ANNUAL MEAT CONFERENCE 2017

FEBRUARY 19-21, 2017
HILTON ANATOLE
DALLAS, TEXAS

the BEST IN MEAT on one PLATE

FMI
THE VOICE OF FOOD RETAIL

FOUNDATION FOR MEAT & POULTRY RESEARCH & EDUCATION

Impact of ABF and Organic Meat on Total Store Sales

Steve Ramsey & Larry Levin

IRi
Growth delivered.

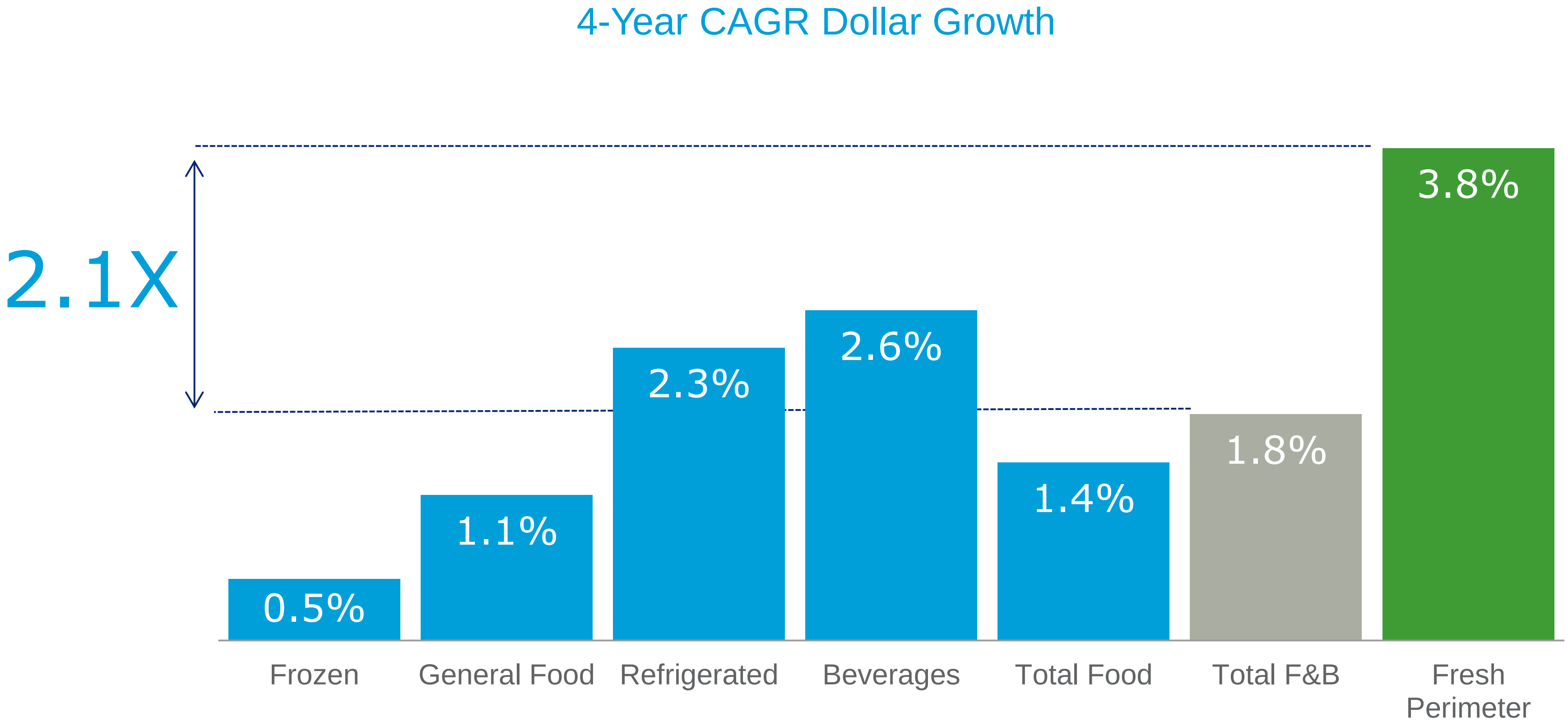
Today's Discussion

- Fresh Meat Market Trends
- Fresh Meat Claim Opportunity
- Targeting and Activation

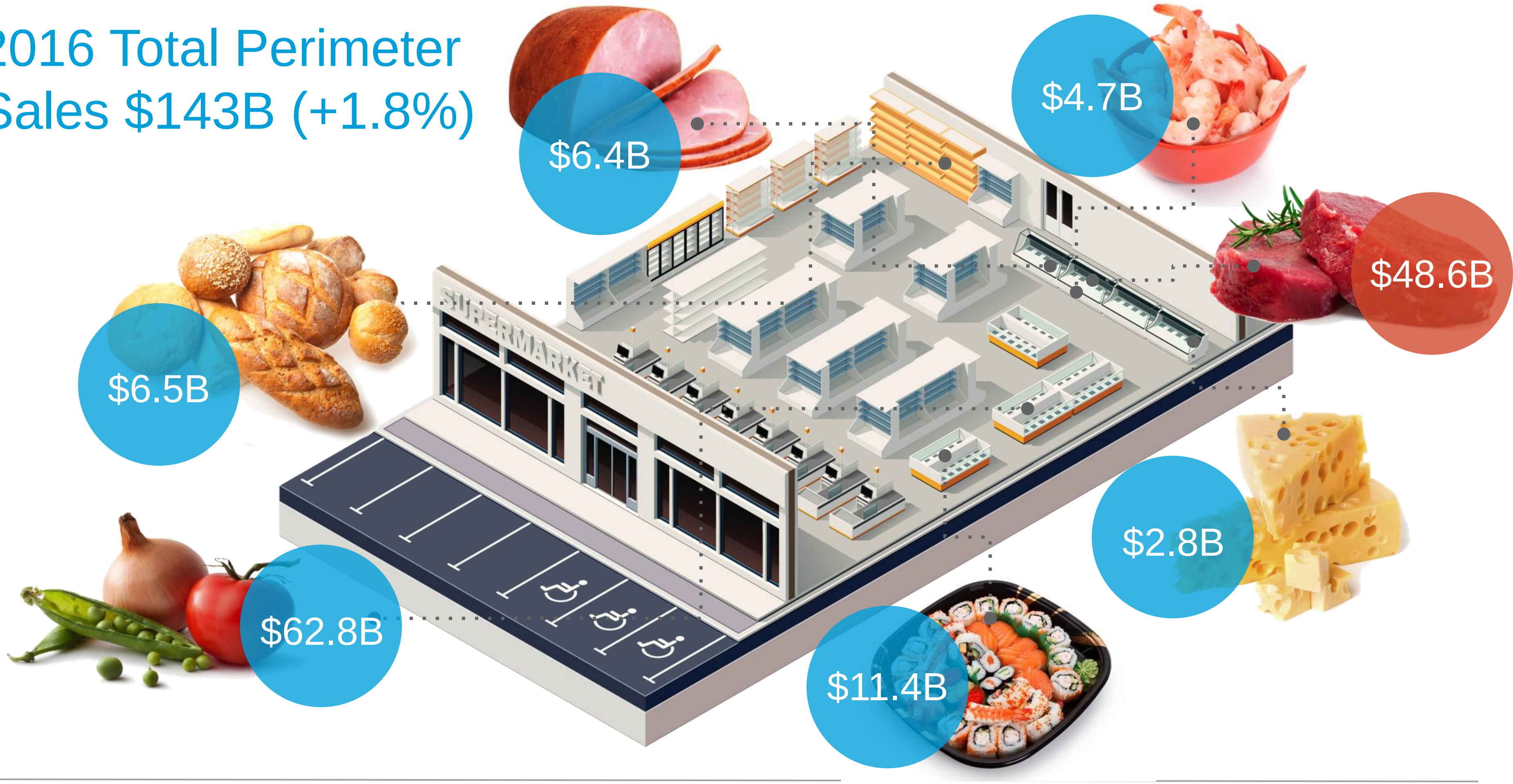
Slicing the Data

1. IRI POS & Panel latest 52 weeks ending 12.31.16
2. NaturaLink Segmentation
3. ShopperSights Targeting

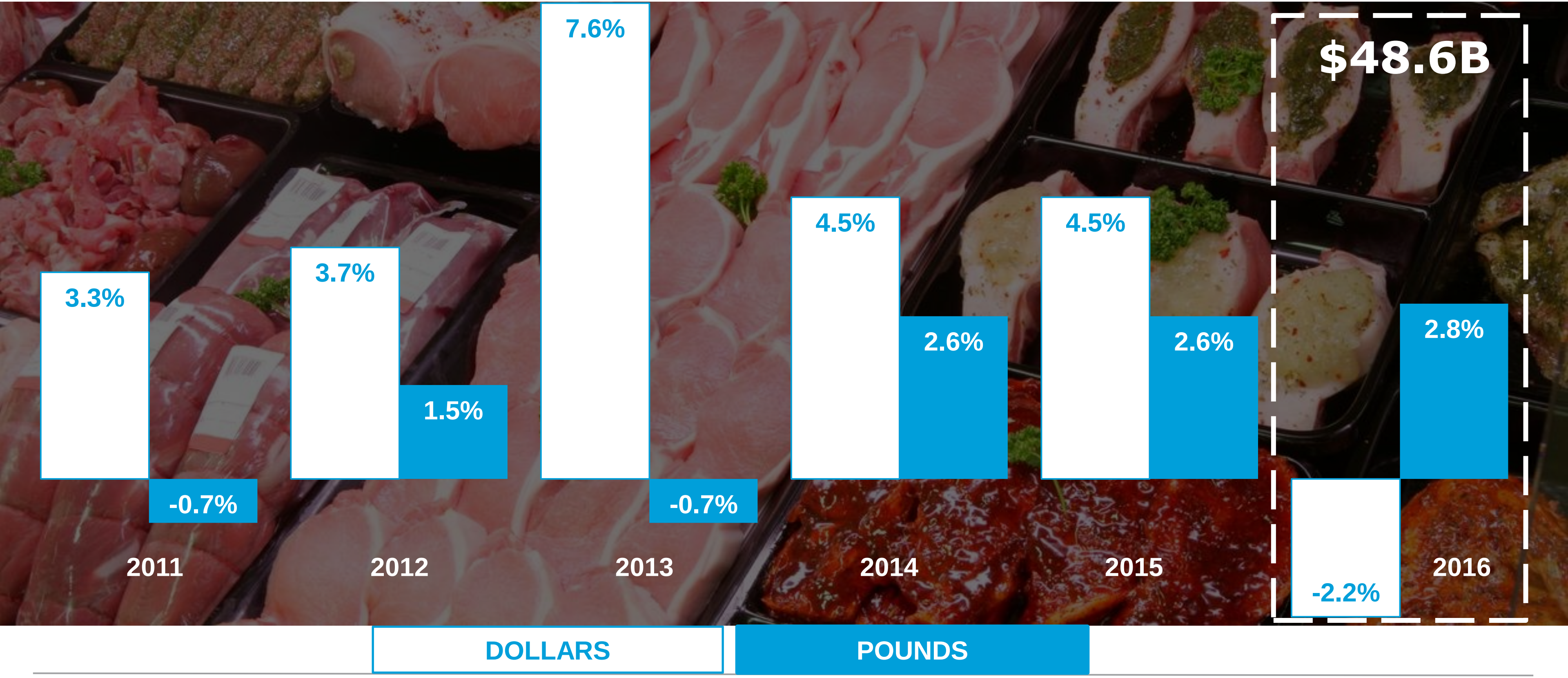
Perimeter outpacing other F&B departments



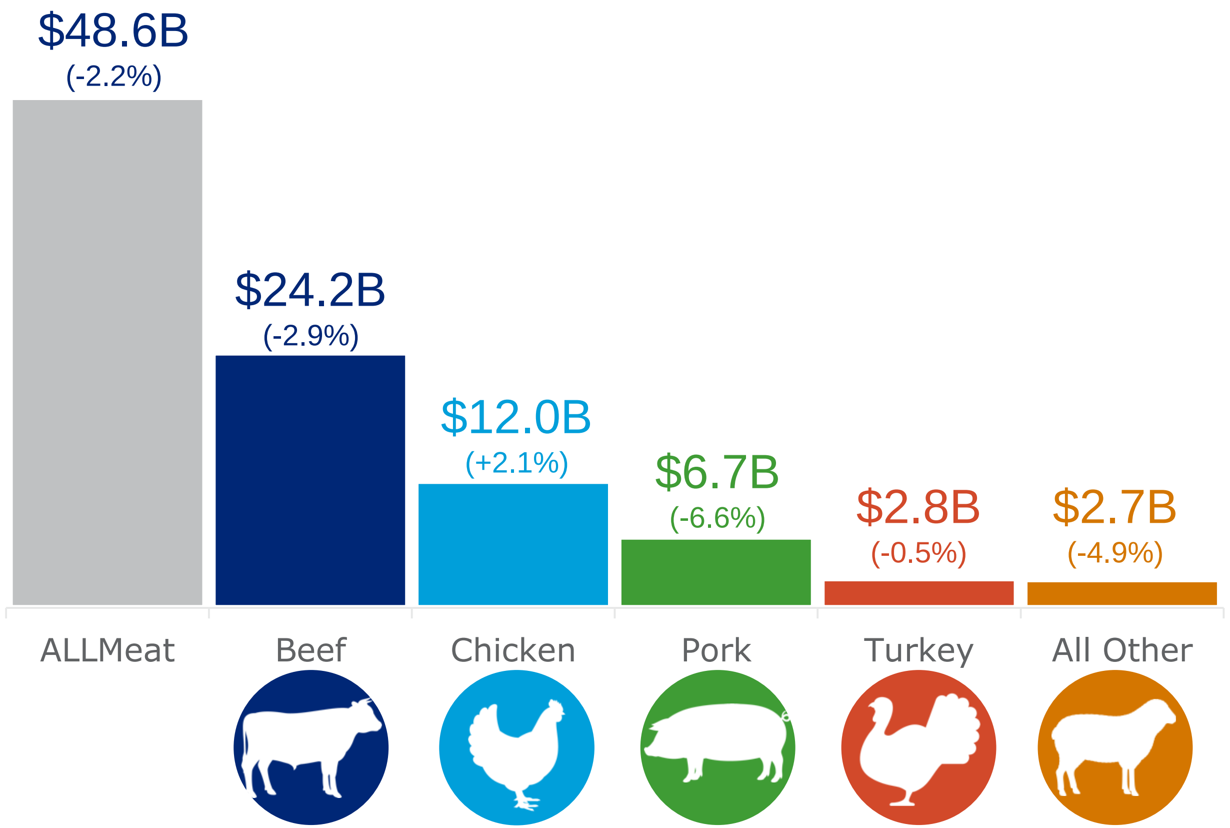
2016 Total Perimeter Sales $143B (+1.8%)



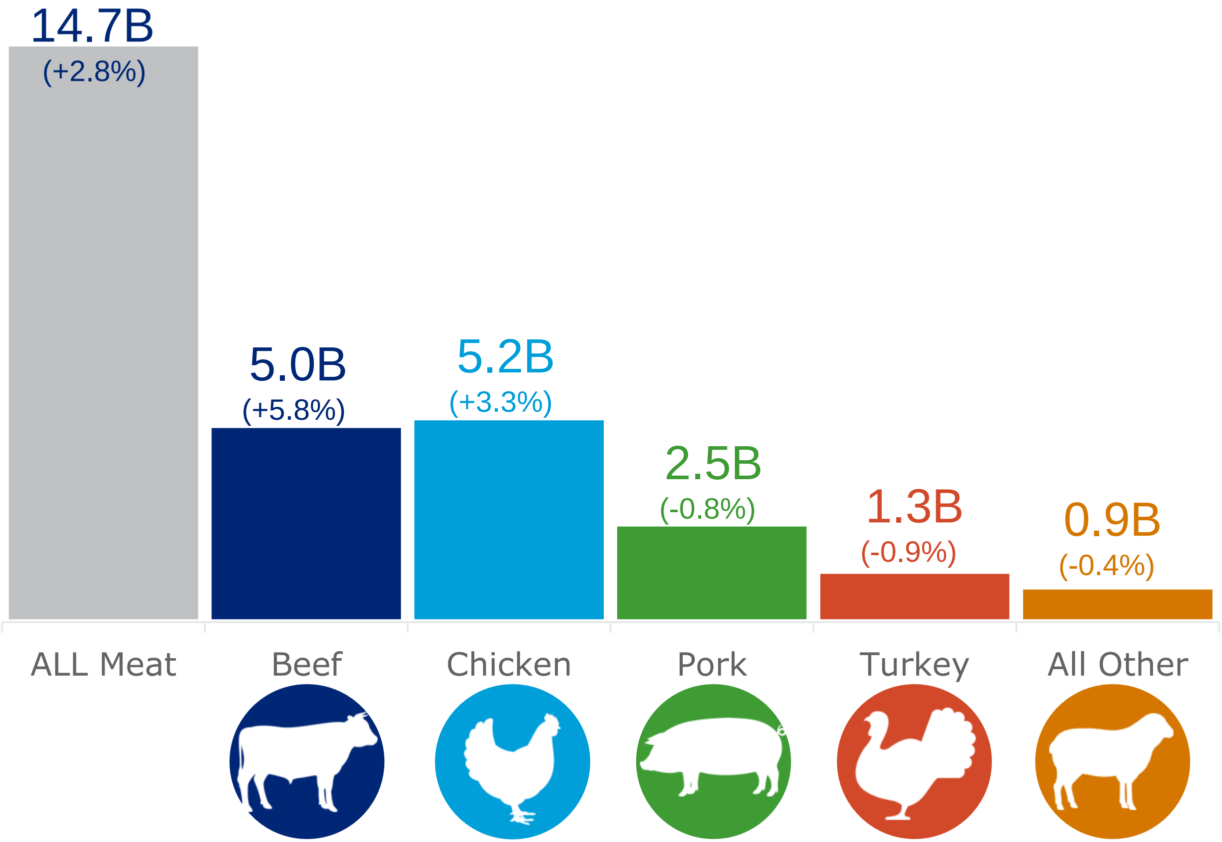
2016 Fresh Meat performance withstood significant price pressure



Fresh Meat Dollar Sales



Fresh Meat Pound Sales



Meat industry leveraging multitude of claims

Global Concern & Broad Awareness

Chain restaurants with Organic/ABF options

In response to:

- Growing interest in holistic health
- More sources of consumer education
- Broad trends toward transparency, cleaner labels, and healthier/BFY eating behaviors

ABF’s share of Chicken is reaching critical mass

Total 2016 ABF Dollar Sales (6.7% share, 23% 3 yr CAGR)

BEEF
3.7%
ABF share of protein
16%
3 yr CAGR
$909M

CHICKEN
15.2%
ABF share of protein
28%
3 yr CAGR
$1.8B

PORK
3.5%
ABF share of protein
22%
3 yr CAGR
$284M

TURKEY
6.1%
ABF share of protein
10%
3 yr CAGR
$170M

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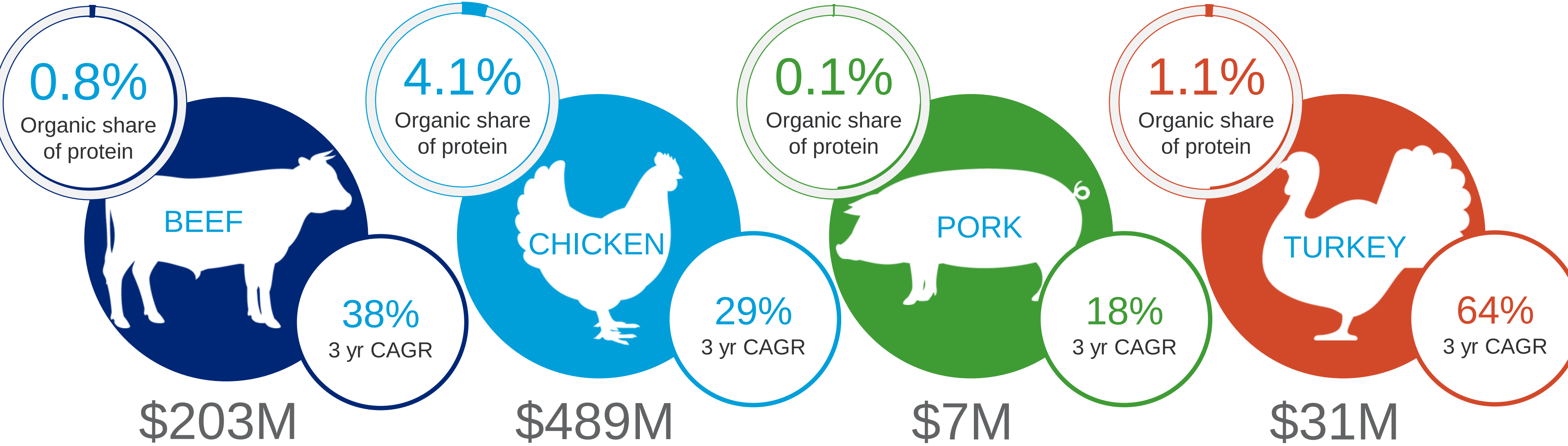
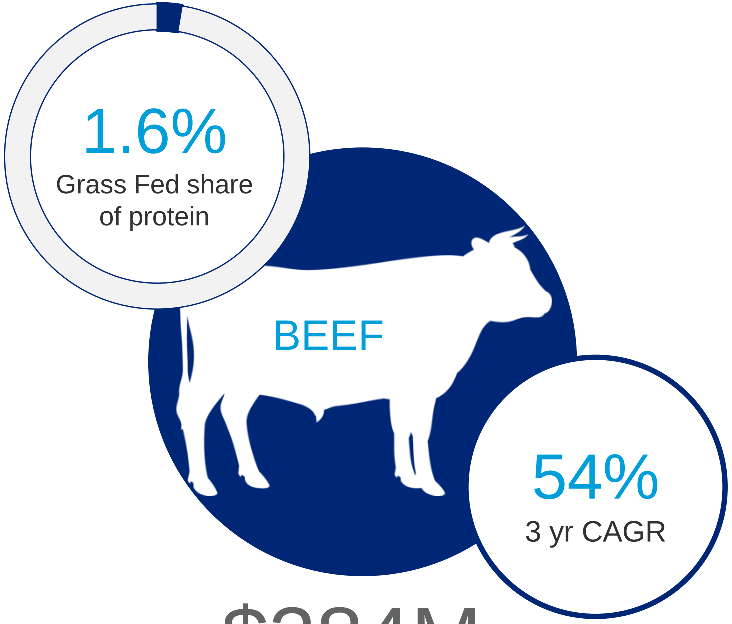
Accelerated growth for Organic with less headroom

Total 2016 Organic Dollar Sales (1.5% share, 32% 3 yr CAGR)



Rapid expansion for Grass Fed off small base

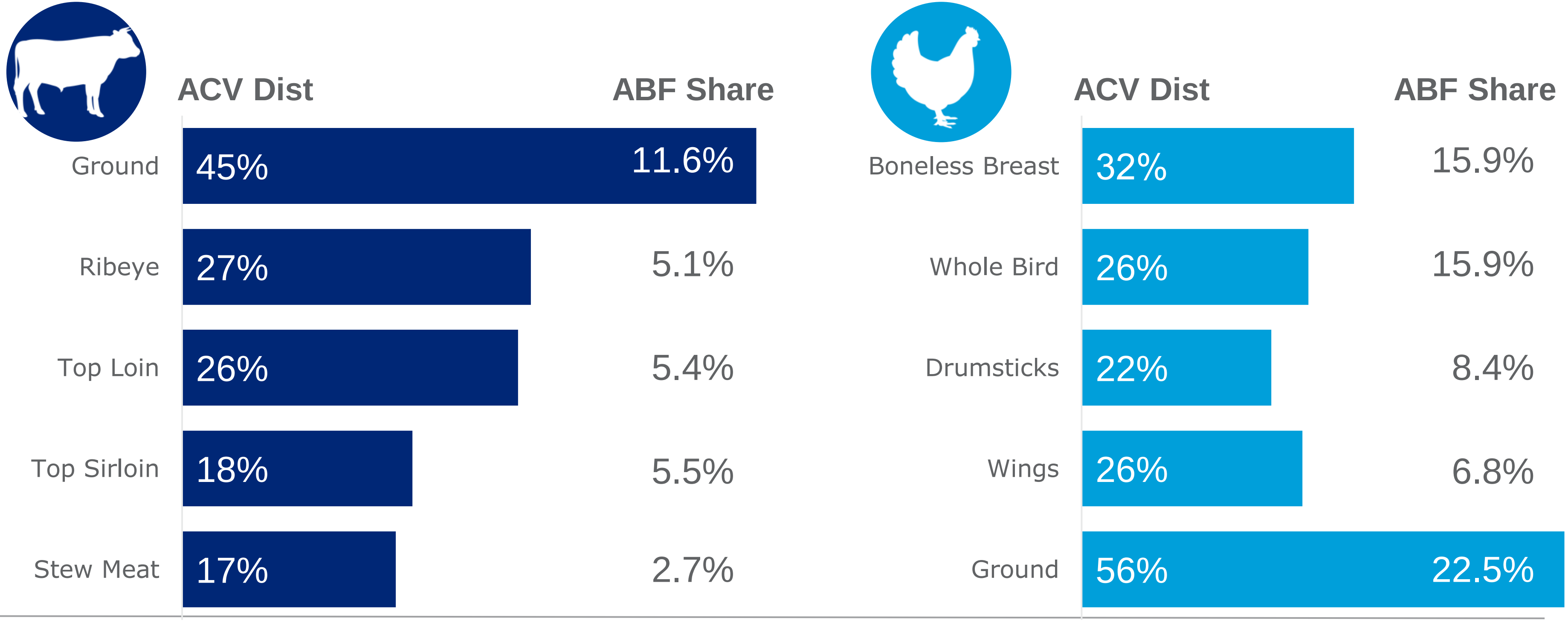


$384M

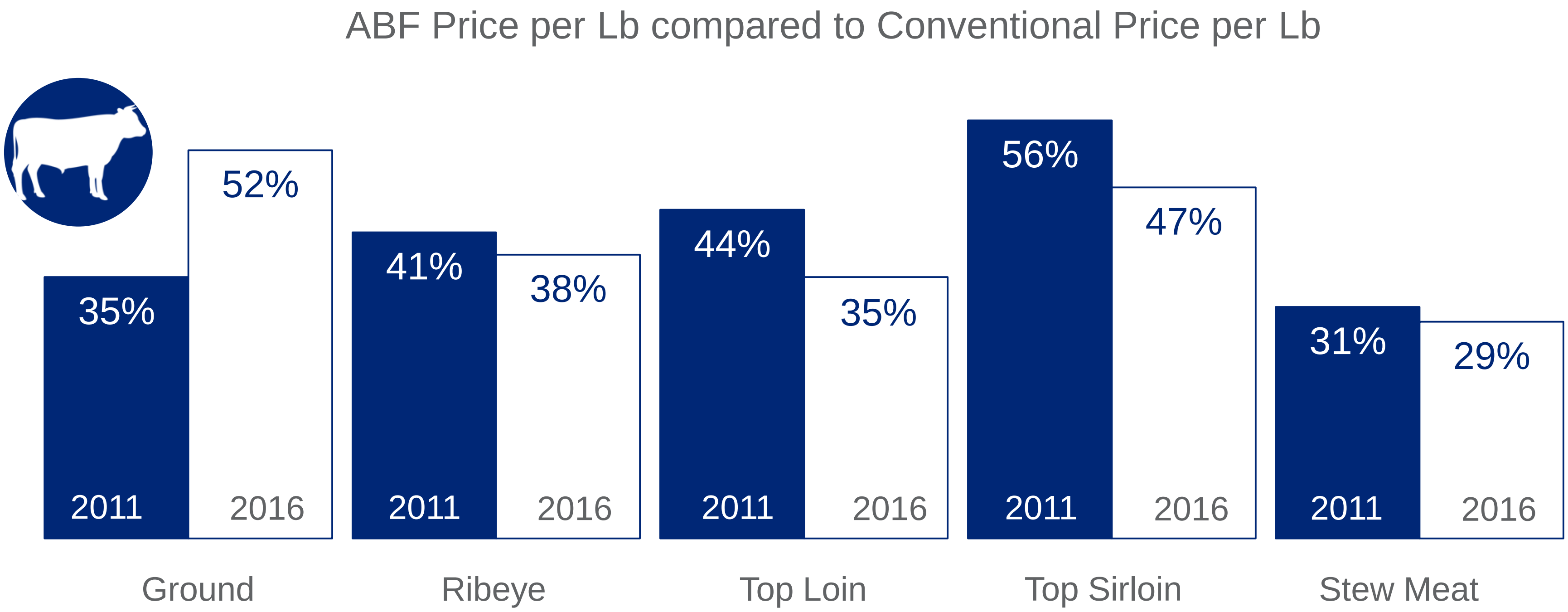
Total 2016 dollar sales

Significant ABF distribution depth opportunity remains

2016 ACV Distribution and Share Top ABF Cuts Ranked by Dollar Sales

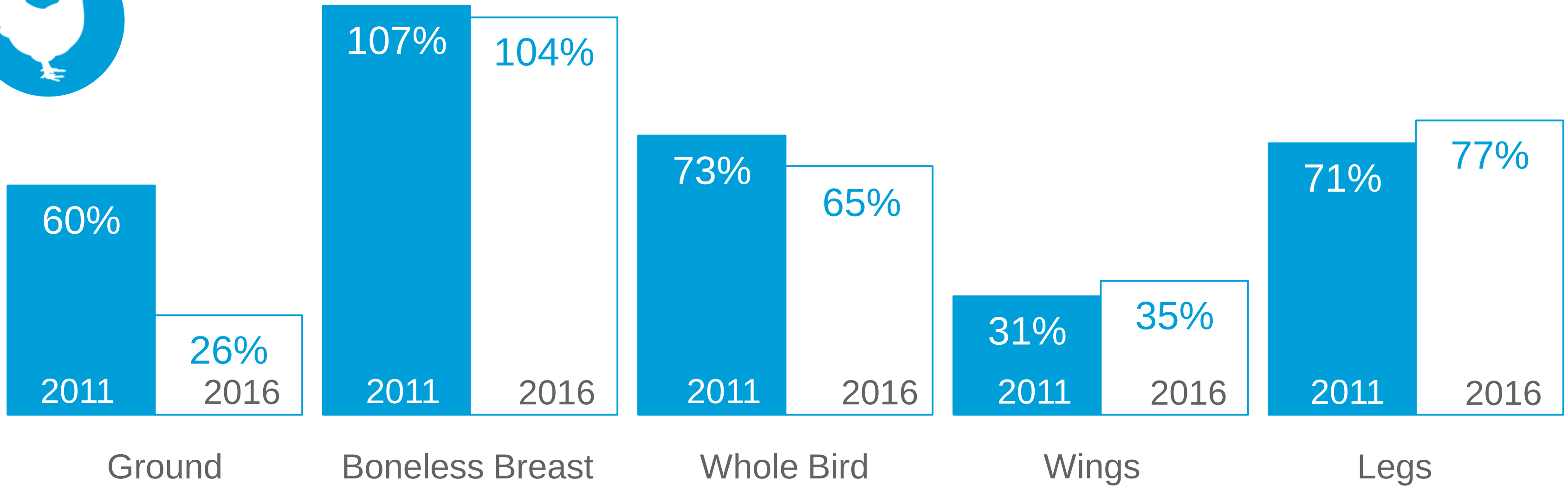


Price premium top Beef cuts ABF to Conv. largely unchanged



Price premium for most Chicken cuts also unchanged

ABF Price per Lb compared to Conventional Price per Lb



Developed ABF has coastal roots, but gaining across markets

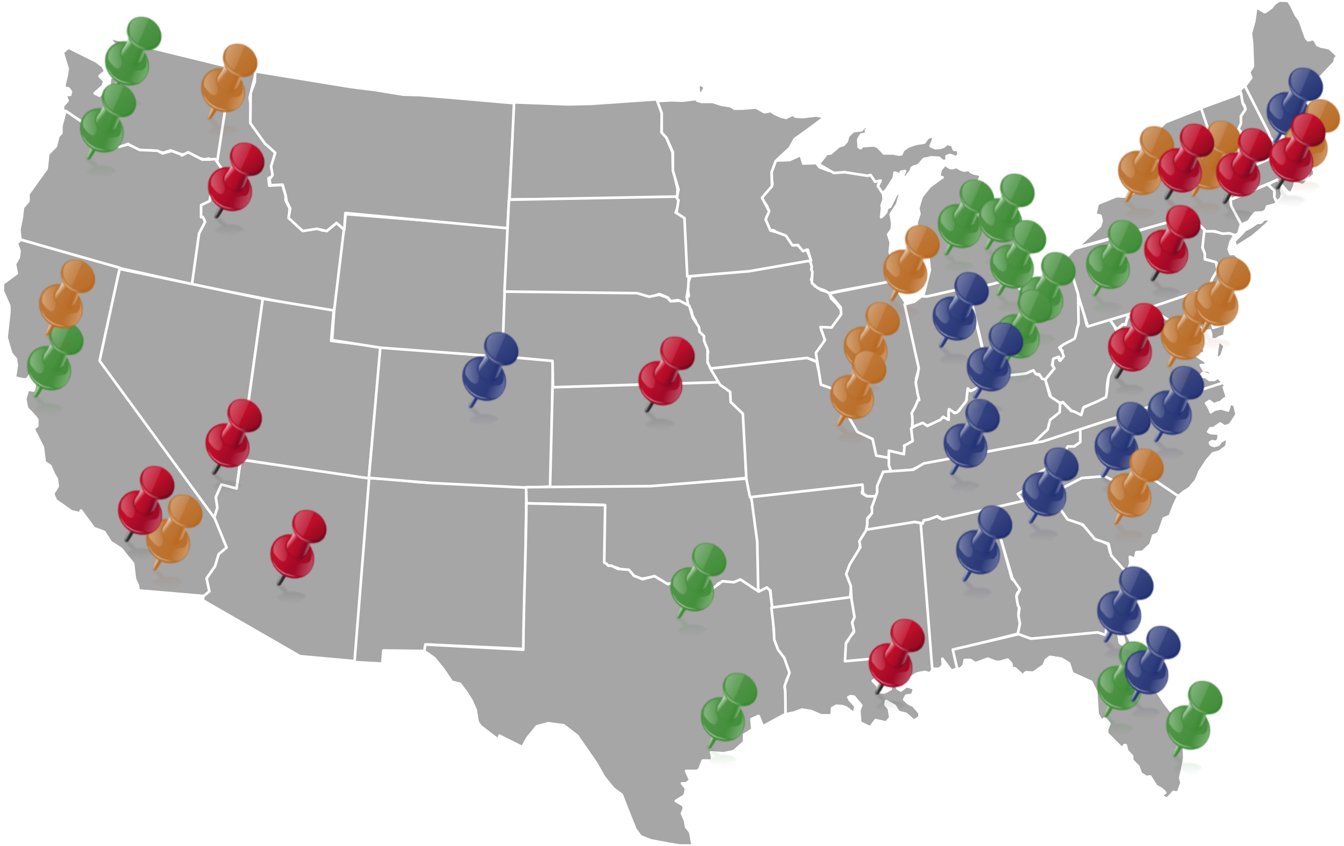
IRI Market
ABF Dollar Share
Quartiles

9% - 14%

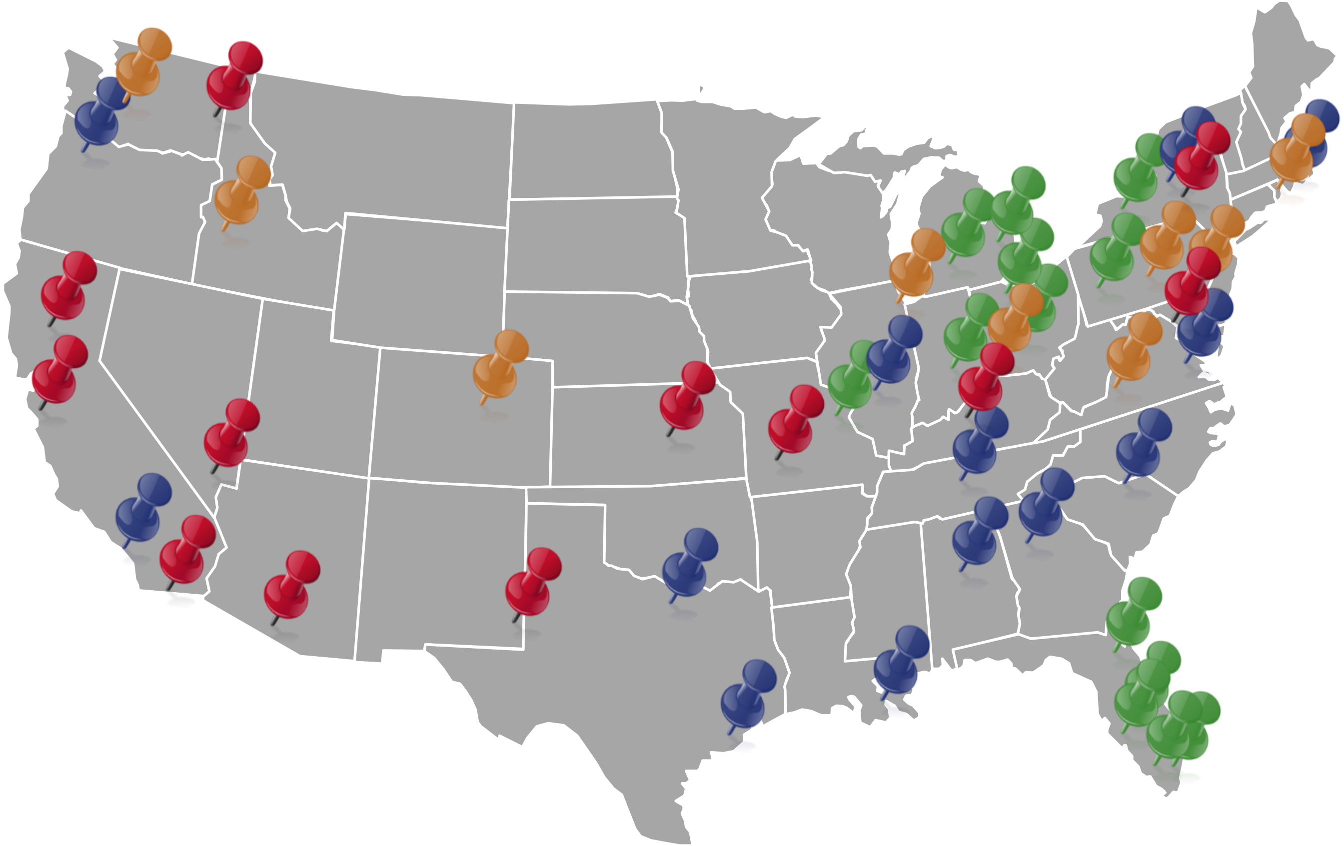
6.8% - 8.9%

5.7% - 6.7%

0% - 5.6%



High ABF share growth markets becoming more distributed



IRI Market
ABF Dollar Share
Growth Quartiles

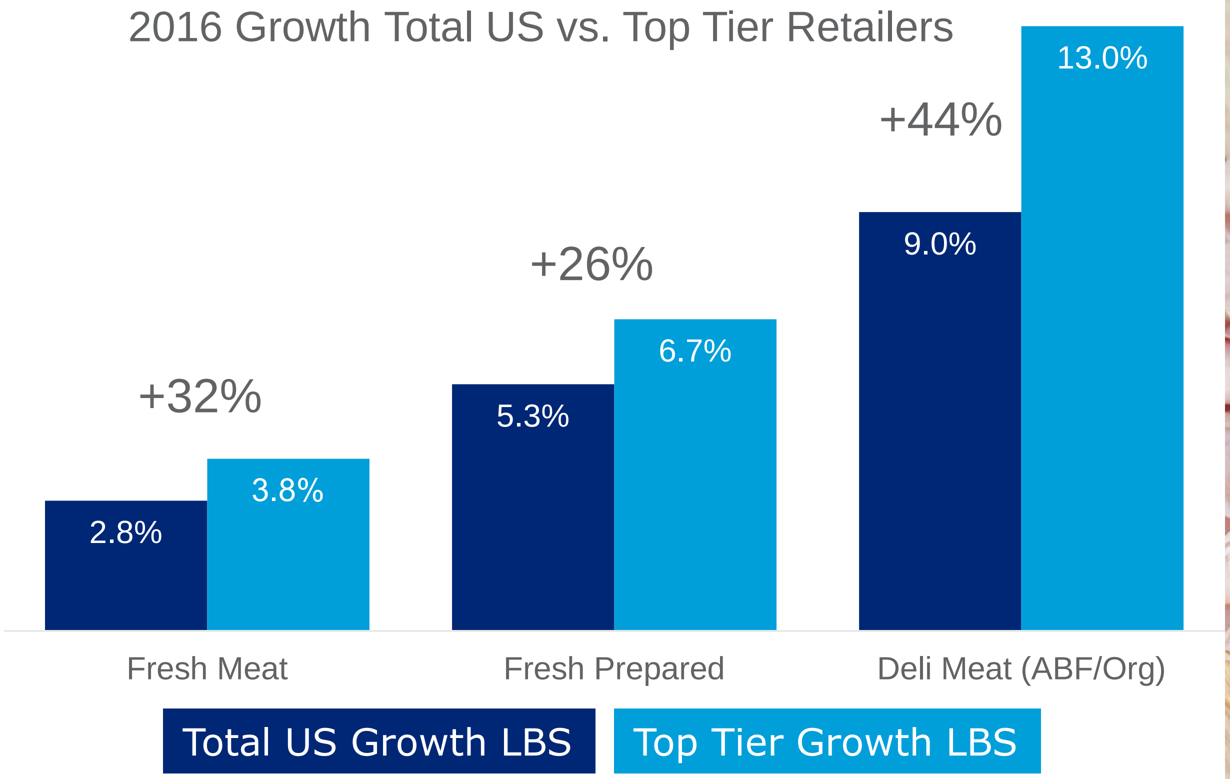
1.5 – 2.1
0.8 – 1.4
0.4 – 0.7
-2.5 – 0.4

Top ABF/Organic retailers grow Fresh Meat faster

Top 20% of ABF/Organic Retailer RMAs grew pounds 32% faster across Total Fresh Meat

3.6% pound growth vs 2.8% Total 2016 US growth

Top 20% ABF/Organic retailers also grow perimeter categories significantly faster



What does this mean at a consumer level?

Consumers are regularly buying organic and a large portion buy ABF

F&B TOTAL ORGANIC CLAIMS

82.5%
HH Buying

16.1
trips/buyer

$126.05
Per buyer

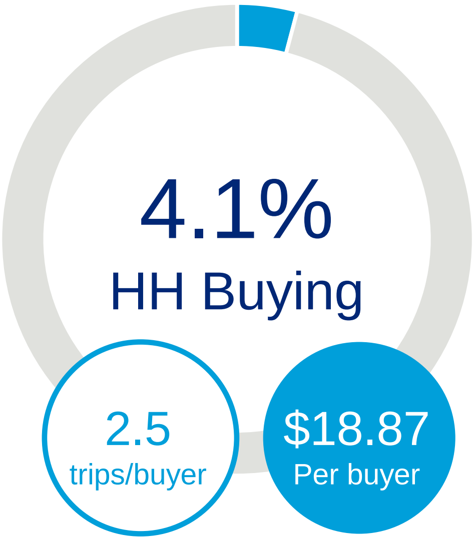
F&B NO ANTIBIOTIC

47.2%
HH Buying

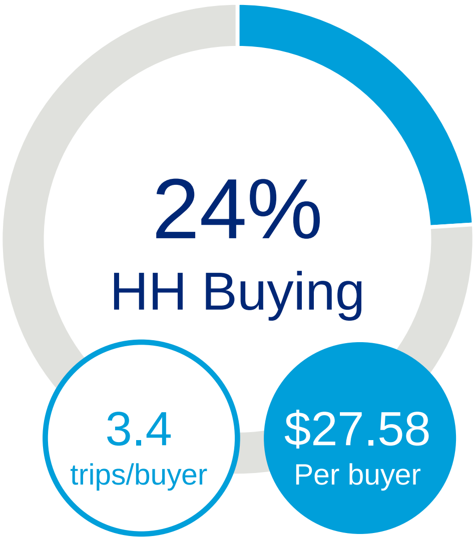
6.5
trips/buyer

$46.81
Per buyer

When Organic and No-Antibiotic Meat/Poultry are bought, basket rings are dramatically higher



FZ/REFRIGERATED
ORGANIC CLAIMS



FZ/REFRIGERATED
NO ANTIBIOTICS CLAIMS




IRI and SPINS identified seven unique groups of US consumers

Proud of Buying Natural/Organic Products

11% True Believers

10% Strapped Seekers

9% Enlightened Environmentalists

14% Healthy Realists

Fears They Won't Like Natural/Organic Products

23% Indifferent Traditionalists

18% Struggling Switchers

15% Resistant Non-Believers

Source: Nutrilink Segmentation

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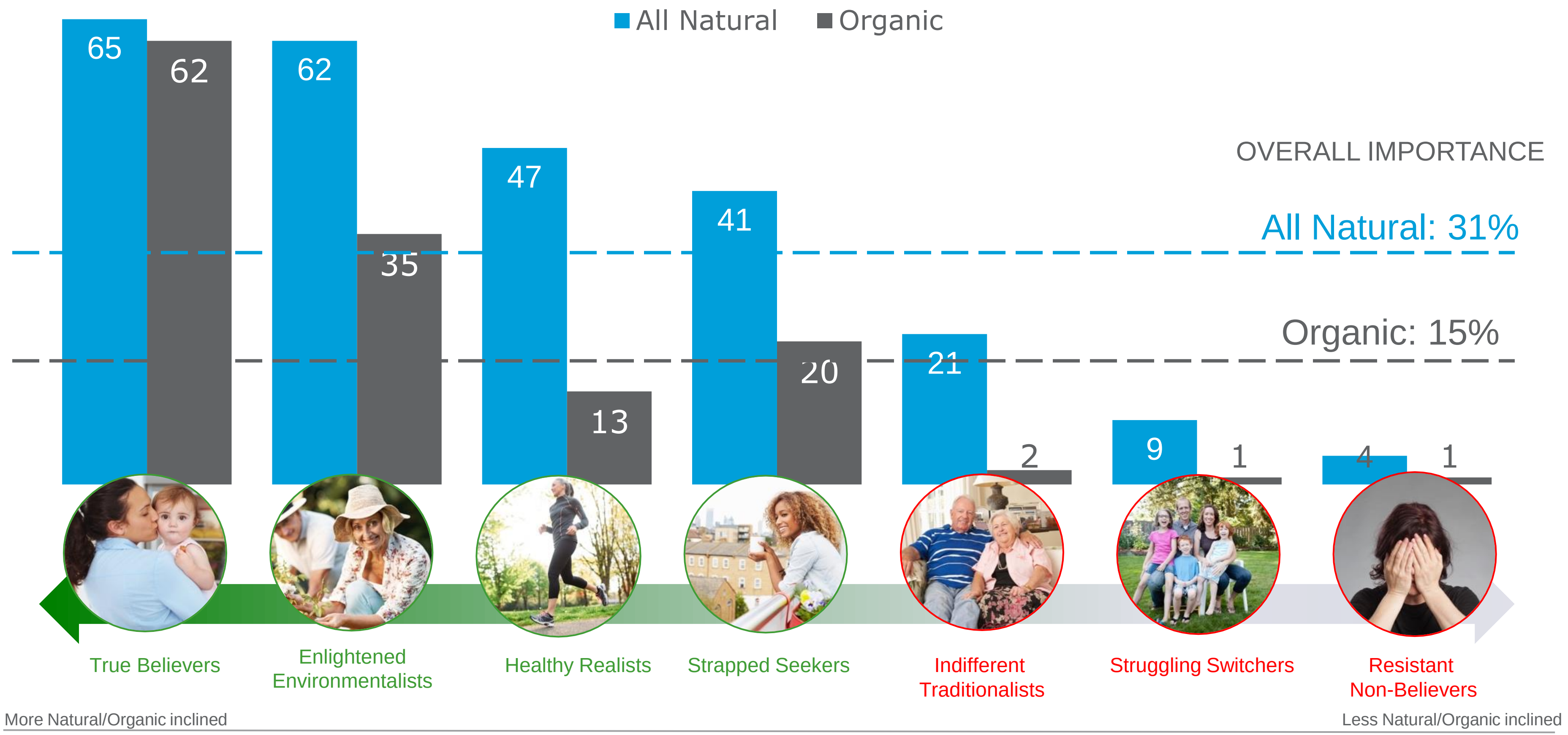
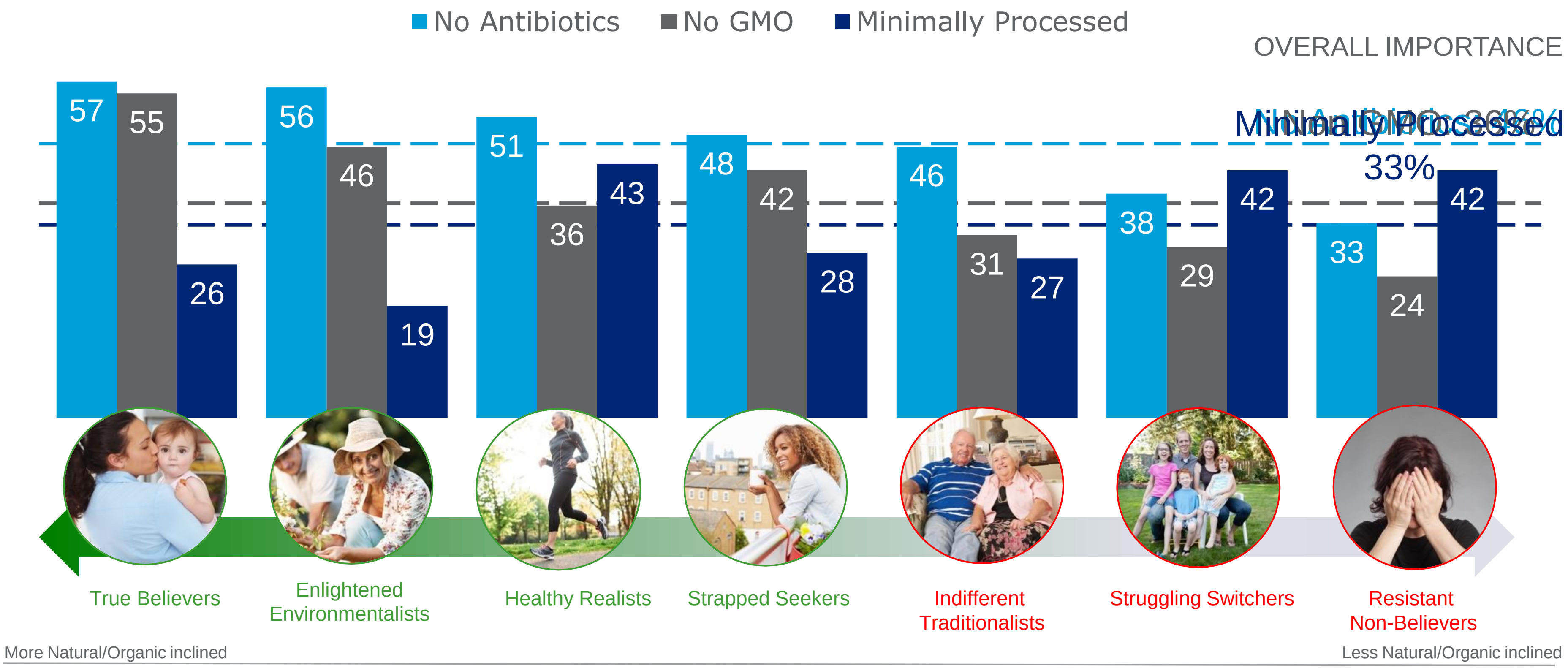
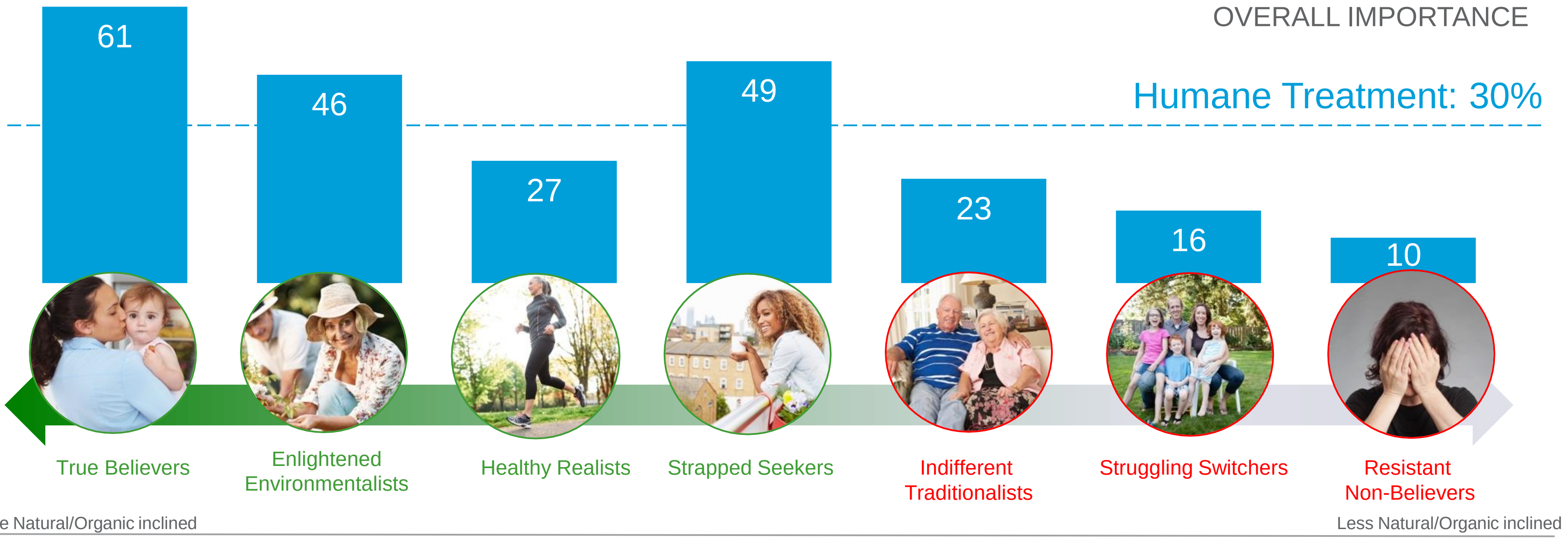
Consumer sentiment regarding All-Natural and Organic is highly polarizing



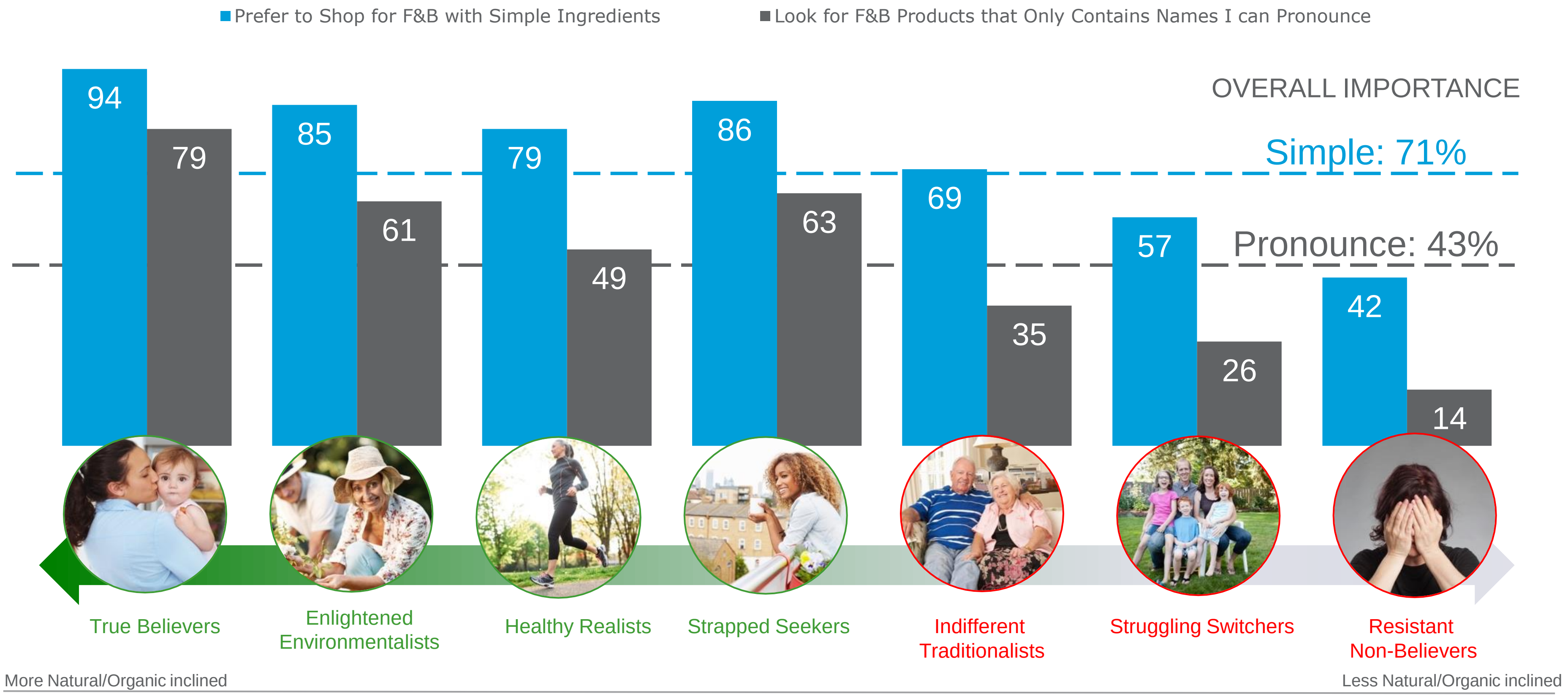
And, similar sentiment is seen with ABF, Non-GMO and Minimally Processed



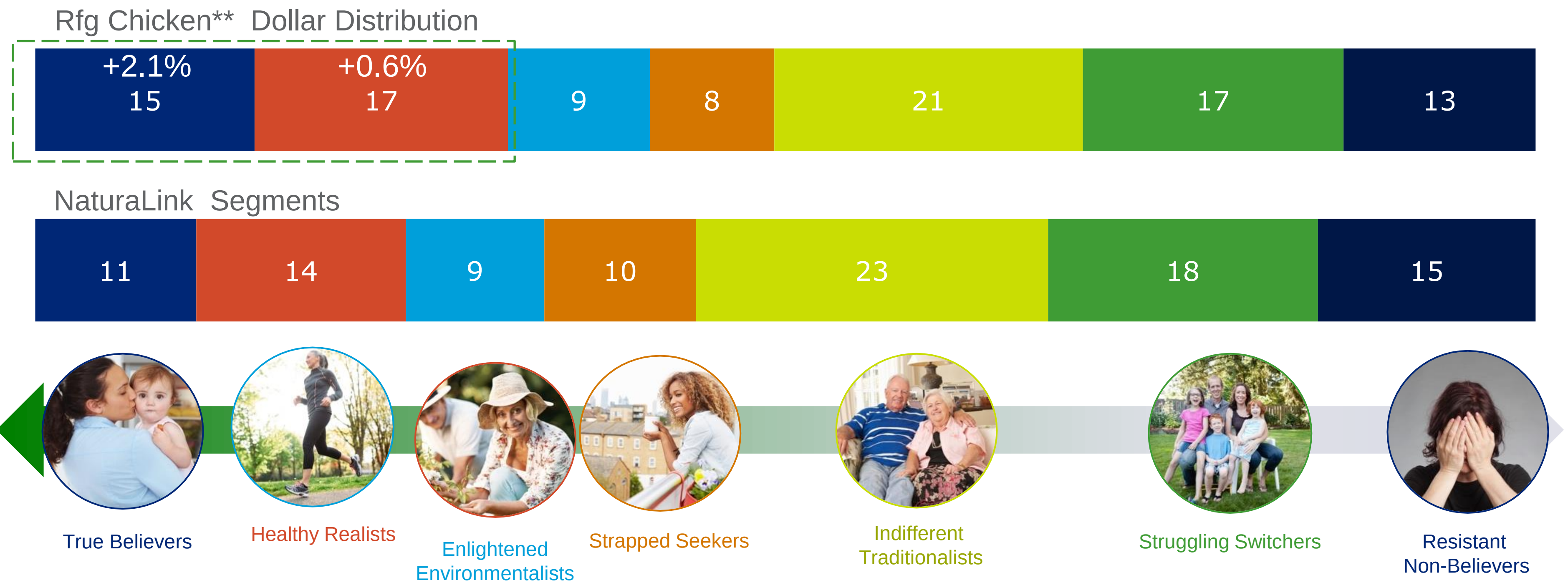
Segment members who are more environmentally concerned are pre-disposed toward buying from companies that practice humane treatment of animals



And, there's a special connection for many segments to buy products which are cleanly labelled



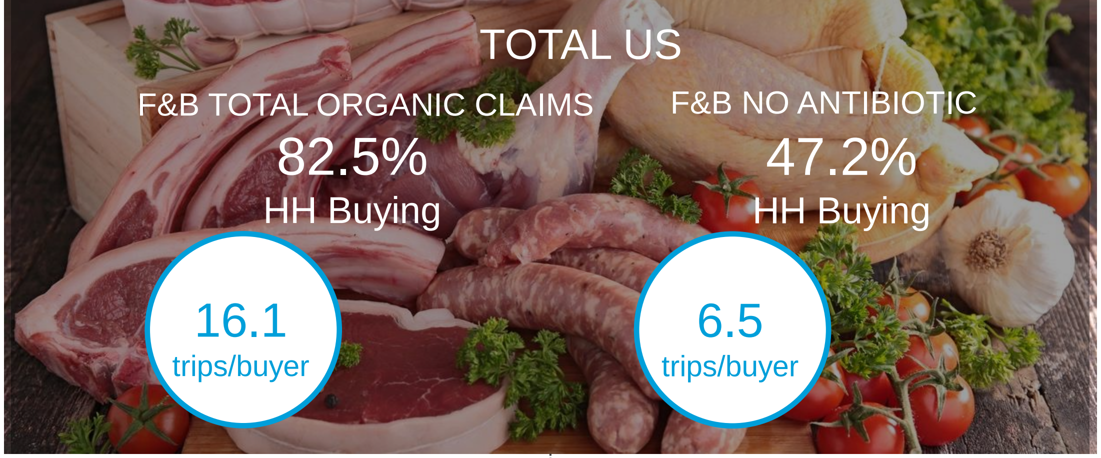
The True Believers and Healthy Realists represent 25% of the population and a third of purchasing of random and fixed weight chicken.



**Fixed Weight Only*
***Fixed and Random Weight*

52 Wks Ending 12/25/16; Total US All Outlet

Healthy Realists



True Believers

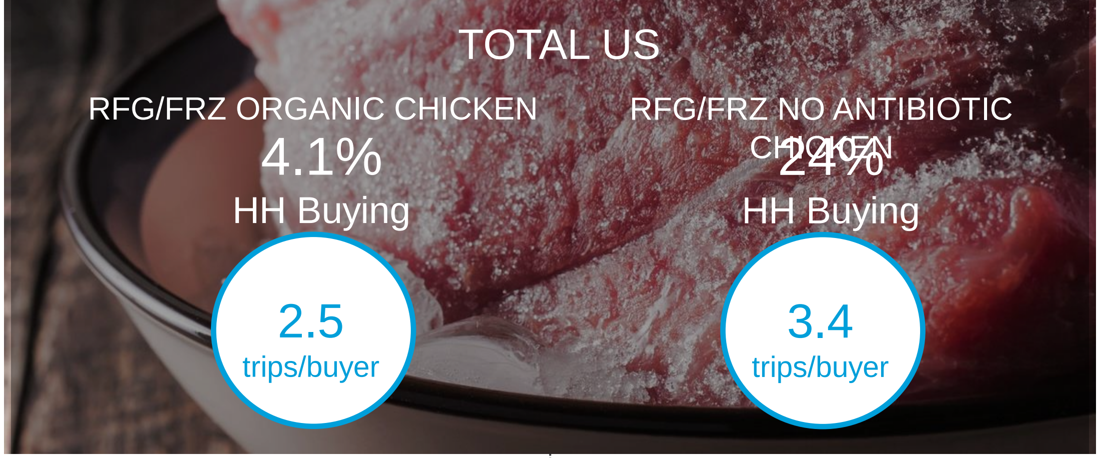
Healthy Realists

F&B TOTAL ORGANIC CLAIMS	F&B NO ANTIBIOTIC
90.3% HH Buying	55.2% HH Buying
18.9 trips/buyer	7.6 trips/buyer

True Believers

F&B TOTAL ORGANIC CLAIMS	F&B NO ANTIBIOTIC
96.8% HH Buying	70.9% HH Buying
38 trips/buyer	12.3 trips/buyer

Healthy Realists

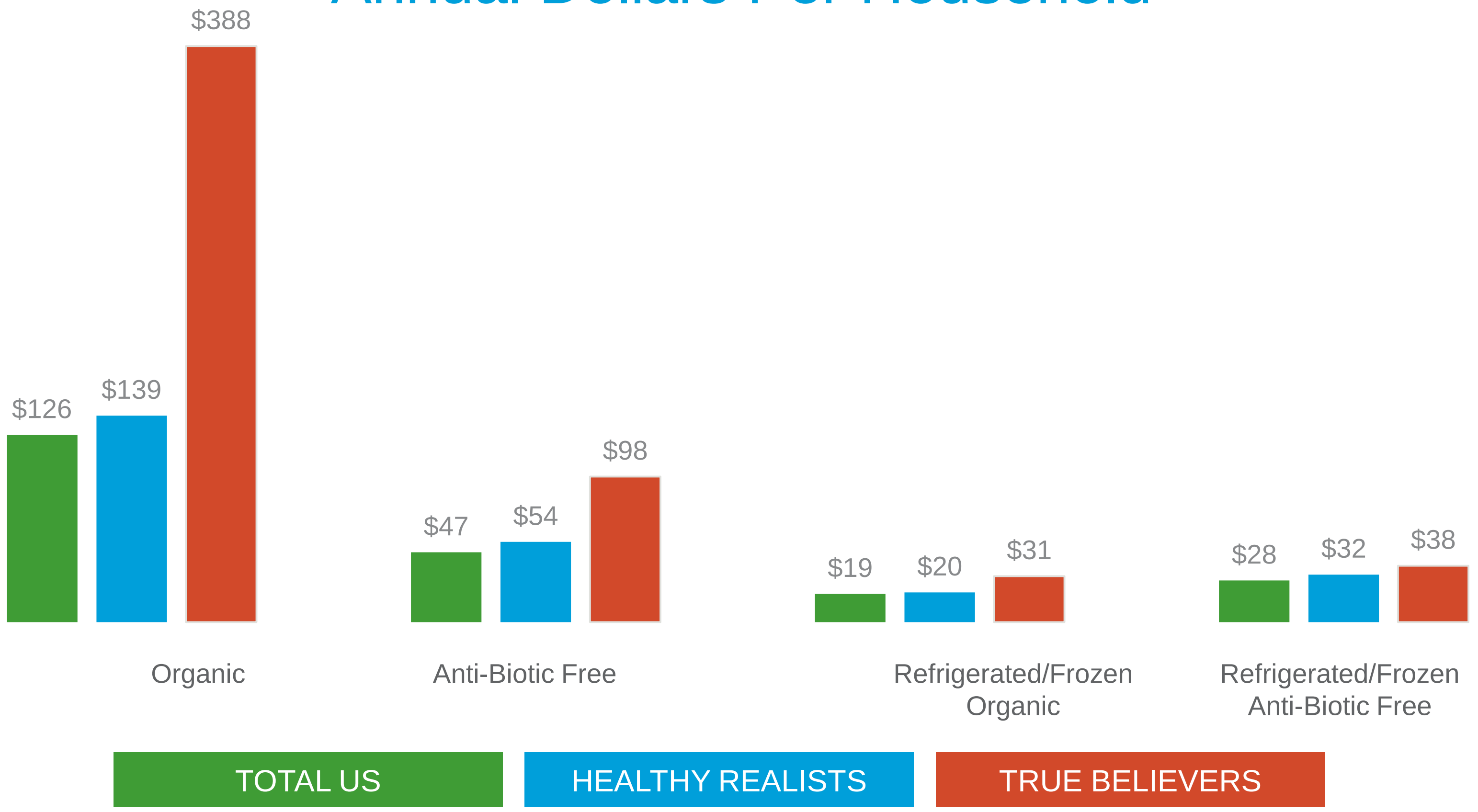


True Believers

F&B TOTAL ORGANIC CLAIMS	F&B NO ANTIBIOTIC	F&B TOTAL ORGANIC CLAIMS	F&B NO ANTIBIOTIC
5.1% HH Buying	29% HH Buying	11.6% HH Buying	32.1% HH Buying
2.5 trips/buyer	3.9 trips/buyer	3.4 trips/buyer	4.2 trips/buyer

IRi

Annual Dollars Per Household



Meet the Healthy Realists

Healthy Realists

14%

MY MEDIAN INCOME IS
$70K
(SKEWS $100K+)

MY AVG. AGE ***39***

MY FAMILY

I ATTENDED ***College+***

75% Caucasian

I LIVE ***Throughout U.S.***

I am passionate about…

Being healthy and fit. I make **exercise a priority**. I also love **trying new things**. Usually I'm the first one of my friends to try something new - and I'm **open to buying Natural/Organic/Eco-Friendly products when I see them in the stores** - but sometimes I have a **hard time deciding whether to buy them** or the conventional products. The truth is, I'm **more concerned about buying them for my kids** than for me. When it comes right down to it, if I know **they'll taste good**/work, **I'm willing to buy them**.

Healthy Realists

14%

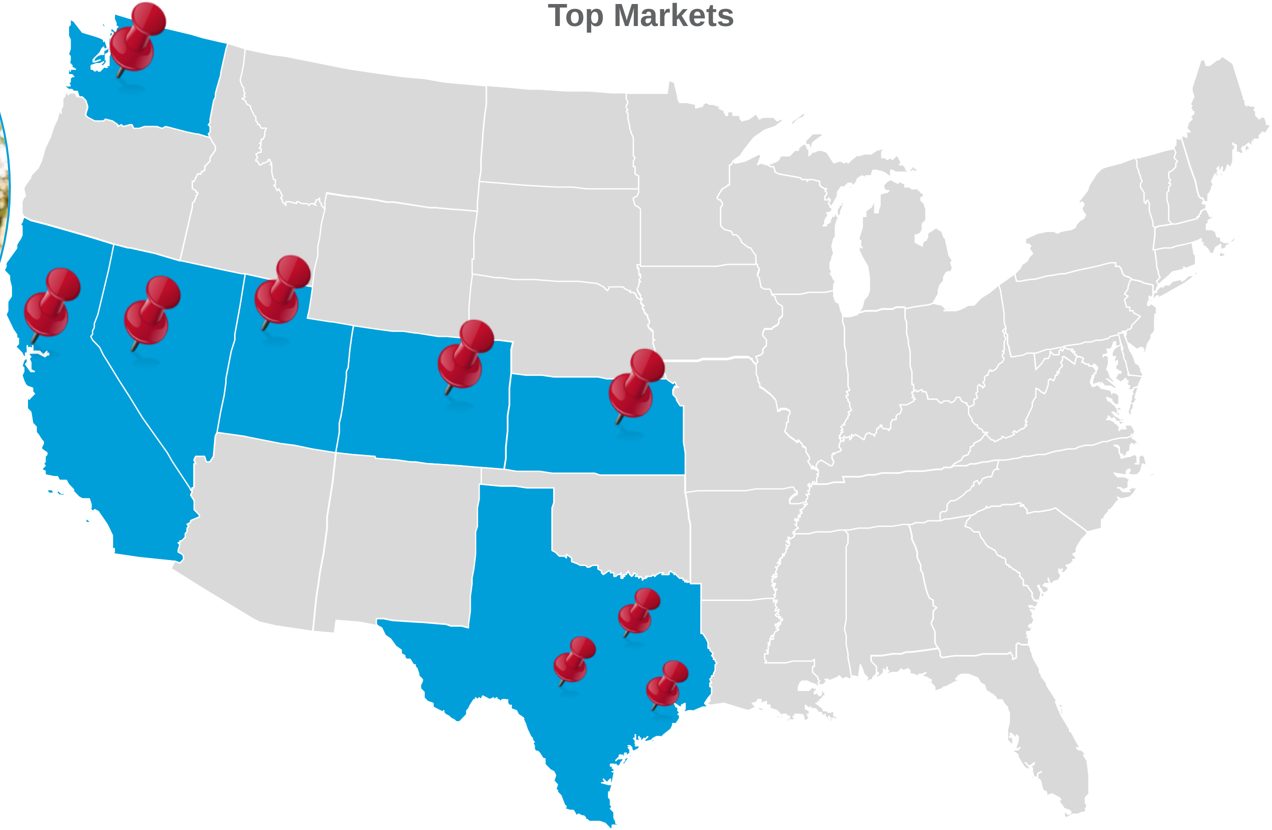
THESE ARE ***My Top 3 Priorities For…***

Food & Beverage	Personal Care	Home Care
Best taste	Most effective ingredients	Most effective
Made w/all natural ingredients	Is on sale/coupon	Is on sale/coupon
Is on sale/coupon	Not tested on animals	Multi-purpose

Healthy Realists

Start activating where they live

Top Markets

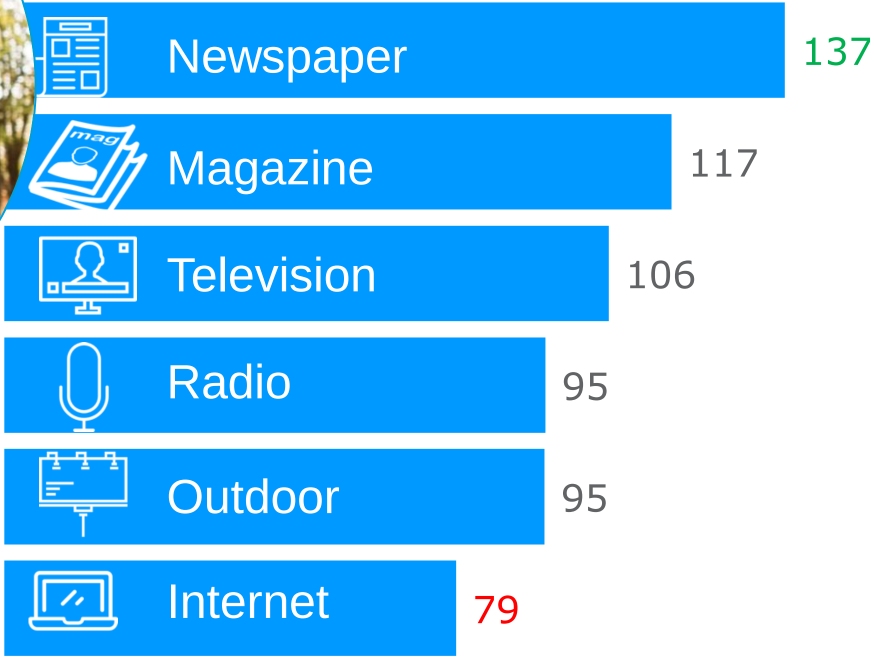


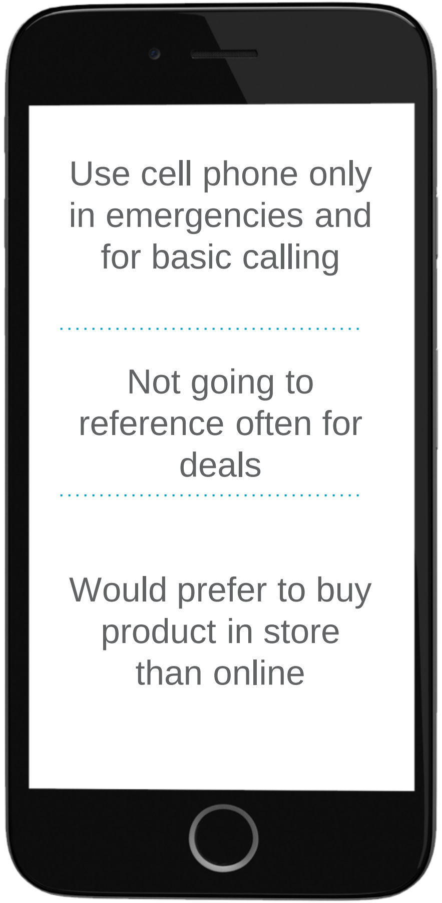
Target Definition:
Experian Mosaic Segments where MillenialLink Segment HH Penetration 120+

ShopperSights 6.4 TV Markets

Activation Planning Reach

Healthy Realists





NaturaLink; ShopperSights Chain Store Guide Q1 2016 Release: 04-04-16
Food-Drug-Club-Mass-Dollar Retailers

Cut-Off Values Target ACV $300MM+, Measure Target Pen Index – 120+

Leisure Activities

Healthy Realists

Sports Participation/Interest

Healthy Realists

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Start activating in media they consume

Healthy Realists

Preferred Websites

IRi

Start activating in media they consume

Healthy Realists

Preferred TV Networks

Start activating in media they consume

Healthy Realists

Preferred Magazines

Find me shopping at these stores

Healthy Realists

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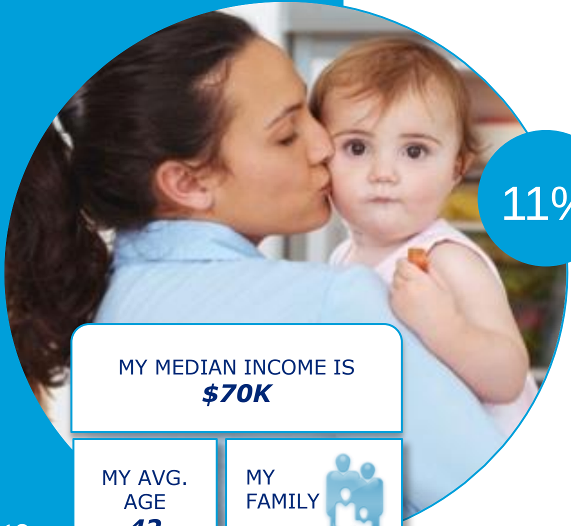
Meet the True Believers

True Believers



11%

MY MEDIAN INCOME IS
$70K

MY AVG. AGE
42

MY FAMILY

I ATTENDED ***College /Post Grad***

75% Caucasian

I LIVE ***West skew***

I am passionate about…

Staying fit and healthy, trying new things and being a great role model for my kids. I am a **true believer in the benefits of Natural/Organic products**, and I make a **real effort to be knowledgeable** about them. Sustainability is very important to me, and I take **pride in choosing Natural/Organic** products.

True Believers

11%

THESE ARE ***My Top 3 Priorities For…***

Food & Beverage	Personal Care	Home Care
Made w/all natural ingredients	Free of chemicals	Most effective
Made w/organic ingredients	Made w/all natural ingredients	Eco-friendly
Best taste	Most effective ingredients	Made w/all natural ingredients

THESE ARE ***Important & I'm willing to pay more for***

Food & Beverage	Personal Care	Home Care
Organic	Organic	Eco-Friendly
Non-GMO	All Natural	All Natural
All Natural	Eco-Friendly	Organic
Eco-Friendly		
Fair Trade		

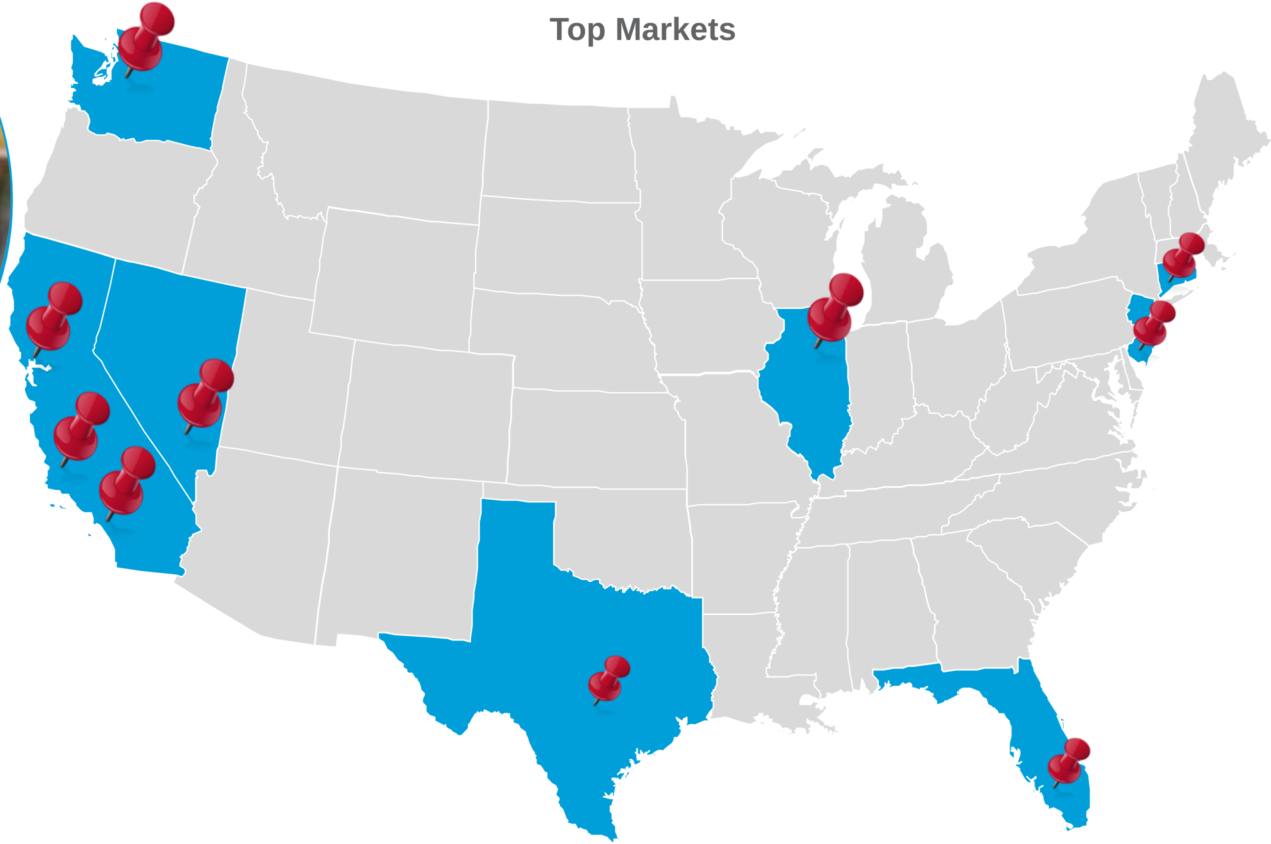
WHAT ***Holds Me Back***

- Expense of natural/organic products
- Availability of natural/organic options at local store
- Not all-natural/organic options available for products I like

True Believers

Start activating where they live

Top Markets



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Activation Planning Reach

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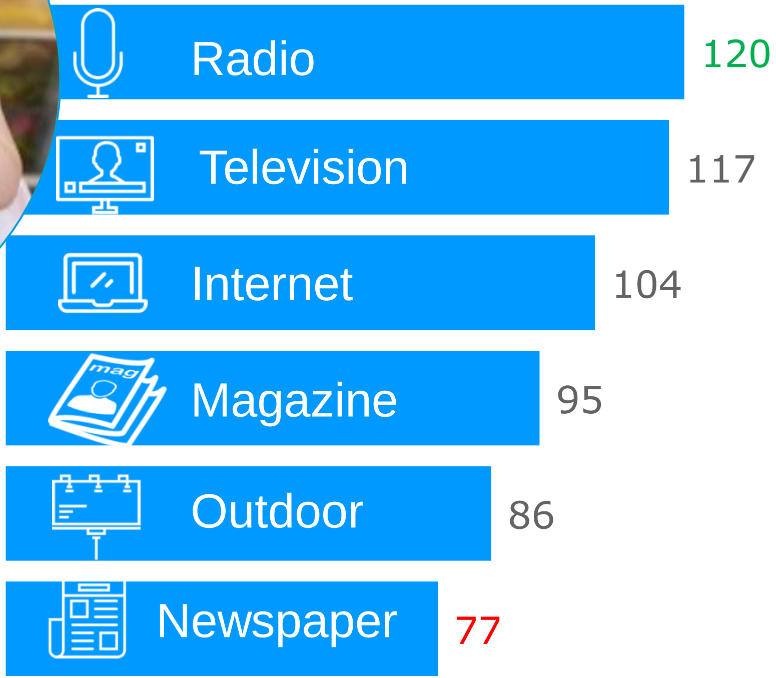

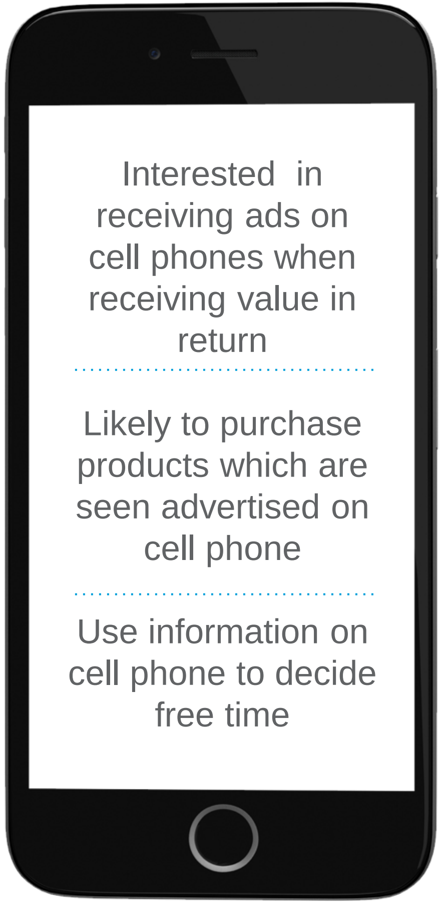

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True Believers

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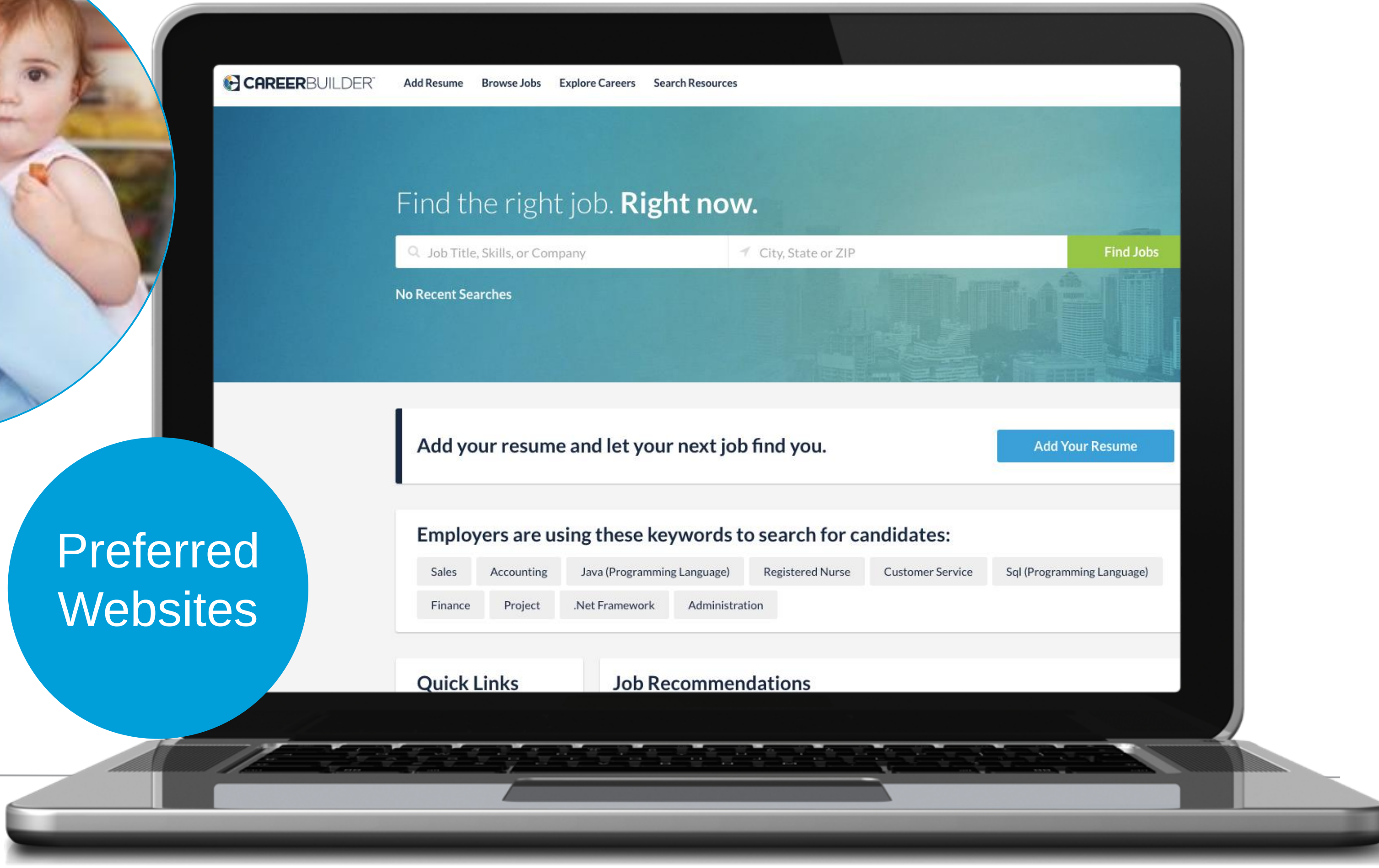
Start activating in media they consume

True Believers

Preferred Websites



Healthy Realists

Start activating in media they consume

Preferred TV Networks

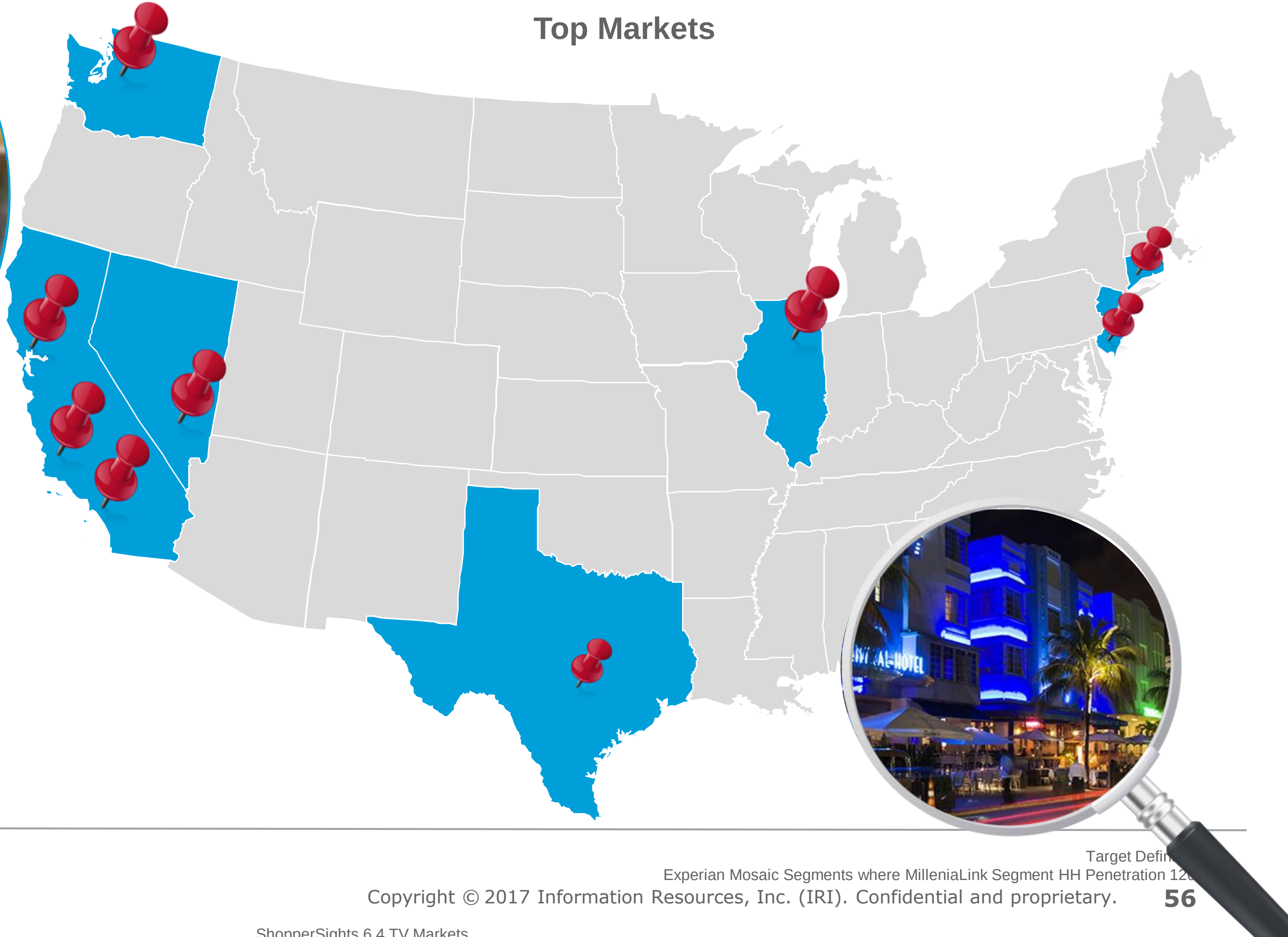
Start activating in media they consume

Healthy Realists

Preferred Magazines

True Believers

Start activating where they live



Target Defin
Experian Mosaic Segments where MilleniaLink Segment HH Penetration 12

ShopperSights 6.4 TV Markets

Find me shopping at these stores

True Believers

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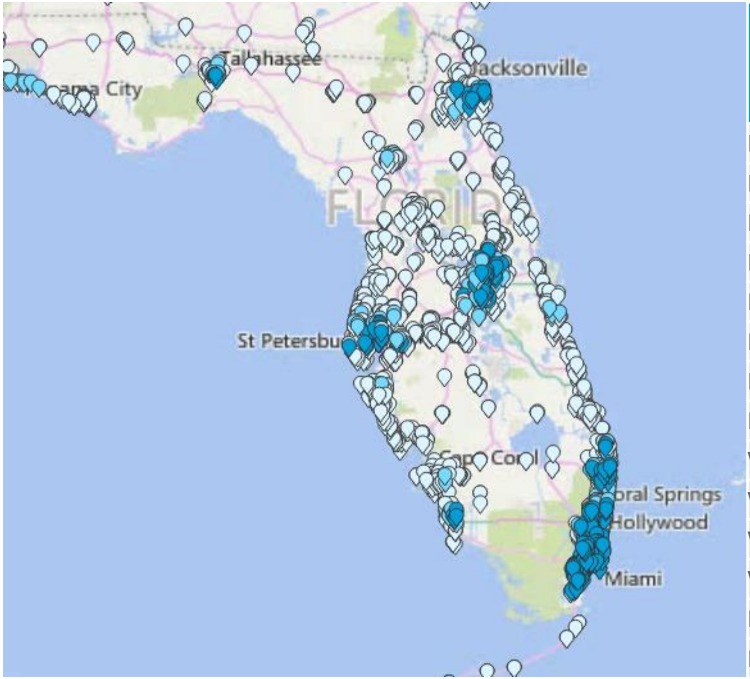
PERSONALIZATION

It’s not about perfect distribution, it’s about being distributed perfectly

Florida True Believers Store Prioritization Map (Prioritization)



Venue	Total Estimated ACV (MM)	Target ACV (MM)	Target % ACV	Target % ACV Index
PUBLIX 586 | HIALEAH, FL,	$22.81	$17.48	76.6%	812
PUBLIX SABOR 222 | MIAMI, FL	$26.36	$18.83	71.4%	757
PUBLIX 1288 | MIAMI, FL	$33.96	$23.97	70.6%	748
PUBLIX 343 | HIALEAH, FL	$25.31	$17.76	70.1%	743
PUBLIX SABOR 1386 | HIALEAH, FL	$34.92	$23.05	66.0%	699
PUBLIX 204 | MIAMI, FL	$26.89	$16.66	61.9%	656
PUBLIX 127 | MIAMI, FL	$14.58	$8.84	60.6%	642
PUBLIX 10 | MIAMI, FL	$36.58	$21.70	59.3%	628
WALMART SC 2814 | MIAMI LAKES, FL	$97.10	$57.31	59.0%	625
WINN-DIXIE 270 | HIALEAH, FL	$13.14	$7.69	58.5%	620
WINN-DIXIE 270 | HIALEAH, FL	$13.14	$7.69	58.5%	620
WALMART SC 5854 | MIAMI, FL	$66.87	$37.08	55.5%	587
PUBLIX 1108 | MIAMI, FL	$27.50	$14.83	53.9%	571
PUBLIX SABOR 1151 | MIAMI, FL	$27.32	$14.62	53.5%	567

Key Conclusions

Claims are a key growth catalyst for Fresh Meat

ABF Chicken reaching critical mass and expect other proteins to follow predictable growth pattern

Embracing health claims helping to drive performance at adoptive retailers across Meat and other fresh departments

Key Conclusions

Healthy Realists represent the next wave of opportunity, while continuing to capitalize and evangelize with True Believers

As Generation Z becomes more engrained as primary shoppers, emphasis on these key attributes will magnify in importance

Continue to promote key benefits of ABF, Organic and other relevant attributes to drive trips; significant basket rings will follow

Thank you!

Steve Ramsey & Larry Levin

IRi Growth delivered.