THE STATE OF MEAT 2019: EVOLUTION OF PROTEIN

IRI Fresh Center of Excellence

April 2019
Meet The IRI Fresh Team

Chris DuBois
SVP
IRI Protein Vertical

Jonna Parker
Principal
Fresh Center of Excellence

Pete Swanson
Senior Consultant
Fresh Center of Excellence

- Chris joined IRI in 2011 and is a senior principal responsible for leading a portfolio of IRI’s. **protein-focused clients**
- At IRI, he has held **account leadership** roles with some of IRI’s largest client teams.
- He also leads IRI’s relationship with the **FMI Fresh Executive Council** and other industry associations such as the **National Chicken Council and the Pork Board**

- Jonna leads the IRI Fresh COE focusing on **client consultation and solution development** in Meat, Produce, Bakery and Deli
- An innovator in the fresh foods space for two decades, she has continually advocated for **consumer-driven decision making and big data analytics** as a leader at an ISB/Deli manufacturer and the Perishables Group
- Her insights have been cited across the industry associations, including **past IDDBA webinars and What’s In Store publications**, as well as the trade and consumer media including Grocery Headquarters, NPR and USA Today

- Pete has been working with **UPC and random weight data** first at IRI and then with the formation of FreshLook Marketing in 2000
- For the past six years, Pete has been **instrumental in FreshLook’s integration within IRI** to unlock total store insights
- Pete has focused energy on the meat industry, working with all clients in varying capacities and is considered the “**meat guru**” of IRI
- His consultation on **meat trends** are sought by retailers, suppliers and the industry
TODAY’S DISCUSSION

Meet IRI for Fresh
IRI Fresh Center of Excellence

IRI has a dedicated, experienced fresh practice focused on helping retailers and suppliers **GROW** through integrated fresh insights on market performance, consumer behavior and purchase-based targeting.

*Solution Enhancements*

- Retailer, Supplier, Industry Ecosystem
- Thought Leadership
- Fresh Expertise & Training
- Client Consultation
- Tailored for Perimeter

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Where do IRI’s fresh insights come from?

**IRI Market Advantage**
Total U.S. Multi-Outlet - Food, Mass, Club
Retailer sales data for packaged and random weight / non-UPC

**IRI Consumer and Shopper Insights Advantage**
Total U.S. All Outlet
100k Household Panel
*Expanded to include random weight purchases*

**IRI Shopper Loyalty**
Network of Supermarket Grocery
30 Million Households, 100k Weekly transactions down to the item level, packaged and random weight / non-UPC

**IRI ShopperSights**
Network of Supermarket Grocery
30 Million Households,
100k Weekly transactions down to the item level, packaged and random weight / non-UPC
TODAY’S DISCUSSION

Total Store Performance
We Are Witnessing the Biggest Revolution Food Has Ever Known

New Ways to Buy

- **$8.2B** total Click and Collect & 1st/3rd party delivery sales in 2018 for grocery categories.
- 63% of CPG Omnichannel growth is driven by e-Commerce

- **77%** of retail sales will be influenced by digital with 1:1 potential
- **9 FEWER** store trips annually for groceries
- **5%** Increase in average basket size, driven by price

- **52%** Say SPEED is the #1 or #2 highest decision factor when deciding dinner
- **47%** Snack 3+ times per day – +4 pts jump since 2015
- Consumers report eating many more, smaller meals since 2010

- **ONE-FIFTH** of Millennials are Hispanic
- 70% Of Hispanics are under age 40

- **70%** of Millennials say their smartphone is their most important shopping tool
- **50%** Of their households grocery shopping

New Meals to Make

New Consumers to Connect With

Source: IRI Consumer Research, Updated April 2019
Fresh Perimeter Has Added More Than $7B Since 2014, but Growth is Slowing

Gap Fresh +2.9 pts
F&B Minus Fresh

Source: Total Store View + Perimeter Market Advantage, MULO ending 3-24-19, Perimeter includes both FW/RW definition, Sales change vs. Prior year by period

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Within Multi-Outlet, Total Store Sales Continue to Grow; Fresh is Not Keeping Pace

**TOTAL STORE SALES**

$799B

$12B vs. Last Year

**TOTAL FRESH PERIMETER**

$180B

$1.6B vs. Last Year

23% Of total store sales but only...

14% Of total store growth

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 3-24-19

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Many Center Store Food Departments Experiencing Both Dollar and Unit Growth, Unlike Most Perimeter Departments

**EDIBLES**

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<tr>
<th>Category</th>
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<th>UNIT % CHG VS. YAGO</th>
<th>LBs % CHG VS. YAGO</th>
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<td>1.0%</td>
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<td>Frozen</td>
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<td>General Food</td>
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<td>-0.3%</td>
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<td>Liquor</td>
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<td>1.6%</td>
<td>-0.1%</td>
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<td>Refrigerated</td>
<td>3.2%</td>
<td>2.3%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Dairy</td>
<td>0.7%</td>
<td>-1.0%</td>
<td>-0.1%</td>
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</table>

**PERIMETER**

<table>
<thead>
<tr>
<th>Category</th>
<th>$% CHG VS. YAGO</th>
<th>UNIT % CHG VS. YAGO</th>
<th>LBs % CHG VS. YAGO</th>
</tr>
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<tbody>
<tr>
<td>PKG &amp; Fresh Bakery</td>
<td>1.6%</td>
<td>-1.1%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Deli Cheese (RW)</td>
<td>-0.3%</td>
<td>-1.6%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Deli Meat (RW)</td>
<td>0.1%</td>
<td>-0.3%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>2.7%</td>
<td>0.9%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Produce</td>
<td>0.3%</td>
<td>-0.2%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Seafood</td>
<td>2.0%</td>
<td>-1%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Meat</td>
<td>0.6%</td>
<td>0.0%</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

Source: Total Store View + Perimeter including FW & RW Custom Departments, Market Advantage, MULO 52-weeks ending 3-24-19
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TODAY’S DISCUSSION

The Meat Marketplace
Across Perimeter, Consumers are Voting With Their Dollars for More Convenience

Are We Really Satisfying Every Step of the Journey to Eat Fresh?

**Fresh Whole**
- Traditional commodity - Requires consumer to prepare, assemble and/or cook to their own taste and needs
- $105B
- 0.2%

**Added Value**
- Have at least one step removed from preparation but still isolated from other foods
- $18B
- 2.6%

**Meal Kits**
- Packages components together with a recipe or assembly instructions
- $89M
- 73%

**Fresh Prepared**
- Completed prepared – little to no work necessary
- $13B
- 2.4%

23% of prepared trips also include fresh whole commodities

“I look for meal kits and prepared meats because I can’t cook”

Source: IRI Fresh COE Custom Analysis from Total Store View + Perimeter Market Advantage, MULO 2018; excludes Perimeter Bakery and Peripherals
Interview Source: 210 Analytics, Power of Meat 2019
What Still Holds True is that Consumers Increasingly Look to Fresh for Holistic Health and Convenience Solutions- Meat Makes the List

Top 8 Fresh Perimeter Categories Ranked by Change Since 2013 / + Dollars | + Units

- Lettuce (incl. Salads)  
  +$1.4B | +400M

- Avocado  
  +$775M | +365M

- Fresh Chicken Breast  
  +$1.3B | +236M

- Berries  
  +$1.2B | +235M

- Rfg. Packaged Meat  
  +$1.5B | +175M

- Deli Prepared Entrees  
  +$1.0B | +136M

- Packaged Bakery Snacks  
  +$500M | +322M

- Rfg. Side Dishes  
  +$916M | +121M

Source: Total Store View + Perimeter Market Advantage, MULO 2018 vs. Calendar Year 2013 Ranked on score for both dollar and unit change

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This Has Led to Declines in Some Traditional Categories; Many Needing More Prep Before Cooking - Especially in the Meat Department

Bottom 8 Fresh Perimeter Categories Ranked by Change Since 2013 / + Dollars | + Units

Bananas
- $205M | -167M

Apples
- $102M | -79M

Bulk Ground Beef
- $311M | -79M

Pears
- $97M | -55M

Fresh Pork Loin
- $452M | -47M

Beef - Round
- $134M | -32M

Fresh Whole Chicken
- $200M | -47M

Fresh Ground Round
- $126M | -29M

Source: Total Store View + Perimeter Market Advantage, MULO 2018 vs. Calendar Year 2013 Ranked on score for both dollar and unit change
Improved Selection, Convenience at Walmart, Plus Online Grocery Development Reshaping Where We Buy Meat

Source: IRI HH Panel, 2018 vs 2017, Custom Meat Dept (RW + UPC), e-Commerce from IRI’s eMarket Insights 2018. All Other includes independent grocers, farmers markets and specialty shops.
Increasing Fight for the Meat Wallet: While Penetration is Low, Alternative Channels Are Increasing Meat Trips

- GROCERY: 89% of HH's are buying meat here, with a decrease of 0.2% in trips.
- Walmart: 47% of HH's are buying meat here, with an increase of 7% in trips.
- ALDI: 17% of HH's are buying meat here, with an increase of 4% in trips.
- Natural Grocers: 10% of HH's are buying meat here, with an increase of 9% in trips.
- Sprouts: 3% of HH's are buying meat here, with an increase of 17% in trips.
- Trader Joe's: 4% of HH's are buying meat here, with an increase of 4% in trips.
- Whole Foods Market: 4% of HH's are buying meat here, with an increase of 17% in trips.

Source: IRI HH Panel, 2018 vs. 2017, Custom Meat (RW + UPC)
Delivery & Pick-Up Have Made Major Impact in Online Food Buying, Now a Billion Dollar Business for Meat

Making an Impact in Meat

Amazon Share of Omni-Channel Growth

- Edible Categories: 15%
- Non Edible Categories: 51%

Click & Collect and 1st / 3rd Party Delivery Services Share of Omni-Channel Growth

- Edible Categories: 24%
- Non Edible Categories: 9%

$1.1B e-Commerce Total Dollar Sales

+55% e-Commerce Dollar Sales Growth

33% e-Commerce Contribution to MULO+E Dollar Growth from 1% of the business

1st Party Delivery Services = Peapod, FreshDirect, Amazon Fresh, Amazon Prime Now, Albertsons/ Safeway; 3rd Party Delivery Services = Instacart and Shipt

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### Fresh Challenges Are More Complex Than Ever

<table>
<thead>
<tr>
<th>Increased Competition</th>
<th>Lack of Change</th>
<th>Operational Challenges</th>
<th>Price Pressures</th>
<th>Shifting Consumer Needs</th>
</tr>
</thead>
</table>

**Source:** IRI C-Store 2018 Report

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TODAY’S DISCUSSION

Fresh Meat Sales Total US MULO Performance
Meat in MULO

$ sales growth 2018

+0.6%

lbs sales growth 2018

-1.0%

Fresh Meat $50 Billion in 2018

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>Lbs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Meat</td>
<td>+1.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Chicken</td>
<td>+2.0%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Pork</td>
<td>-2.0%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>-1.4%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>ALL OTHER</td>
<td>+2.7%</td>
<td>-4.5%</td>
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</table>

Source: IRI Market Advantage Total Store View + Perimeter, Total Meat, 2018

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Fresh Meat Total Sales Since 2015 Have Stayed Consistent
Chicken Winning Dollars While Beef Winning Volume as Pork Erodes Sales

<table>
<thead>
<tr>
<th></th>
<th>Dollar Share</th>
<th>Pounds Share</th>
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<td>$ Share Change vs. 2015</td>
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<td>-0.2</td>
<td>2.5%</td>
<td>1.8%</td>
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<tr>
<td>-0.2</td>
<td>2.6%</td>
<td>4.2%</td>
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<tr>
<td>-0.1</td>
<td>5.4%</td>
<td>8.8%</td>
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<tr>
<td>-1.4</td>
<td>12.9%</td>
<td>15.9%</td>
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<tr>
<td>+1.6</td>
<td>25.2%</td>
<td>34.2%</td>
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<tr>
<td>+0.5</td>
<td>51.3%</td>
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<td>Lbs Share Change vs. 2015</td>
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<td>-0.3</td>
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<td>-0.3</td>
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<td>-0.3</td>
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<tr>
<td>-1.2</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>+2.1</td>
<td></td>
<td></td>
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-0.5% $ Sales
2015-2018 CAGR

+0.6% Pounds Sales
2015-2018 CAGR
Regional Meat Department Performance Varies Widely Across Regions

<table>
<thead>
<tr>
<th>Dollars % Change</th>
<th>Region 1</th>
<th>Region 2</th>
<th>Region 3</th>
<th>Region 4</th>
<th>Region 5</th>
<th>Region 6</th>
<th>Region 7</th>
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<tbody>
<tr>
<td>-0.0% to 0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>0.4% to 0.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.8% to 1.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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Source: Dollar Sales, IRI Total Store View + Perimeter Market Advantage, Custom Meat Dept Def (FW/RW), 2018 vs. 2017, vs. Year Ago

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Regional Meat Performance – The West vs. The Northeast

**WEST**

- **Trend**
  - Dollars +3%; flat volume (lb)

- **Price**
  - Above average growth in price per pound
  - +10% in Incremental Sales – more effective promotions

- **Assortment**
  - Most average items selling of any region, revealing potentially more variety

- **Fresh Context**
  - Strongest fresh growth region – population, innovation and rapid experimentation

- **Markets**
  - Boise +11.8%
  - Phoenix/Tucson +5.1%

- **CDI**
  - Developed just below national average (97)

**NORTHEAST**

- **Trend**
  - Flat Dollars, -2% volume (lb) decline

- **Price**
  - Above average price growth
  - Flat incremental sales – promotions not driving more volume

- **Assortment**
  - Matched to US in average items carried but little year-over-year change

- **Fresh Context**
  - Increased growth in deli, produce in recent quarters but meat dept continues to struggle

- **Markets**
  - Boston -4.2%
  - Providence 0.5%

- **CDI**
  - Most developed region – 16 pts higher than total US

**KEY TAKEAWAY** | The meat department can drive growth – Price promotions and variety matched to consumer needs is key vs traditional tactics

Sources of Fresh Meat Growth – Cuts Higher Than $100M in Sales

- **Ground Pork**: +14%
- **Ground Chicken**: +12%
- **Chicken Thighs**: +9%
- **Chicken Stir Fry / Kabob/Fajita Cuts**: +14%
- **Variety Beef Cuts**: +8%
- **Beef Ribs**: +6%
- **Chicken Wings**: +6%
- **Ground Turkey**: +6%

Source: 2018, Multi-Outlet, IRI/FreshLook Marketing Legacy Fresh Meat Definition (FW/RW) by Cut, greater than $100 Million over 52-weeks, Ranked by highest growth

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Beef Sales Growth Driven by Versatile Quick Cuts Familiar to Consumers

The West and Mid-South Saw +5% Growth in Beef Sales Last Year

Source: 2018, Multi-Outlet, IRI/FreshLook Marketing Legacy Fresh Beef Definition (FW/RW)
© 2019 Information Resources Inc. (IRI). Confidential and Proprietary.
Breasts Dominate, But Extremely Strong Growth in Easy to Cook and Flavorful Cuts

FREQUENCY Makes Valuable Chicken Buyers: Heaviest Buying Households Buy Chicken 6.5X More a Year Than Light Buyers

<table>
<thead>
<tr>
<th>Cut</th>
<th>Lbs % Change</th>
<th>$ % Change</th>
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<tbody>
<tr>
<td>All Other</td>
<td>26</td>
<td>1.7</td>
</tr>
<tr>
<td>Giblets</td>
<td>-1.7</td>
<td>-2.9</td>
</tr>
<tr>
<td>Combo Packs</td>
<td>-1.7</td>
<td>-2.9</td>
</tr>
<tr>
<td>Cornish Game Hen</td>
<td>-9.5</td>
<td>-9.5</td>
</tr>
<tr>
<td>Ground</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Stir Fry/Kabob/Fajita</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Whole Bird</td>
<td>9.5</td>
<td>9.5</td>
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<td>Legs</td>
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<td>Thighs</td>
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<td>5.6</td>
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<td>Breast</td>
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<td>3.3</td>
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Source: 2018, Multi-Outlet, IRI/FreshLook Marketing Legacy Fresh Chicken Definition (FW/RW)
Softness in Pork Loin Sales Driving Category Declines

Pork Has Growth Power Despite National Declines, the West and MidSouth Regions Grew Total Pork Sales; Key Growth Markets: Boise, Tampa, Orlando, Albany

<table>
<thead>
<tr>
<th>Product</th>
<th>Lbs % Change</th>
<th>$ % Change</th>
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<tbody>
<tr>
<td>Leg (Fresh Ham)</td>
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<td>-1.5</td>
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<tr>
<td>Variety</td>
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<td>1.4</td>
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<tr>
<td>Bacon (Fresh)</td>
<td>0.3</td>
<td>3.5</td>
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<tr>
<td>Ground</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Misc</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Shoulder</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Ribs</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Loin</td>
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</table>

Pork – % of Dollar Sales

LOIN 53.4%

RIBS 26.0%

SHOULDER 11.6%

GROUND 2.4%

MISC 3.7%

BACON 2.0%

LEG (FRESH HAM) 0.1%

VARIETY 0.9%

Source: 2018, Multi-Outlet, IRI/FreshLook Marketing Legacy Fresh Pork Definition (FW/RW). Bacon here is RW only, excluding packaged processed bacon.

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TODAY’S DISCUSSION

Meat Matters to the Store
Meat Remains a Powerful Basket Driver

**Fresh Meat**

**HOUSEHOLD PENETRATION**

96.8%

(0.1%) vs. prior year

**AVG TRIPS ANNUALLY**

21.7

(-1%) vs. year ago

**AVG $ PER HH ANNUALLY**

$297.50

+14% vs. year ago

**SPENDING PER TRIP**

$13.72

+14% vs. year ago

**SPENT REST OF STORE^**

$63

+2% vs. year ago

Of all grocery trips INCLUDE fresh meat^*

If we had 10% of shoppers make just 1 more fresh prepared buying trip, it would be worth

$163 M TO THE DEPT

$753 M TO THE STORE

Sources: Household Panel data UPC + RW Reference Guide. All Outlets, 2018 and ^ IRI Shopper Loyalty FSP data for Grocery (Food), 2018

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One More Basket for the Meat Department is Achievable!
76% of No / Low Frequency Buyers vs. 94% of Core Users Would Buy More

86% of shoppers could be prompted to buy / buy more value-added meat / poultry

**HOW?**

- 59% Better prices
- 35% Greater assortment / availability
- 32% Greater variety of flavors
- 30% Insight into the *quality* used
- 27% Insight into *freshness* used

Source: 210 Analytics, FMI- Power of Meat 2019
Who is More Likely to Spend More on Fresh Meat?

Households with Above Average Dollars Per Buyer

Households With Above Average Dollars per Buyer

- **5+ Member HH**: Income $75k - $125k
- **Rural**: HOH Ages 36-55
- **Children 7-18**: Married
- **Children Present**: 4 Member HHs
- **Income $125k+**: HOH Age 56 - 65
- **White**

Source: IRI Shopper Loyalty Frequent Shopper Data, dollars spent on fresh meat (RW+FW) per household average

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Who Spends Less Than the National Average per Household?
Households with Below Average Dollars Per Buyer

Source: Household Panel data UPC + RW Reference Guide. All Outlets 52 weeks ending 7/29/18, dollars spent on fresh prepared foods (RW+FW) per household average
TODAY’S DISCUSSION

Top Trends Driving and Disrupting Meat
Top Trends Driving and Disrupting Meat

- Convenience is Key
- Shoppers Care About Claims
- Cross Store Protein Growth
- Growth Through Tech Strategy
Need for Time-Saving Solutions Will Only Grow

Dinner Prep differs greatly by age group

- **64+**: 43 min
- **25-64**: 38 min
- **18-24**: <21 min

Source: USDA
Value-Added Continues to be a Growth Engine

Meat / Poultry Dollar Growth vs YA

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth vs YA</th>
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<tbody>
<tr>
<td>Total Meat</td>
<td>0.6%</td>
</tr>
<tr>
<td>Value-Added</td>
<td>5.1%</td>
</tr>
<tr>
<td>Fully Cooked</td>
<td>2.5%</td>
</tr>
<tr>
<td>Frozen</td>
<td>2.2%</td>
</tr>
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</table>

VA Protein Variety Dollar Growth vs YA

<table>
<thead>
<tr>
<th>Protein</th>
<th>Growth vs YA</th>
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<tbody>
<tr>
<td>Beef</td>
<td>3.6%</td>
</tr>
<tr>
<td>Chicken</td>
<td>8.8%</td>
</tr>
<tr>
<td>Pork</td>
<td>6.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018  *Fixed Weight + Random Weight

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Value-Added Consumer Trends: How is it Different from Commodity Meat?

$20.75 per buyer  
$8.73 per trip  
$93.27 (stock-up trip)  
44% repeat

Above Average Spending Households Hit Areas Where Dept is Weaker

<table>
<thead>
<tr>
<th>Rural</th>
<th>African American</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate Income</td>
<td></td>
<td>Smaller Households</td>
</tr>
</tbody>
</table>
Cross-Store Competition Makes Convenience Play to Win The Meal Occasion From Meat

Frozen Meals Industry Sales are Up 4% This Year

MARKETPLACE by Lean Cuisine

- $47.2M Year 1 $ Sales in 2015
- $234.4M $ Sales in 2018
- 39.8% $ Growth vs YA in 2018
Meat Conference Highlights: New Ways to Make Meat Easier for Consumers
Retailers are Responding to Help Connect Consumers & Meals

Connecting Need States and Segments

Signage and Kiosks Make it Easy

Source: IRI Staff photos 2019
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Top Trends Driving and Disrupting Meat

CONVENIENCE IS KEY

SHOPPERS CARE ABOUT CLAIMS

CROSS STORE PROTEIN GROWTH

GROWTH THROUGH TECH STRATEGY
84% HEALTH & WELLNESS is IMPORTANT REASON I BUY FRESH FOOD

52% said it was the MOST IMPORTANT reason

Source: IRI 2019 Fresh Foods Survey
Shoppers Want Stores to Play a Role in Wellness and Provide More Diverse Options

Shoppers Want to See Their Stores Carry More Items That Are…..

- Grass-Fed: 54%
- All Natural: 52%
- Free from Antibiotics and Hormones: 52%

Source: 210 Analytics, FMI The Power of Meat 2019
Shoppers Are Willing to Pay the Premium for Products That Align to Their Broader Lifestyle

3 in 10 shoppers look for better-for-the-animal claims. Others look for items focused on environmental sustainability (28%) and social consciousness (26%).

**Total Protein Health Claims: Growth vs. YA**

- **Dollars % Chg YA**: Conventional -2.0%, No Antibiotics Ever 19.2%, Organic 19.2%
- **Lbs % Chg YA**: Conventional -3.7%, No Antibiotics Ever 21.1%, Organic 18.6%
- **Price/Lb % Chg YA**: Conventional 1.8%, No Antibiotics Ever 0.5%, Organic -1.6%

"No Antibiotics" Continues as a Major Growth Engine for Chicken and Turkey

35% of consumers said that free of antibiotics is important when fresh food shopping.

<table>
<thead>
<tr>
<th>Protein</th>
<th>Growth</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cow (ABF)</td>
<td>+6%</td>
<td>4%</td>
</tr>
<tr>
<td>Chicken (ABF)</td>
<td>+25%</td>
<td>37%</td>
</tr>
<tr>
<td>Pork (ABF)</td>
<td>-17%</td>
<td>2%</td>
</tr>
<tr>
<td>Turkey (ABF)</td>
<td>+37%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018  
*Fixed Weight + Random Weight  
Source: January 2019 IRI Fresh Survey  
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Organic Meat is Still Early Stage, but Organic Growth is Strong in All Proteins

Organic Claims: By Protein, $ % Growth and $ Share

<table>
<thead>
<tr>
<th>PROTEIN</th>
<th>ORGANIC GROWTH</th>
<th>PROTEIN GROWTH</th>
<th>ORGANIC SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+23%</td>
<td>+1%</td>
<td>1%</td>
</tr>
<tr>
<td>Chicken</td>
<td>+19%</td>
<td>+2%</td>
<td>5%</td>
</tr>
<tr>
<td>Pork</td>
<td>+8%</td>
<td>-2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>+9%</td>
<td>-1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

20% of consumers said that organic is important when fresh food shopping.

## Retailers That Support Organic Meat Grow Faster

**Right Products, Right Price, Right Placement**

<table>
<thead>
<tr>
<th></th>
<th><strong>Top 3 Organic Meat Retailers</strong></th>
<th><strong>Bottom 3 Organic Meat Retailers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chain Type</td>
<td>Regional Players in Northeast &amp; West</td>
<td>National, Large Regional and Small Regional</td>
</tr>
<tr>
<td>Share</td>
<td>9.3% Average Sales of Total Fresh Meat</td>
<td>0.2% Average Sales of Total Fresh Meat</td>
</tr>
<tr>
<td>Trend</td>
<td>+3% Average Growth vs. Year Ago</td>
<td>-10% Average Decline vs. Year Ago</td>
</tr>
<tr>
<td>Sales Rate</td>
<td>$6,745 per MM $ ACV</td>
<td>$153 per MM $ ACV</td>
</tr>
<tr>
<td><strong>Meat Dept</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollar Index</td>
<td>6% Higher Than National Average</td>
<td>9% Higher Than National Average</td>
</tr>
<tr>
<td>Trend</td>
<td>5% Growth vs. Year Ago</td>
<td>1% Growth vs. Year Ago</td>
</tr>
</tbody>
</table>

Source: RMAs with more than 25 stores and carry Organic Meats, IRI Total Store View + Perimeter Market Advantage, Custom Meat Dept Def (FW/RW), 2018 vs. 2017, vs. Year Ago
Recent Expansion in Grass-Fed Beef Volume Widening Market and Bringing Price Gap Down

<table>
<thead>
<tr>
<th></th>
<th>2018 vs. 2017</th>
<th>3-YEAR CAGR</th>
<th>5-YEAR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ GROWTH</strong></td>
<td>+15%</td>
<td>+9%</td>
<td>+31%</td>
</tr>
<tr>
<td><strong>LBS GROWTH</strong></td>
<td>+20%</td>
<td>+46%</td>
<td>+13%</td>
</tr>
<tr>
<td><strong>PRICE CHANGE</strong></td>
<td>-4%</td>
<td>-11%</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>SHARE</strong></td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018 includes both Fixed Weight + Random Weight
Many Suppliers Led with Claims at the American Meat Conference
Protein is a Growth Engine Across the Store

**Top Growth Categories:**
Based on Absolute Dollar Growth vs YA

- FROZEN MEALS +13%
- DAIRY +9%
- SNACKS +11%
- REFRIGERATED MEALS +13%
- NUTRITION/WEIGHT LOSS +8%
- FROZEN MEAT +13%
- BAKERY +17%
- MEALS +5%
- BABY FOOD +5%
- COOKIES AND CRACKERS +14%

**Source:** IRI Market Advantage, US MULO, Data Ending 12/30/2018  *Fixed Weight Edibles Only

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…and Consumers Look for Additional Benefits

Claims Across Edibles:

<table>
<thead>
<tr>
<th>CLAIMS ON PACKAGE</th>
<th>$ GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protein Claim</td>
<td>+9%</td>
</tr>
<tr>
<td>Protein + GMO Free</td>
<td>+21%</td>
</tr>
<tr>
<td>Protein + No Preservatives</td>
<td>+15%</td>
</tr>
<tr>
<td>Protein + No Antibiotics</td>
<td>+41%</td>
</tr>
<tr>
<td>Protein + No Hormones</td>
<td>+15%</td>
</tr>
<tr>
<td>Protein + Whole Grains</td>
<td>+27%</td>
</tr>
<tr>
<td>Protein + Probiotics</td>
<td>+59%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018 *Fixed Weight Edibles Only
The Flexitarian Diet is on the Rise

69% Eat Meatless Meals Once a Week or More
28% Reduced or Limited Their Meat Consumption
14% Interested in Reducing or Limiting Meat Consumption

Source: health.usnews.com / Mintel / Google Trends
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From 2013 to 2018, Meat Substitutes Grew 7% a Year on Average

Meat Substitutes – Total US MULO, $ Sales (MM)

- 2013: $507M
- 2014: $513M
- 2015: $527M
- 2016: $539M
- 2017: $612M
- 2018: $712M

CAGR 7.0%

14% of consumers said that plant-based is important when fresh food shopping

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018 Includes both Fixed Weight + Random Weight
Source: January 2019 IRi Fresh Survey
New retail strategies to align with consumer dietary preference and demands are contributing to the growth of Meat Substitutes in the Meat case. However, 70% of the “Beyond Meat” brand purchases are Meat eaters.

<table>
<thead>
<tr>
<th>Dairy, Milk, Meat Alternatives</th>
<th>$ Growth vs YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>43%</td>
</tr>
<tr>
<td>Yogurt</td>
<td>32%</td>
</tr>
<tr>
<td>Cream</td>
<td>26%</td>
</tr>
<tr>
<td>Almond Milk</td>
<td>8%</td>
</tr>
<tr>
<td>Meat Substitutes</td>
<td>22%</td>
</tr>
</tbody>
</table>
Consumers See Plant-Based Options Now at the Meat Counter & on Menus

Source: 210 Analytics and Carl's Jr website

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Plant-Based Competition for the Grill Will Heat Up This Summer

**Meatless Protein Source:** $ and Growth vs YA

- Tofu
  - $72MM
  - +6.4%
- Vegetable
  - $494MM
  - +18.1%

**Meatless Protein Form:** $ Growth vs YA

- Hot Dog
  - 10.8%
- Burger/Patty
  - 14.4%
- Dinner Sausage
  - 28.2%

Source: IRI Market Advantage, US MULO, Data Ending 12/30/2018
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Helping Consumers Feel Good About Their Food – Mixing for Flavor

Its Meat and NOT or

Trips where Meat Substitutes are Purchased are 4x More Likely to include Meat

Top Trends Driving and Disrupting Meat

- CONVENIENCE IS KEY
- SHOPPERS CARE ABOUT CLAIMS
- CROSS STORE PROTEIN GROWTH
- GROWTH THROUGH TECH STRATEGY
America’s Meat Knowledge is Lacking; 56% of Shoppers Merely Managed or Needed Help

Self-Rated Meat / Poultry Knowledge

- Knowledgeable: 47%
- Know the Basics: 35%
- Need Help: 18%

72% of Millennials say they “just manage” or “need help”

Source: 210 Analytics| FMI- The Power of Meat 2019
Variety is a Path to Growth – Education and Empowerment Necessary

41% Buy a Handful of Cuts / Kinds and Don’t Tend to Try Anything New or Different

42% Buy a Handful of Cuts / Kinds, But Willing to Try New Items, if Advised

17% Buy an Extensive Variety of Cuts / Kinds

Source: 210 Analytics| FMI - The Power of Meat 2019
## Engagement Strategy Needs to Differ by Generational Demographics

<table>
<thead>
<tr>
<th>Top Resources</th>
<th>Younger Millennials</th>
<th>Older Millennials</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper Circular Pre-Trip</td>
<td>37%</td>
<td>53%</td>
<td>64%</td>
</tr>
<tr>
<td>In-Store Promotional Signage</td>
<td>55%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>Paper Circular In Store</td>
<td>35%</td>
<td>40%</td>
<td>41%</td>
</tr>
<tr>
<td>Electronic Circular</td>
<td>37%</td>
<td>41%</td>
<td>29%</td>
</tr>
<tr>
<td>Store App</td>
<td>19%</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>Meat Promotion Email / Web</td>
<td>21%</td>
<td>27%</td>
<td>17%</td>
</tr>
<tr>
<td>Social Media Deals</td>
<td>13%</td>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>Text Specials</td>
<td>5%</td>
<td>2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: 210 Analytics | FMI- The Power of Meat 2019 | Promotional vehicles used for meat

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Sales and Specials Matter, But Relevance of Platforms Changing
Know Your Consumer to Know Which Promotions Resonate

Fixed Income Boomer

“Just checked my ad. There’s some **great bogos**. That’s 6 **meals** for the price of 3!”

Affluent Boomer

“I **definitely** look at the circulars and **meal plan** for the week ahead. I **decide if** we want beef, chicken or maybe sausage”

Gen X Male Shopper

“Circulars go in the trash. I look for **signage** and if it’s something I **know how to cook already** I might take a look at that”

Millennial Mom

“I typically am not on the hunt for a deal (on meat). I want to feel like its fresh and the animals were treated well. I do coupons for other items.”

Price Discount
Before the Store

Meal Ideas
In-Store Signs

Sides / Recipes
On-Pack Coupons

Source: 210 Analytics | FMI- The Power of Meat 2019 | Promotional vehicles used for meat
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Consumer Experience Matters, Especially Online…

71% of consumers want more personalized experiences online

33% are more likely to buy from a brand that sends tailored messaging

72% Effortless Program where Offers are Automatically Redeemed

66% Personalized Offers Based on Purchase History are more appealing

Source: Forbes & The Loyalty Divide conducted by Morar HPI
Solutions, Not Silos: The “Kit” Consumers Assemble and Get a Price Discount When Bought Together

Meat Dept Baskets are Twice as Likely to Include Shelf Stable Meal-Starters, Yet, Cross-Store Buy-This-Get-That Price Promotions are Extremely Rare

Source: The Fresh Market, as seen in IRI Top Trends in Fresh Foods, Connected Consumer 2016; IRI Shopper Loyalty FSP data, Meat Dept cross-purchase data, 52wks ending 3-29-10
Education Examples – Making Sense of Making Meat

Bristol Farms
Meat Case Signage

Chuck Knows Beef
Education via Voice Assistant

Educating on Cut and
Cooking on the Package

Albertsons Southwest
Meals Front-of-Store Display

Sources: IRI Staff Pictures from American Meat Conference March 2019, Bristol Farms February 2019, Albertsons Southwest April 2019
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TODAY’S DISCUSSION

What the Future Holds
What We’re Watching Closely in 2019 and Beyond

African Swine Fever Causing Supply Disruption & Price Impact

Flexitarian lifestyle and plant + meat protein options

Changing face of celebrations and what it means for meat

Harnessing digital to educate, entice & engage with meat

Solutions not silos making meals easier for shoppers
01 | Things are Changing Rapidly
American tastes and cooking styles are rapidly changing the meat department and growth plans

02 | Consumer Still Value Fresh Meat
Traditional supermarkets can continue to win big baskets and capture incremental dollars – why some win and some suffer in meat

03 | Path Forward Looks Different
From value-added to production claims – there are more options than ever before. But who wants what when it comes to meat?

04 | Opportunity is Ripe for the Taking
One size fits none. Every protein, every retailer has a right to win – if we think differently for today’s unique consumer
QUESTIONS & ANSWERS