offering you and your family more healthy alternatives. We strongly support small family owned farms and small artisan processors, helping sustain their growth as we grow with them- a true reflection of our core values. You will find our products in finer stores that share our strong commitment to quality, integrity, and value. Garrett County Farms- Always in Good Taste ...Naturally!

ANTIBIOTIC FREE • NO ADDED NITRATES or NITRITES • GLUTEN FREE

Garrett County Farms is a proud member of the Wellshire Family of All Natural Products.

www.garrettcountyfarms.com