

Case-ready

BY HUSTON KEITH

The opportunity case-ready offers the fresh red meat industry – a potential sales increase of more \$15 billion per year on virtually the same tonnage – is rare. Even bigger cost savings are in store for retailers who adopt aggressive new strategies.

With so much at stake, how can case-ready packaging not prevail? According to a new study, "Case Ready Meat Packaging," the nine billion red-meat packages sold in grocery stores are rapidly converting from being produced in the store's backroom to meat processed in the plant. In 2001, 1.6 billion packages were sold in case-ready form, more than triple the 1997 volume. By 2005, this number is expected to nearly double to at least 2.8 billion, perhaps more.

What is driving the rapid change? Is it Wal-Mart? To be sure, the top retailer's push into meat marketing with case-ready packaging has had a substantial influence. But the practice is also widespread among major supermarket chains, some of which had significant programs well before Wal-Mart's highly visible growth.

Case-ready ground beef is carried by a majority of the chains, even if it is just the chub package. But the trayed product has enabled ground beef to surpass pork in the past four years to become the largest product in volume. Pork, one of the earliest and longest lasting programs, with some current programs of chops, steaks, and loins all packaged in consumer convenient case-ready packages, dates back to the late 1980s. Kroger,

the largest food retailer, has sold a complete line of case-ready pork products at its King Sooper division in Denver and also in Atlanta for a few years. It offers pork and ground beef in several other division, as do several other major retailers such as Albertson's, Ahold and many others.

Are retailers lured into case ready by big cost savings?

In some cases, yes, but in many it's not so clear. Food safety is also a driving factor, and most importantly, case-ready is about keeping meat in the meat case.

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savings



Photos courtesy of DuPont Packaging

What are the savings?

The biggest savings can be realized at the retail level, as a job that is currently handled in the store's backroom can be passed on to another entity. Additionally, retail butchers are nowhere near as productive as workers in huge pro-

cessing plants who utilize automated equipment. Wages are another factor, as they are often much lower in rural settings where many processing plants are located, especially compared to unionized metropolitan supermarket meat cutters.

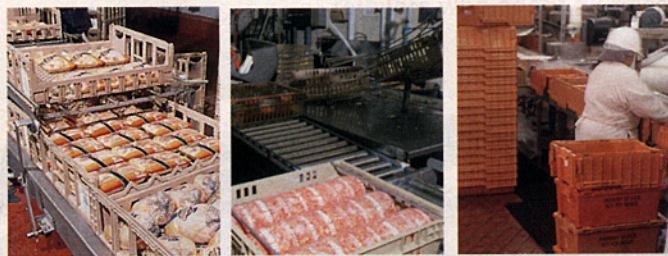
At retail, meat-packaging costs are very difficult to track. Most retailers do not have systems in place for scanning both incoming and finished products to measure costs. Likewise, implementing a case-ready program does not necessarily eliminate all processing costs. Often retailers promise not to lay off meat cutters to gain cooperation or work-rule restrictions that limit the store's ability to reduce staff. In many stores, meat cutters are needed for custom cuts, as case-ready programs don't offer the complete product selection offered by the store. Additionally, capital costs for surplus equipment may not be able to be recouped.

Case-ready packaging costs approximately 30 to 80 cents per pound more to receive than the same cuts in chub or primal form. While most cost models show that packaging meat at the store level is much more costly, many retailers are not able to track the cost savings.

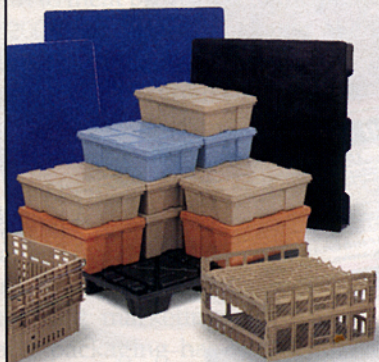
Additional investments are also needed to fully realize the advantages of case-ready packaging. Since case-ready packages often have an eight- to 15-day shelf life, it must be distributed to the store much more quickly than meat in primal packages, which can have a shelf life of 25 days or more. Differences in case-ready packaging can also require a new configuration in the display case.

What about the reduced shrink widely claimed for a case ready system? One major retailer reported at least a 10 percent reduction, while others have showed 30 to 50 percent reductions (i.e. from six percent to three percent or from three percent to two percent). This accounts for a two to 10 cent per pound savings.

Others say shrink is low already, usually under five percent. Rarely does a meat retailer report over 10



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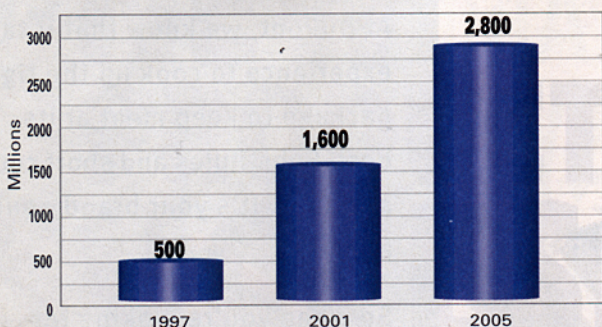
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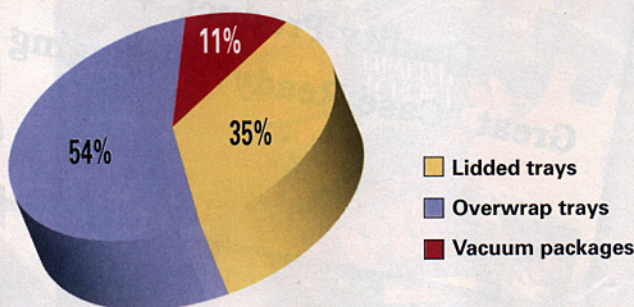
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CASE READY RED MEAT PACKAGES



CASE READY PACKAGE TYPE 2001



percent shrink. As a major processor executive indicated, retailers manage against shrink, which is easily measured by cutting fewer products than demanded as lost sales are not easily measured.

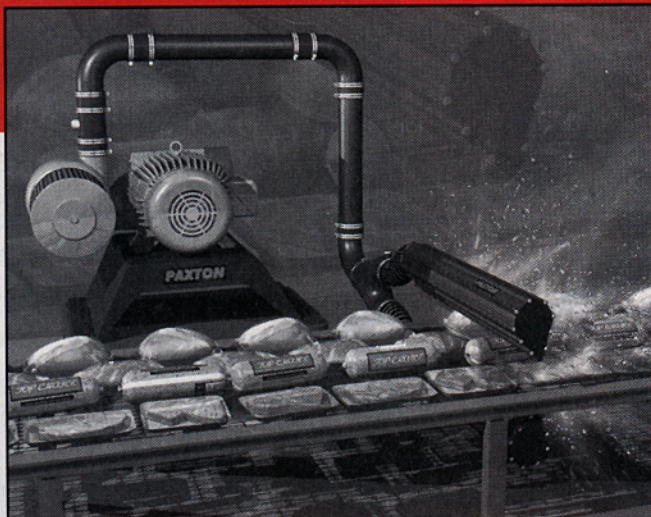
The beef's in the case now
Too often a weekend or late-night

visit to the supermarket evokes memories of the famous advertising line, "Where's the beef?" With stores open around the clock, consumers often find very little in stock. Case-ready programs can solve this problem. Highly perishable ground beef is especially difficult to keep in stock, say most

retailers. Thus, case-ready ground beef is a very popular product and is found in nearly every retail market.

The pride of craftsmanship and customer service often depicted in corner butcher shops is no longer reflected in supermarkets. It is also difficult and messy work. While

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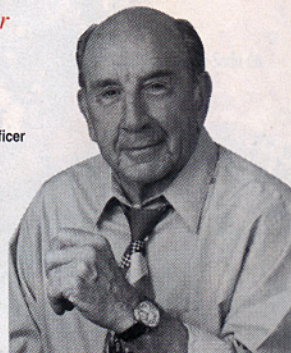


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wages are high compared to other retail workers, it is comparable or less than fast growing, cleaner jobs such as computer technicians. Additionally, adding meat cutters at wage premiums for evenings and holidays is more difficult to justify, even if they are available.

Today, finding meat cutters for regular shifts is difficult. In many key, fast-growing markets such as Atlanta, Denver, and the Northeast, shortages are epidemic. In the late 1990s, record employment levels nationwide made meat cutters scarce. Plus the avail-

ability of other options greatly reduced the fierce labor resistance to case-ready meat.

It's safer too

With all-too-frequent incidences of pathogenic microorganisms in fresh and processed meat, food safety has loomed as major motivator to adopt case ready. With less handling in-store and no direct contact with meat, retailers believe their liability in any incident is greatly reduced. Furthermore, processing plants are perceived to have better sanitation and temperature control, especially with USDA inspection.

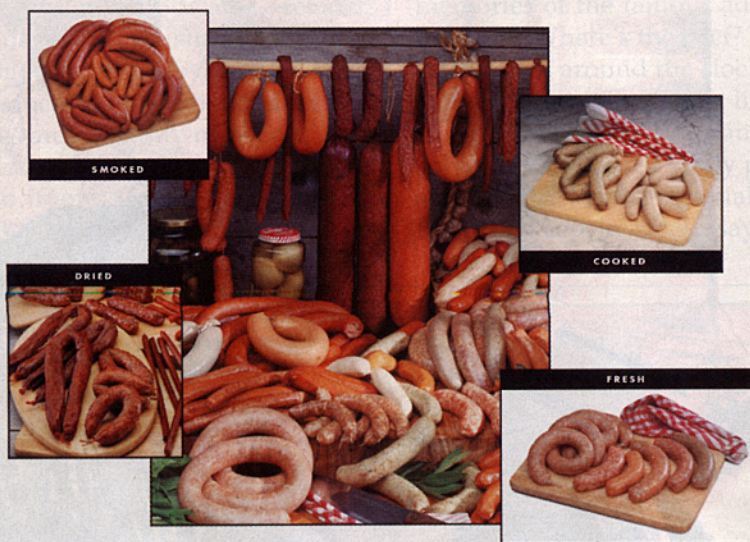
What drove Wal-Mart to adopt case-ready meat? According to statements at conferences by Ken Parnell, vice president of meat and seafood, the company believed it was the most cost-effective way to deliver consistent quality fresh meat to its customers. Most of its stores were also new, thus they could be designed to accommodate case-ready packages.

According to most observers, Wal-Mart has been quite successful in implementing its program. However, it is not resting on its laurels. Recent trade sources have indicated that it has notified its suppliers that changes are required to overcome perceived problems with certain cuts, packaging, and distribution.

Dressing it up

Most case-ready packages are either over-wrapped foam trays (54 percent) similar to packages used by in-store meat cutters, or lidded, gas-flushed barrier trays (35 percent). Over-wrapped trays are often used in conjunction with an outer barrier package such as a gas-flushed masterpack to extend shelf life. The battle continues to rage on which form is better.

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Retailers that choose over-wrap packaging say it maintains the all-important look that it was just cut in the backroom. However, many consumers and some retailers like the lidded tray because it is leak proof and more durable in distribution. It offers extended shelf life without a secondary package and usually does not require any labor at the store level other than putting it in the case.

Wal-Mart selected lidded trays made of solid polypropylene instead of the lower cost polystyrene foam. Industry observers believe it was due to greater durability in larger sizes for family packs. Plus, solid plastic could form more vertical sidewalls, allowing more meat into the package and reducing packaging cost per pound.

While a few retailers, such as Ukrop's of Richmond, VA, supplied by PM Specialty Foods, also of Richmond, are using a similar package, most major chains such as Kroger and Albertsons are staying primarily with over-wrapped foam trays.

The implementation of case ready has also affected distribution. Primal meats have always been transported in heavyweight, disposable corrugated cartons. Initially case-ready meats also used corrugated cartons, but Kroger and other retailers have instituted the use of returnable plastic containers (RPCs) similar to bakery and produce. While the costs are initially higher, proponents claim substantial savings.

Now Wal-Mart is reportedly requiring all its suppliers to use RPCs. Furthermore, it is insisting on a standard size to maximize shipping loads and may require tray sizes be optimized to this size. Some in the industry indicate this may force a re-design of the popular 9-by-7-inch tray used for one pound ground meats — a major tooling investment.

What's in a name?

Early proponents felt that putting their brand name on case-ready meat was an advantage, signifying quality to the consumer. But leading retailers prefer unbranded product. Retailers have a long history of promoting their meat as

better than others in the market. By carrying a processor brand, some retailers fear that customers will simply shop for the best price on that brand.

Wal-Mart, on the other hand, likes branded meat. Parnell notes

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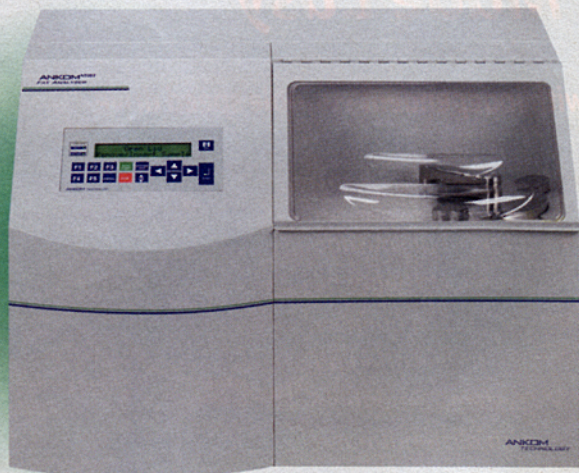
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SPECIAL REPORT CASE-READY SOLUTIONS

that they have a "store full of brands." They have become the largest retailer by selling the same quality product for less than their competitors. With their vaunted low-cost distribution system and enormous bargaining power, they apparently welcome the price war.

Getting a life

Processors typically inject a mixture of 80 percent oxygen and 20 percent carbon dioxide into lidded trays before sealing. This high level of oxygen, called high ox, maintains the bright cherry red color that consumers associate with freshness in beef. The carbon dioxide prevents bacterial growth to provide a shelf life of eight to 15 days.

For Wal-Mart, this is more than enough shelf life when product is packaged in regional plants within one day's drive of a market. To meet these needs, it has engaged regional processors such as Shapiro in Augusta, GA, and Colorado Boxed Beef in Winter Haven, FL, to process product as well as large companies such as Tyson, Excel, Smithfield, and Farmland National Beef.

Generally, the higher the ratio of gas to product, the longer the shelf life. Over the years, most practitioners have found that increasing volume of gas to greater than the volume of the product yields very small increases in shelf life. However, Wal-Mart and others have learned how to distribute some products in as little as six days. Thus, they have begun reducing the headspace on these products. This saves space throughout the distribution chain as well as the cost of the tray.

Because of the wide sealing flanges and headspace, consumers sometimes complain the lidded trays appear over-packed. Retailers are concerned about the space they require in the

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case, causing more frequent restocking. But Albert Heijn, a retailer in the Netherlands, is using a new type of foam tray with narrower sealing flanges. These trays have more vertical sidewalls, giving the tray the same volume in a reduced space.

When product is displayed in lidded trays at a 45 degree angle, typical of multi-deck cases, the meat will begin to slide to the edge of the tray. It crumples and may even touch the film, causing darkening and smears. This unappealing look makes the meat difficult to sell.

To prevent sliding, suppliers are introducing new designs. Additionally, traditional white trays for red meat are gradually giving away share to colored trays. For quite some time retailers have been using a variety of colors to differentiate products. For instance, premium cuts are packed in black, pork in pink or blue and sometimes yellow for value items, however new colors are beginning to hit the market.

No matter what product is chosen, suppliers have solutions. Some processors use a polyolefin film for over-wrapping. DuPont's Clysar film is durable and is capable of running on high speed in-line machines. Virtually leak proof, polyolefin film can better withstand the rigors of distribution and retail display. Leaking packages from PVC over-wrapped trays may soon be a thing of the past, says Dave Ewan, technical director, case ready meats for AEP Industries Inc. New PVC films for processors and proper sealing techniques can virtually eliminate leaks. New films are in the works that can provide even better seals.

Ed Wood, case ready manager of Robert Reiser & Co., the leading supplier of tray-lidding equipment with over 400 case-ready installations, says the industry had reached a point where greater speed is unproductive. According to Wood, long steady runs are more economical than high-speed short runs. Yet greater flexibility in size changes are also needed, and will be a feature of its new line to be introduced later this year.

Improved productivity is really important, agrees Jay Siers, national sales manager of case ready for Harpak. With its new production audit control software (PACS), Harpak equipment can be maintained from a remote location, eliminating delays in getting a techni-

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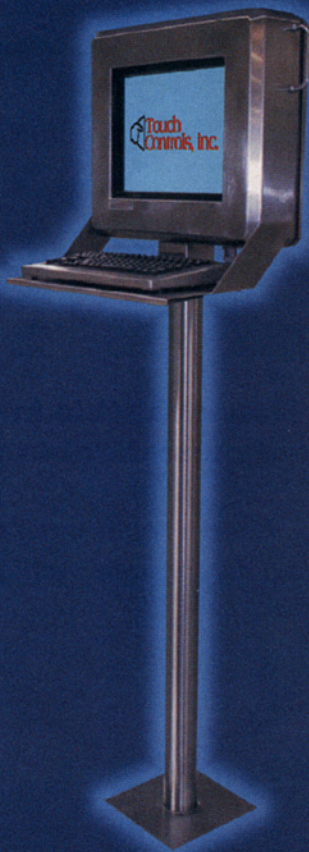
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cian to a site. He also notes that processors introducing value-added products are turning to them because of their experience in value-added trays.

For a really long life

For some products, a 15 days shelf

life is not enough. For nationwide distribution from a central location, 20 days or more may be needed. Several systems are available to provide longer shelf life. : ActiveTech and SecureFresh, are two new systems.

To meet their needs, Hormel,

Austin, MN, and Atlantic Veal, Brooklyn, NY, have adopted ActiveTech because the added shelf life offsets increased costs. Each overw-rapped tray is placed in a barrier pouch with an oxygen scavenger sachet. The pouch is gas flushed with nitrogen and carbon dioxide and the sachet removes entrapped oxygen from the foam tray to provide a shelf life up to 30 days.

Excel selected SecureFresh for its ground beef products, as have a few lamb packers. Similar to the ActiveTech system, SecureFresh wraps multiple packages in the barrier pouch and uses a proprietary vacuum chamber machine to virtually remove oxygen from the package and offer a shelf life up to 28 days.

The future beckons

The SafeFresh system from BOC uses ozone to eliminate contamination in incoming meat. It then blends and grinds in a sealed controlled atmosphere process, virtually eliminating entrapped oxygen, preventing contamination, and maintaining the lean/fat ratio within 0.1 percent. Because of the gas mixes, modified atmosphere packaged meat requires much more space to transport, store, and display than primals. In fact, only 20,000 to 30,000 pounds of case-ready packages fit into a refrigerated truck, while the legal weight limit is 40,000 pounds.

SafeFresh has also developed a unique tray design for ground beef with virtually no headspace. After sealing in barrier film masterpack, it stacks so compactly that full loads can be easily achieved. When opened at the store, it blooms naturally.

Some industry observers believe that carbon monoxide (CO) in the gas mix will provide the needed shelf life, food technologists have

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long known that a small amount of CO will maintain a bright red color in fresh meat for many days longer than high ox packaging. However, FDA has long resisted allowing the use of this gas because of its toxicity and its potential for retaining acceptable color after the meat has spoiled.

In February 2002, FDA granted approval to Pactiv for its ActiveTech system. Packaged in a mix of CO at 0.4 percent with 30 percent carbon dioxide and the remainder nitrogen, meat can maintain both color and wholesomeness for at least 20 days. Even after removal from this environment, it will maintain color as long as the meat stored in a mix without CO.

Pactiv has demonstrated that a pre-blended mix would be safe for use in processing plants and to consumers. Even consumption of all the CO in a package, an unlikely event, is completely safe. In fact, higher levels of CO are permitted in smoke used for curing and preserving meats.

It ends in the case

Where will case-ready, fresh red-meat packaging be next year? In five years? In 10 years? Will it completely take over the meat case? Will all the packages look alike or will something entirely different take their place?

Who can say with certainty? Case ready has been "just around the corner" for over thirty years now. While fast growing, it is still less than 20 percent of meat packages, and considerable investment must be made to get to even a majority.

The industry, however, can safely assume case ready is here to stay in a significant way and it is likely to grow rapidly. New technologies and package improvements will play a role, but existing packages have been proven to be viable. Both regional and central facilities will be

needed. And even backroom cutting will play a role, even if it is simply to provide special extra-thick steaks for the backyard grill.

Without a doubt, it is a huge opportunity. By providing cost effective, high quality case-ready meat packaging, the industry can

provide consumers with better products, retailers with lower costs, and improve its own profits.

Huston Keith is principal of Keymark Associates, Marietta, GA, a market research and business development firm with expertise in case-ready packaging. *NP*

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