

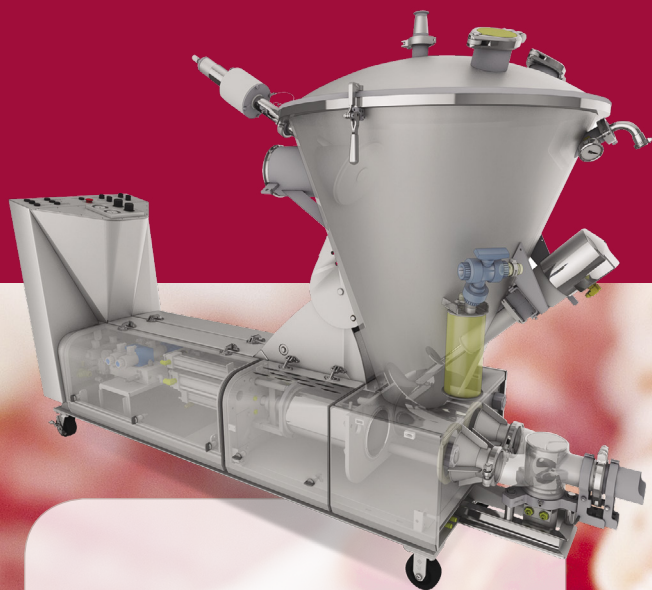
Premium pays off

Quality-in, quality-out
applies to all aspects of
the deli meat supply chain



Consumer demand for lunchmeats that are fresh and flavorful have always shaped innovation in the lunchmeat category. But an evolving food culture coupled with a fast-paced technology driven citizenry has challenged meat and poultry processors to develop convenience items that include better-for-you formulations.

Deli meats and prepared sandwiches must also appeal to the eye as well as the palate. Leading research firm Technomic Inc.'s The Retailer Meal Solutions Consumer Trend Report noted in 2012 that 85 percent of consumers

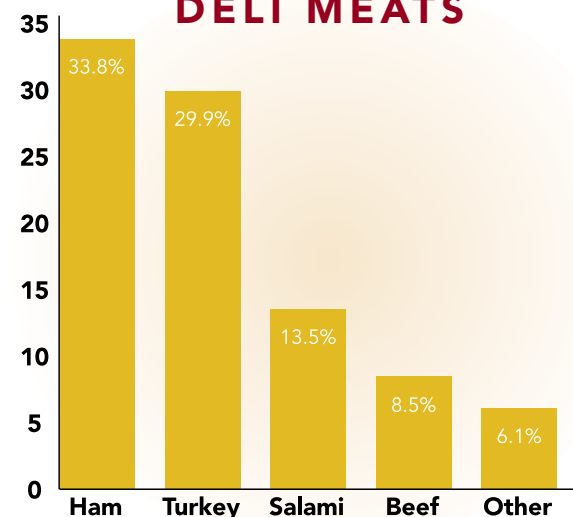


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- **Accommodates limited spaces** and heavy-duty casters provide easier portability.

TOP 5 PRE-SLICED DELI MEATS



surveyed rated appearance as "important" or "extremely important" — up from 80 percent of respondents in 2010 — when asked to rate the importance of appearance in purchases of prepared items.

For bulk deli meats sold by the pound and displayed in refrigerated meat cases, the value of a product that can maintain an appealing appearance is crucial to retailers. Sliced meats placed under lights in a busy display case that is open and closed frequently are susceptible to discoloration and moisture loss resulting from the light's lipid oxidation. The exposure also can affect the taste. The bottom line: consumers are more likely to purchase premium packaged and bulk deli meats because of their reputation for taste, but purchase decisions start with appearance.

In a comparison of deli sliced meat and pre-packaged sliced meat, a majority of consumers chose deli sliced meat on attributes such as freshness, quality, premium varieties and



brands offered, according to Nielsen Perishables Group Fresh Facts. But pre-packaged sliced meat won with consumers on attributes such as price, shelf-life and convenience. The data might appear to be a mixed bag, but meat and poultry processors are covering all bases.

The deli packaged meat category grew 6.5 percent in 2012 to \$17.7 billion, according to the International Dairy-Deli-Bakery Association's "What's In Store?" report. The top five pre-sliced deli meats were ham, turkey, salami and beef followed by "other" deli meats, Fresh Facts noted. Additionally, branded packaged meats beat out private-label products as major deli meat processors coaxed consumers back to their brands with money-saving offers, Symphony Consulting reported. In a survey, half of shoppers said they preferred to purchase a name brand turkey, while 45 percent preferred branded chicken, according to Technomic.

Flavor adventure

Meat and poultry processors are catering to consumers' sophisticated palates with artisanal deli products and premium and specialty meats, according to IDDBA's "What's In Store?". Prosciutto, pancetta, mortadella and carne asada have gained in popularity with consumers thanks to food television shows, websites and restaurants. Consumers emboldened to try artisanal products — such as charcuterie — in a restaurant, might go looking for similar products at their local grocery store.

But consumers aren't forgetting traditional favorites such as corned beef. Corned-beef

has long been associated with traditional Irish cuisine, and sales of corned beef sharply increase leading up to St. Patrick's Day. However, some corned-beef producers are reporting rising sales beyond the holiday.

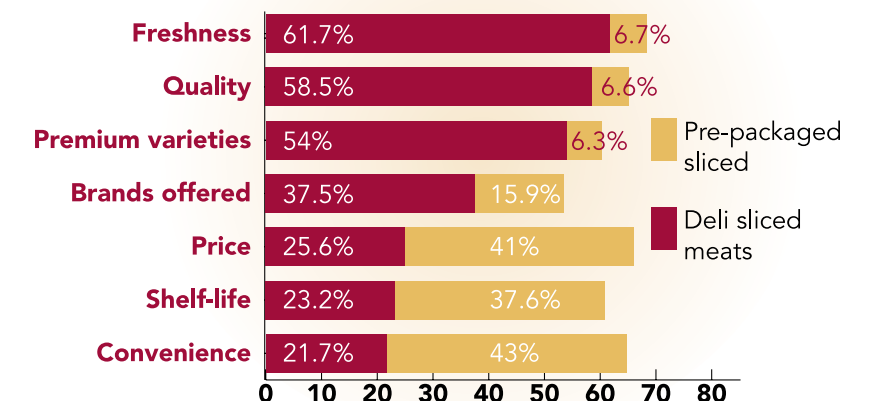
Chris Humberg, sales manager for Chicago-based City Foods, said corned beef has anchored sales growth at the company.

"Sales were \$20 million a year when I started here seven years ago," Humberg said. "Last year sales were almost \$40 million."

The need for natural

Producers of deli sliced meats and pre-packaged sliced meats have tapped into the clean label trend, and rightly so — all-natural ingredients were pegged as the most important attribute in consumers' lunchmeat purchases, according to

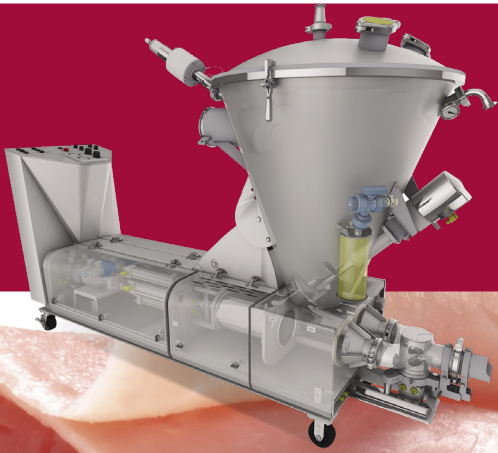
DELI SLICED MEAT VS. PRE-PACKAGED SLICED MEAT



OPTI 100

Simplicity

- Simplified, manual controls
- Small footprint and easily portable
- A twin piston Marlen pump at a fraction of the cost



research by Mintel, a global consumer research firm. The share of shoppers who purchased organic meat and poultry advanced 26 percent, according to the 2013 Power of Meat survey, and an overwhelming majority (73 percent) of purchases were at a conventional grocery store.

A potential opportunity for sales growth involves offering flavored meats with the "all natural" label, according to IDDBA's Filling the Gap study. An analysis found that offering both options increased the chances for a deli meat sale.

"For instance, 38 percent of survey respondents said

they'd choose a sandwich from the in-store deli over another foodservice option (like a restaurant or cafeteria) if flavored meats were available," according to the What's In Store? report. "If "all-natural" meats are also made available, the likelihood of a sale takes a 13 percentage point jump. In other words, 55 percent of shoppers would be persuaded to make a purchase by either the availability of flavored meats or the availability of "all-natural" meats."

The report added that figure jumped to 65 percent if turkey meats are added to the mix.

Consumers, especially Millennials, are seeking transparency in product formulations and sourcing. They're scrutinizing ingredient and nutrition labels to make their own decisions about deli meat products.



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