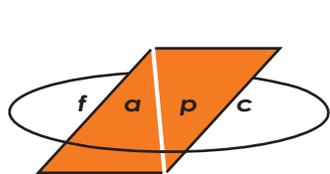


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# Market Research Study: Organic, Free-Range and Pasture Poultry

**Rodney B. Holcomb**  
FAPC Agribusiness Economist

**Chuck Willoughby**  
FAPC Business & Marketing  
Relations Manager

**Erin Early**  
FAPC Business/Marketing  
Client Coordinator

**Keneshia Reed**  
FAPC Business Planning & Marketing  
Intern

### Organic foods, including meats

Sales of organic meat and poultry grew from \$33 million in 2002 to an estimated \$121 million in 2004. Sales of organic foods grew from \$3.5 billion in 2002 to an estimated \$5.3 billion in 2004. According to preliminary findings from the Organic Trade Association's (OTA) 2007 Manufacturers Survey, U.S. organic foods totaled nearly \$17 billion in 2006, up 22 percent during the previous year. In addition, according to *Shopping for Health 2003*, a joint publication of *Prevention* magazine and the Food Marketing Institute, three out of five shoppers believe organic foods are better for them than non-organic food. However, just two out of five consumers prefer to buy organic food. Attitudes towards organic food are presented in Table 1.

According to the 2003 Whole Foods Market Organic Foods Trend Tracker, organic shoppers increased their consumption of organics during the previous year. The increase is at least partially attributable to recent USDA-mandated labeling of organic foods. Some 29 percent of respondents said the new/clearer labels affected their decision to buy organic foods and nearly half (47 percent) of those who buy more organics now than they did last

year say the labeling has had an impact. Among those who have not tried organic foods, high pricing is cited as the primary reason. According to the 2004 Whole Foods Market Organic Foods Trend Tracker survey, more than one-fourth of Americans are eating more organic products than in 2003. This report suggests that more than one-half of all Americans have knowingly tried organic foods and beverages and nearly one in 10 use organic products on a regular basis, or several times per week. Eighty-one percent of consumers buy organic foods for the nutritional value, according to *Shopping for Health 2005*, a report by FMI and *Prevention* magazine. Large majorities cite freshness (77 percent) and a desire to promote long-term health (67 percent) as the primary reasons for purchase. Half of U.S. shoppers (51 percent) buy organic foods, according to *Shopping for Health 2006*.

U.S. sales of organic chicken reached \$46 million in 2003, according to the OTA. Sales of organic chicken gained an early lead over beef in organic sales because poultry's faster growing cycle, ease of feeding and quicker processing. Even so, it is estimated that less than 2 percent of the money spent at supermarkets on chicken are natural or organic. However, in certain chains, like Fairway and Stew Leonard's (neither are present in Oklahoma), the rate may be as high as 40 to 60 percent, and in health food supermarkets like Whole Foods and Wild Oats, natural and organic meats are 100 percent of sales. According to the Food Marketing Institute, in February of 2007, chicken remained the

Table 1: Attitudes towards organic food, 2003

Attitude	Percent
Buy organic; likely to buy other organic categories	31
Buy organic; not likely to buy other organic categories	19
Don't buy organic, but likely to buy	15
Don't buy organic and not likely to buy	36
SOURCE: <i>Prevention</i> magazine and the Food Marketing Institute	

Table 2: Manufacturer sales of poultry in the United States, 2001 and 2003 (million \$)

Company	2001 Sales	2001 Share	2003 Sales	2003 Share	Changes in Sales
Tyson Foods	\$7,127	25.1%	\$7,427	24.2%	4.2%
Pilgrim's Pride	\$4,653	16.4%	\$4,968	16.2%	6.8%
Perdue Farms	\$2,539	8.9%	\$2,700	8.8%	6.3%
Gold Kist	\$1,810	6.4%	\$1,810	5.9%	0.0%
Other	\$12,241	43.1%	\$13,739	44.8%	12.2%
Total	\$28,370	100%	\$30,644	100.0%	8.0%

\* Includes sales by ConAgra's poultry division  
SOURCE: Mintel International/Poultry magazine

most popular natural and organic meat, purchased by more than seven out of 10 shoppers (73.2 percent) in the past three months, followed by beef (50.7 percent) and ground meat (31 percent).

### Impacts/concerns related to epidemics and trade bans

The huge scale of production and commodity nature of poultry exposes the industry to some risks not faced by other food types. Among these are devastating poultry ailments and the import restrictions by various countries either trying to keep the diseases out or trying to protect their own farmers.

Avian influenza infected two chicken farms in Delaware and Maryland in early 2004. The strain was not dangerous to humans or particularly deadly to chickens. However, the possibility of it mutating into a more serious strain led producers and the states to take extreme measures. When infected birds are found, killing entire flocks is necessary in order to prevent the disease from spreading. In 2002, slow response to a flu outbreak in Virginia may have exacerbated the situation, which ended up costing \$130 million through the extermination of more than 4 million chickens and turkeys. Even more serious was the strain in Asia that surfaced just a few weeks before the Delaware discoveries. This resulted in at least 22 human deaths and the deaths of tens of millions of chickens and ducks.

Meat irradiation for the purpose of enhancing microbial and viral food safety is viewed as one way of calming consumer concerns about meat, but this method is not always appealing to those purchasing organic or free-range poultry for their limited input/limited processing attributes. Primarily utilized for the control of pathogens such as *E. coli* O157:H7 in beef, anecdotal accounts suggest its use might be extended to include poultry products. Representatives from various stores indicate

irradiated meats account for a growing share of sales and in some cases allow for additional price mark-ups.

### Supply structure: Companies and brands

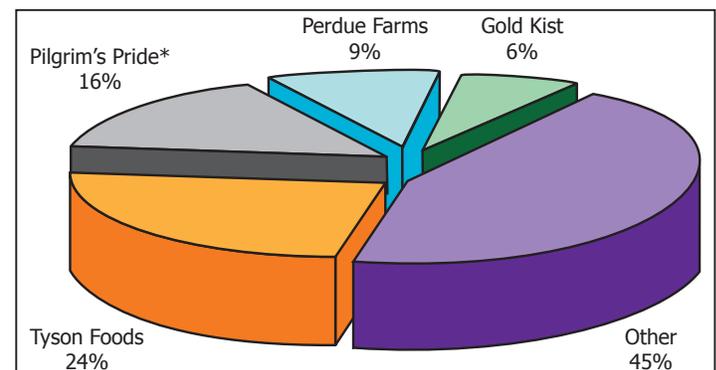
Meat sales by weight are not captured in all store scanner data, so sales figures for the poultry category must be gathered from alternative sources. For example, the Bureau of Labor Statistics (BLS) data used to estimate total sales of non-prepared fresh and frozen poultry provide some insight.

The relatively small scale of the organic and specialty poultry market also makes data acquisition difficult. Thus, most industry data is related in terms of the major processors and brands with virtually little or no differentiation between products and processes. The data in Table 2 and Figure 1 include sales by manufacturer. Many of these organizations are privately held and do not provide details about sales of their products. It is impossible to separate non-prepared chicken from prepared products, items going to supermarkets, or other retail outlets from ones going to foodservice or institutional customers.

Tyson leads in the poultry category, but its share of the market has declined slightly from 2001 to 2003. After the 2003 acquisition of ConAgra's poultry holdings, Pilgrim's Pride, once a distant third in the category, is now second. Though Tyson still has a commanding lead, the benefits of Pilgrim's Pride's new-found access to ConAgra poultry's extensive distribution network were not yet realized in 2003.

In 2004, Tyson had to struggle with the after-effects of discovery of a cow with BSE in the United States, including a collapsed export market and soft domestic sales. BSE is not an issue with poultry, of course, but image concerns in one meat category can carry over to

Figure 1: Share of all poultry sales, by manufacturer, 2003



\* Includes sales by ConAgra's poultry division; SOURCE: Mintel International/Poultry magazine

other meat categories within the same company. Executives at Pilgrim's Pride stated they considered broadening their meat offerings beyond chicken, as Tyson has done, but they did not want to take their focus away from the product with which consumers had familiarity. They also indicated one of their market strategies is to watch Tyson closely, in the hope of seeing a niche the company is overlooking, or to take advantage of any sort of customer dissatisfaction that may occur. The challenge for Tyson is to maintain the same connection with the poultry category that made it the market leader. In the late 1990s, Tyson signaled its interest in maintaining leadership in the poultry sector by donating \$40 million for the Tyson Poultry Science Center at the University of Arkansas – Fayetteville and the dedication of \$100 million to a new integrated marketing campaign.

Before acquiring ConAgra's poultry processing facilities, Pilgrim's Pride was constrained somewhat by being, for the most part, a regional provider. Other processors with more than 5 percent of the market but less than the national leaders (e.g., Perdue and Gold Kist) are still in a similar situation. Though these two companies have good penetration in the areas where they compete, they do not have the distribution networks necessary to compete nationally.

Should the predictions of some industry analysts be borne out regarding the likelihood that poultry sales will become even more concentrated among a few processors than they were in 2004, regional brands will certainly feel the pressure. According to *Poultry* magazine, 38 companies have sales lower than the leaders shown in Figure 1, but more than \$14 million. It is possible that the market rivalry between the two national companies, Tyson and Pilgrim's Pride, could convince other poultry sellers to merge or buy out other small/regional processors to maintain a certain level of competitiveness. The phenomenon already has been witnessed in the beef and pork sectors of the meats industry and in supermarket chains.

Labeling and packaging are becoming more important in brand battles, too. Tyson chicken labels assert the products are enhanced with up to 15 percent chicken broth. This practice is similar to Hormel's "Always Tender" use of broth for other meats, and it helps keep the products juicy and prevents a bad consumer experience if the product is overcooked. Conversely, Perdue is marking its chicken as natural, minimally processed and retaining less than 1 percent added water weight.

These packaging aspects reflect a larger push on the part of processors to increase the level of branding for

meats. It is a drive that may be received well by consumers more interested in the ingredients utilized in value-added processing. Therefore, the consumer is certainly more aware of the importance of a trusted meat source in the wake of bovine and poultry diseases in the news. Supermarkets may be less enthusiastic, though, wanting to protect one of the areas where they hold an edge over other retail channels, such as mass merchandisers, by having their own signature brand on meats.

## Retail distribution

Supermarkets account for the vast majority of U.S. retail poultry sales (both organic and conventional), with an almost 80 percent share of 2004 sales. They remain the most common outlet, where 53 percent of people buy most of their organic foods, according to *Shopping for Health 2006*. Mass merchandisers, including warehouse clubs such as Sam's and Costco, accounted for about 9 percent of sales in 2004. Drugstores represented 7 percent of sales, primarily in the form of frozen poultry products. From 2004 through 2006, sales of organic food through supermarkets, drug stores and mass merchandisers increased by 38.4 percent (Mintel International Organic Foods, p. 31). Poultry is also sold at other venues, including butcher and other small specialty stores, farmers' and other open air markets, convenience stores and other channels that are not explored in detail in this section due to a lack of data about those marketing programs.

The second-fastest growth in retail sales was experienced in drugstores that now offer a limited selection of refrigerated/frozen grocery items. Their sales grew by approximately half to reach \$1.2 billion in 2004 (Table 3). The balance went to "other" establishments such as butchers, where growth has been fairly substantial in

Table 3: U.S. retail sales of poultry, by channel, 2002 and 2004 (million \$)

Company	2002 Sales	2002 Share	2004 Sales (est.)	2004 Share (est.)	Changes in Sales
Supermarkets	13,620	85%	13,823	79%	1.5%
Mass merchandisers*	961	6%	1,575	9%	63.9%
Drugstores	801	5%	1,225	7%	52.9%
Subtotal	15,382	96%	16,623	95%	8.1%
Other**	641	4%	875	5%	36.5%
Total	16,024	100%	17,498	100%	9.2%

\* Includes warehouse clubs and Wal-Mart  
 \*\* Butchers, convenience stores, etc.  
 SOURCE: Mintel International

relation to other channels. This growth is attributed primarily to the fact that some consumers are seeking out poultry products, such as duck and Cornish game hens, from butchers, which are not offered in the traditional supermarket/retail channel.

### Supermarkets

Between 1999 and 2004, supermarket sales of poultry declined 8 percent in constant price terms, to just under \$14 billion. Supermarkets have seen mixed results during that time period. While sales grew in 2000 and 2001, there was a decline in 2002 and 2003, with a slight rebound expected for 2004. These declines have more to do with the explosive growth and popularity of other channels, in particular mass merchandisers, which have become the shopping venue of choice for many consumers, as they stock up on favorite items. This year the demand for organic meat in general crossed the 20 percent milestone with 21.2 percent of the shoppers surveyed saying they purchased these products in the past three months, up from 17.4 percent in 2006. Traditional supermarkets and mass merchandisers now account for 58 percent of organic sales, according to a study by Mintel International.

Chicken in some of its forms is a commodity, so consumers can and will buy fresh or frozen chicken breasts or chicken pieces at mass merchandisers regardless of brand, taking advantage of significant cost savings. Supermarkets, however, offer a greater variety of products, particularly when it comes to frozen chicken or marinated or semi-prepared poultry. In addition, supermarkets are more likely to carry forms of poultry

Table 4: Supermarket sales of poultry, at current and constant prices, 1999-2004

Year	Sales at current prices (Million \$)	Index	Percent change	Sales at constant 1999 prices* (Million \$)	Index	Percent change
1999	13,317	100	--	15,025	100	--
2000	14,278	107	7.2	15,761	105	4.9
2001	14,786	111	3.6	15,790	105	0.2
2002	13,620	102	-7.9	14,143	94	-10.4
2003	13,499	101	-0.9	13,799	92	-2.4
2004 (est.)	13,823	104	2.4	13,823	92	0.2

\*Adjusted for inflation using the All Items CPI; CPI for 2004 is estimated as of June 2004

SOURCE: Based on Information Resources, Inc. Infoscan ® Reviews Information/Mintel International

other than chicken and are more nimble in their ability to expand certain supermarket sections or change their product mix.

### Chicken consumption

Chicken is a product with mass appeal, with almost all respondents to a Mintel International/TechnoMetrica survey reporting they eat chicken. Because almost all respondents consume chicken, there were virtually no statistically significant differences among key demographic variables. The results are presented by key demographic variables in Table 5.

### Industry forecast

Industry analysts have speculated that by 2010, the three top poultry companies could control 75 percent of processing capacity, which is up from 50 percent in 2004. Between now and then, the competition for market share between Tyson and Pilgrim's Pride should increase pressure on the other suppliers to either grow via buyouts and mergers or sell to those companies wishing to grow. The increasing importance of a recognized brand will serve as an impetus for growth, as will the need for large

Table 5: Incidence of eating chicken, by key demographic variables, June 2004

Category	Percentage
<b>Gender</b>	
Male	96
Female	97
<b>Age</b>	
18—24	95
25—34	95
35—44	95
45—54	98
55—64	98
65+	97
<b>Household Income</b>	
Under \$30,000	98
\$30,000—\$49,999	97
\$50,000—\$74,999	93
\$75,000+	97
<b>Region</b>	
Northeast	96
North central	97
South	96
West	96
<b>All</b>	<b>96</b>
* Base: 1,004 adults aged 18+	
SOURCE: Mintel International/TechnoMetrica	

investment in new product research and development, like the programs put together by Tyson and Perdue. Organic and “all natural” poultry lines are now being offered by these companies, but branding and market penetration opportunities still exist for smaller operations willing to move quickly into organic, free-range and pasture poultry niches.

### **Challenges for uncooked meats**

Simply put, more people in the United States are less likely to plan for and cook meals than their elders and less likely to feel they have the time. Among the poultry types and cuts, only boneless, skinless chicken breasts seem to have benefited from this situation and even then, have only been able to do so with a large number of heat-and-eat varieties of the cut. This will impact any organic/specialty poultry operation, as currently most organic or free-range poultry products are limited to fresh or frozen whole birds. At the same time, the success of shows on the Food Network and other media outlets have resulted in increased interest in cooking, and many might do so if they had the time or skills. The meat industry has realized the need to provide the food preparation instructions that used to be passed down through the family in a variety of ways – from quick-tips in television commercials to detailed instructions on packages and via websites. There is a reason there is a cable television show called “How to Boil Water,” and even adding a can of soup to a recipe may seem challenging to a cook with few skills.

Brand recognition in the meat department has its benefits, as does the presence of print materials suggesting possible preparations. However, in order to obtain consumer acceptance and brand recognition, more interactive relationships may have to be established. Tastings of some form or another seem a natural component, whether from sampler cups set up on a tray, or probably better, an actual cooking demonstration, where shoppers can actually see first-hand how easy it is to make the product and how good it tastes. In some cases, it might be worthwhile to do a very rudimentary preparation. Improvements in packaging also could capture consumer interest because of neater handling and the opportunity for more preparation instructions.

This is all less of an issue for marinated uncooked meats, which only require being lifted out of the bag and a short time in the pan or broiler to be ready. Even so, many consumers will want to try before they buy. As noted in the “Market Drivers” section, Tyson and Pilgrim’s Pride have products that fall within the ready-to-cook category. The number and variety of these products will likely expand

as time deficiency or weak cooking skills impel a growing share of the population to value-added meat products, even if they are simply planning a home-cooked meal.

### **More demand for organic or natural**

The demand for natural or organic poultry products has grown as a result of increased consumer concern regarding the sources of and processing methods utilized for food. Consumer perception, with or without factual scientific basis, has played heavily in demand growth. Food safety concerns, the expectation of high-quality foods, and issues related to “factory farming” are often utilized in the marketing programs of organic and natural poultry providers. Marketing programs with these themes have been shown through various studies to have mixed impacts on consumers, but consumers already inclined to purchase organic poultry products are reinforced by supplier claims related to food safety and helping smaller independent producers and processors.

Though it is estimated that only 2 percent of chicken sold in the United States in 2004 falls in the category of natural or organic, there appears to be room for substantial growth. Consumers are not the only ones who may have an interest in shifting to organic or natural poultry. Some producers looking to break away from contracted production with large integrators visualize free-range and organic poultry production as a means of gaining value through a niche market. According to the Food Marketing Institute, in 2007, more than six out of 10 shoppers (63 percent) said they would buy more of these products if prices were more in line with conventionally produced meat and poultry. Gains in production, processing and distribution efficiency are important for the long-range viability of organic poultry markets. These efficiencies can keep prices from deviating too significantly from equivalent poultry products raised and processed by conventional means, thus making organic products a more viable choice for even price-sensitive consumers.

## **Marketing Considerations**

### **Organic chicken**

Organic food is the fastest-growing segment of the food industry, averaging 20 percent annual growth since 1997. Some consumers are willing to pay more money for premium organic meat because they perceive the health benefits of organic meat outweigh the additional costs. This line of thought will continue to help grow the organic segment of the poultry market.

According to a 2004 Mintel International report, the U.S. market for organic food will grow 16.5 percent an-

nually after adjusting for inflation during 2004 – 2009. This advance represents a small pullback from the roughly 20 percent annual rate of growth throughout 1998 – 2003. According to SPINS data, in organic outlets sales of poultry for 52 weeks ending Dec. 25, 2004 were up 57.7 percent compared to the same 52-week assessment in 2003. In dollar terms, 2004 sales reached \$13.6 million, up from \$8.6 million for 2003. Roughly 26,000 metric tons of organic poultry were sold in 2005, with chicken comprising the bulk. The short production cycle of all types of poultry enables producers to adapt more quickly to demand fluctuations than beef or pork. Chicken is the most widely available organic meat in North America with a growing number of retailers selling it under their private labels, according to *American Cowman*.

### **Free-range chicken**

Other factors affecting sales of poultry are concerns of animal welfare and the consumption of animal products. According to a 2004 survey by the National Marketing Institute, 30 percent of adult American consumers make purchasing decisions based on issues of social justice, the environment and health. Thus, the branding of free-range poultry, even if the facts of the production setting do not necessarily fit the perception of the consumer, can command a market premium over conventional chicken products.

A recent Ohio State University survey found 92 percent of Ohio residents agreed or strongly agreed it is important for farm animals to be well cared for, 85 percent said the quality of life for farm animals is important even when they are used for meat, and 75 percent agreed with the statement that farm animals should be protected from feeling physical pain. Consumer awareness regarding the issue is certainly growing. However, it has not affected overall chicken sales.

### **Fresh and frozen chicken parts**

There is a need for convenient food items and consumers' desire for chicken in the form of nuggets, strips and other highly prepared ways is driving change in the poultry industry. Decades ago, the majority of chicken sold in the U.S. was in the form of whole birds. Over time, this shifted to parts like boneless chicken breasts, which continue to be the segment leader in sales. Sales of chicken parts rose 5 percent between 2004 and 2005. Mintel International's Global New Products Database (GNPD) is regularly seeing more items that are ready-to-cook or ready-to-eat, such as marinated chicken breasts,

chicken tenders or chicken wings. Taking convenience one step further, grocery stores' butcher sections also now carry pre-made items such as shish kabobs or stuffed chicken dishes that are ready to cook.

Also, according to GNPD, 486 cooking sauces were introduced to the market in 2004, which indicates more people are cooking at home and marinating meat, such as poultry.

### **Fresh and frozen whole chickens**

Sales of whole chickens increased 7.5 percent between 2004 and 2005 according to Mintel International/Bureau of Labor Statistics. Consumers want convenience, and while whole chickens are far from that, they are less expensive than chicken parts. There continues to be a demand for whole chickens within the market, which supports the view that the demand for chicken is indeed high.

In addition, whole chickens that are either organic and/or kosher are more expensive than regular whole chickens and consumers who want those types of products will pay premiums. Organic and kosher chicken parts are significantly more expensive, at \$3.49 per pound versus whole chickens which sell for \$2.49 per pound in one supermarket example. Thus, it is possible that in order to save a few dollars, some may choose the whole chicken and take the time to prepare it themselves. However, because the cost of organic is generally higher than regular chickens, the fresh and frozen whole chicken segment benefits.

## **Organic industry leaders**

### **Bell & Evans**

Bell & Evans is the leader in the marketing of "all natural" poultry, or birds that have not been given sub-therapeutic levels of antibiotics and have not been fed hormone supplements. According to SPINS, Bell & Evans has the highest sales in the organic segment at \$4.7 million, up 122 percent for 2004 from 2003 sales levels. The increase in sales could be attributed to the addition of new items to its family of convenience foods. Fully cooked grilled breasts, breaded boneless breasts and garlic Parmesan breaded breasts all were added in October 2004.

The Bell & Evans poultry processing plant in Fredricksburg, Penn., was honored as Food Engineering's 2005 plant of the year at the publication's annual Food Automation & Manufacturing Conference and Expo. Respect for the integrity of how livestock is handled, how workers are treated and which plant practices are deployed is part of the company's operating ethic.

Table 6: U.S. natural food channel sales of organic foods and beverages, at current and constant prices, 2001-2004

Year	Sales at current prices (Million \$)	Index	Percent change	Sales at constant 2004 prices* (Million \$)	Index	Percent change
2001	1,302	100	--	1,378	100	--
2002	1,526	117	17.2	1,600	115	15.4
2003	1,922	148	26.0	1,970	142	23.1
2004 (est.)	2,229	171	16.0	2,229	161	13.1

\* Adjusted for inflation using the All Items CPI; CPI for 2004 calculated through June 2004  
SOURCE: SPINS/ACNielsen/OTA/Mintel International

### Foster Farms

Foster Farms, a west coast company in the organic segment, saw a 216.7 percent rise in 2004 sales from \$159,500 to \$505,000. Foster Farms-branded fresh chicken is marketed as “locally grown” on farms it owns or operates in each of its markets in California, Oregon and Washington. Foster Farms specializes in producing high-quality fresh chicken products that are all natural with no preservatives or sodium-based additives in addition to a full line of other poultry products.

### Natural food stores: Future warehouse distribution possibilities?

Table 6 shows sales of organic foods and beverage through the natural food store (chains) channel for 2001 through 2004. Sales are tracked for stores with at least \$2 million in annual sales.

Sales of organic foods and beverages increased 71 percent between 2001 and 2004, or 17 percent less than for mainstream supermarkets. The OTA estimates the total organic food and beverage sales were \$13.8 billion in 2006. The two major players in this segment, Whole Foods Market and Wild Oats Market, have both seen their sales increase significantly as they expand operations throughout the country.

In August 2004, Wild Oats Market announced it would test a branded store-within-a-store natural/organics department at selected Stop & Shop stores in the Northeast and begin selling private-label products through the Peapod.com online shopping service in Chicago. Both Stop & Shop and Peapod are divisions of Quincy, Mass., based Ahold USA. According to Wild Oats, a three-to-five store test of departments at Stop & Shop stores began in late 2004 or early 2005. Termed a

Table 7: Top organic grocer operating statistics, latest fiscal year-end

Company	Sales Data		Outlet Data		
	Annual million \$	Per ft <sup>2</sup>	Per outlet	Number of outlets	Sales area (ft <sup>2</sup> )
Whole Foods Market, Inc. (9/29/2003)	2,690	699	20,696	135	4,100
Wild Oats Markets, Inc. (12/28/2003)	969	337	8,502	126	3,658

SOURCE: Retail Interactive/Mintel International

“test,” it began offering private-label products through Peapod.com during the fourth quarter of 2004.

Whole Foods, which in 2003 operated some 150 stores in 26 states, reported a 17 percent increase in sales during 2002. The company sells only natural and organic products. The company opened some 15 stores in 2004 and another 15 to 20 stores in 2005. It is also expanding to England with its acquisition of Fresh & Wild Holdings Limited, a chain of seven natural and organic foods stores in the United Kingdom. Wild Oats derives about two-thirds of its sales from its perishables, but it also offers six lines of store brand prepared and packaged items, including three separate organic lines. Again, it should be stressed that both Whole Foods and its rival Wild Oats do not sell organic foods exclusively; rather they both sell only natural foods, some of which also are organic.

Wild Oats, which rivals Whole Foods, is the third largest natural food chain in the United States, trailing both Whole Foods and Trader Joe’s (a privately owned chain, which does not share sales data and therefore is not included in this report). Wild Oats has some 100

Table 8: Percentage change from latest fiscal year-end versus year prior

Company	Sales Data		Outlet Data		
	Change percent (billion \$)	Change percent (per ft <sup>2</sup> )	Change percent (per outlet)	Change percent (per no. of outlets)	Change percent (per sales area)
Whole Foods Market, Inc. (9/29/2003)	18.4	4.3	10.2	7.1	14.1
Wild Oats Markets, Inc. (10/28/2003)	5.4	-23.4	-5.6	23.5	75.3

SOURCE: Retail Interactive/Mintel International

stores in 24 states and in British Columbia, Canada, and sells natural, organic and some traditional grocery items. The stores operate under the Capers Community Market, Henry's Marketplace, Sun Harvest Farms and the Wild Oats Natural Marketplace names. Wild Oats' private label program is not as fully evolved as Whole Foods' private label program, and its total sales are considerably lower, but it also is continuing to expand, adding 10 stores in 2004 and about the same number in 2005. Whole Foods recently announced it will buy 110 stores from Wild Oats (Burros, p. 1). If successful, the purchase will increase the number of Whole Foods stores to more than 300 nationwide.

## Summary and Conclusions

Sales of organic chicken reached \$46 million in 2003, according to the OTA. Sales of chicken gained an early lead over beef in organic sales because the animals have faster growing cycle, ease of feeding and quicker processing. Even so, it is estimated less than 2 percent of supermarket sales of chicken are natural or organic. However, there appears to be room for substantial growth, especially should a way be found to keep prices from deviating too significantly from equivalent poultry cuts raised in the standard way.

Organic is the fastest-growing segment of the food industry. The OTA notes the U.S. organic industry was at \$14.6 billion in 2005. The organic foods industry has seen growth in the mainstream market penetration rate since 1997, nearly tripling in sales. Whole chickens (fresh or frozen) are the most common product offering for organic poultry, with whole organic birds being more expensive than regular whole chickens but not to the degree that organic chicken parts are higher priced than regular-produced chicken parts. Consumers who want those types of products will pay a premium price for both whole chickens and chicken parts.

Marketing opportunities seem somewhat limited with "traditional foods" regional warehouses, but branded poultry products have considerable potential with stores catering to the natural and organic foods consumers in Oklahoma and the region. These marketing possibilities, however, would require the construction of new slaughter/processing facilities in Oklahoma.

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