

Choices for Consumers



Differentiated Marketing for Sustainable
Profitability Conference

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Background

- Consumers worldwide are driving changes in animal agriculture.
- Rising consumer income, changing demographics and lifestyles, and shifting preferences due to new information about the links between diet and health all contribute to new demands for foods.



Top Canadian Foods Trends to 2020

Serecon Management Consulting Inc. July 2005

- 1. Aging Canadians*
- 2. An Evolving Society*
- 3. Changing Meal Patterns*
- 4. Shifting Expenditures*
- 5. Food for Health*
- 6. The Educated Consumer...Fads or Trends?*



Top Canadian Foods Trends to 2020

7. *The New Face of Canada*

8. *No Trade-off for Convenience*

9. *Veggies Anyone?*

10. *Organic Foods*

11. *Small Indulgences*

12. *Food Safety and Production Issues*

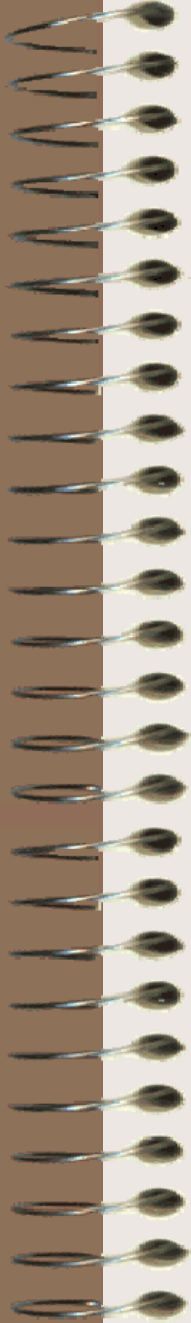


Differentiated product focus of consumers

Consumers have diverse preferences. Many consumers, particularly the more affluent, are demanding food attributes above and beyond food safety or quality standards.

These attributes include animal welfare, organic, social responsibility, environmental responsibility, free-range production, locally produced, and no use of antibiotics, synthetic growth hormones, animal by-products or genetically modified organisms.

Some of these differentiated production practices increase production costs relative to traditional commercial methods so cost/benefit ratios need to be evaluated.



Attributes that drive consumer demand for animal products:

- Safe
- Nutritious
- Taste good/Tender
- Provide variety in the diet
- Convenience
- Contribute to good health

Changes in retail food marketing are likely to lead to a more diverse market for animal products.

Growing populations and incomes in developing economies will increase demand for safe, wholesome and affordable animal protein products.

Developed economies with higher, but still rising incomes are expected to fuel demand for niche market products that are produced and marketed to deliver specific attributes for the consumer (Foundation for Anim. Agric. 2006).



“Competitiveness of the Alberta Cattle Industry”
Study – Informa Economics Aug 2006

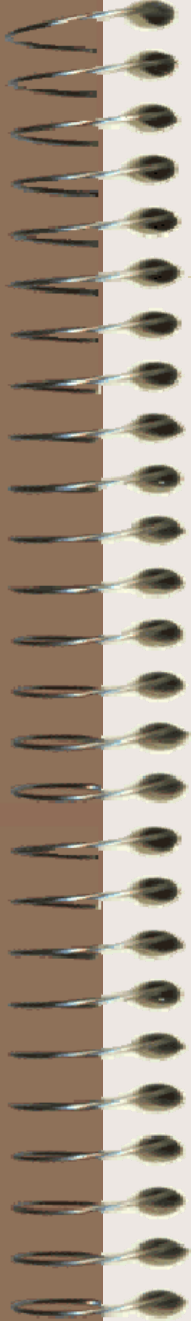
- Recommendations: Strategic Development
 - The Alberta cattle sector, needs to pick one or two strategic approaches and devote resources to implement that strategy.
 - The three choices they noted are:
 - A low cost leadership position
 - A product differentiation strategy
 - A focus strategy i.e. serving a particular market very well.

Strategic Alternatives for the Alberta Cattle Sector

- Diversify customer base and differentiate product set
 - Focus on creating demand expanding programs, whether they be natural, organic or more conventional quality-focused brands.
 - Remove the negative impacts associated with the beef grading differential between Canada and the U.S.
 - Alberta should continue to adopt/mandate enhancements and be a leader in traceability initiatives.


Value Chains are defined as;

- A strategic collaboration of organizations for the purpose of meeting specific market objectives over the long term and for the mutual benefit of all 'links' of the chain.
- Beef value chains allow the participants to be “consumer driven” and change the product offered when consumers change what they want, and are willing to pay for: consistent quality, tenderness, convenient to prepare, lean look but tasty, and safe.



Toma and Bouma (1998) indicate that value chain formation within agri-food systems is developing in response to several key market drivers.

- These include: food safety issues, product quality, new product innovation and differentiation and lowering ‘system’ costs.
- The most common chain drivers include: market differentiation, quality assurance and chain optimization.



Vertical Coordination in the United Kingdom Beef Industry,
Lessons learned from Vertical Beef Partnerships in the
United Kingdom. Brown et. al. (2005).

- Partnerships enabled the industry to respond to BSE, food safety legislation, changing consumer preferences and retail competition.
- Greater vertical coordination in Alberta's beef industry is important, as international competitors such as Australia are moving towards full traceability.
- New packing and processing ventures being developed in Alberta provide good opportunities for developing vertical partnerships.



Greater vertical coordination in Alberta's beef industry may be achieved by:

- Facilitating the development of local partnerships by hosting seminars or forums for various members of the beef supply chain to meet and develop working relationships.
- Encouraging horizontal partnerships among producers to mobilize bargaining power and initiate vertical marketing arrangements.
- They suggest an area of further research is the estimation of individual benefits and costs of participation in vertical partnerships.

Examples of Alliances and Branded Beef Programs in BC/Alberta/Sask/US

- http://www.overwaitea.com/stores/wf_beef.htm
- <http://www.diamondwillow.ca/index.html>
- <http://www.springcreek.ca>
- <http://www.prairieheritage.ca/>
- <http://www.laurasleanbeef.com/>
- <http://www.cattle-co.com>
- <http://www.ranchersbeef.ca>
- http://www.cargillmeatsolutions.com/brands/tk_cms_brands.htm
- <http://www.naturalvalley.ca/>
- http://beef-mag.com/mag/beef_alliance_yellow_pages_7/