

Going Organic in the Deli

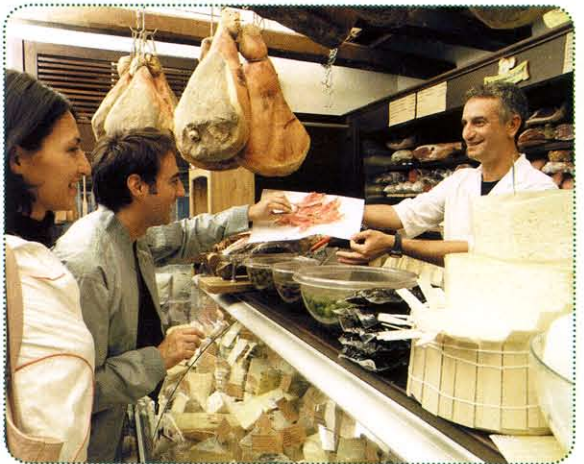
Organic meats, cheeses and sides are giving specialty retailers another way to differentiate themselves from the mainstream. But is this the right move for you?

BY DENNIS MARRERO

The organic category has been gaining new depth with product launches across all segments, fueled in part by mainstream food safety concerns. This has opened an opportunity for the organic deli. Providing fresh organic deli meats and cheeses, salad and soup bars and bread options gives consumers an alternative to the traditional supermarket deli. It also gives specialty retailers the chance to distinguish themselves from the pack.

"Retailers have been expanding their organic deli offerings in recent years as increasing numbers of consumers demand that stores carry these items," says Gina Asoudegan, communications manager with Applegate Farms, an organic meat manufacturer based in Bridgewater, N.J. "The feedback we receive from stores," she adds, "is that natural and organic meat products have much more price elasticity than conventional products." This, she notes, is largely due to consumers being motivated by beliefs and values regarding food quality and sustainable and humane farming.

Organic cheeses, as well, have experienced growth as more consumers search for dairy that is produced humanely and without the use of genetically engineered hormones. While these cheeses are commonly prepackaged and sliced, pioneering companies such as Broomfield, Colo.-based Horizon Organics and Organic Valley, La Farge, Wisc., offer foodservice and deli sizes in loaves and shreds.



Specialty retailers can make organic deli items, especially sides, on premise to limit the quantities, and if something is not working, they can just make something else.

NATURAL SELECTIONS

Organic meat/fish/poultry is up **12%**

Does this emerging category have potential for you? Read on to discover areas to consider when deciding if it makes sense to add organics to your deli counter.

Evaluating Passions and Price Points

The first question to ask yourself is how committed is your organic customer? Do they buy organics always, sometimes or just with certain products? For Grant Dixon, owner of Papa G's Vegan Organic Deli,

Portland, Ore., his clientele is drawn to organics because of the questions surrounding "what exactly is in products labeled 'with natural flavors,'" he notes.

Danny Johnson, co-owner of Taylor's Market in Sacramento, Calif., is more skeptical about organics in the deli and feels that marketers can misrepresent the claim. "We're more into local and sustainable farming. If a product is organic, it's an extra benefit, but we don't market it as organic. To do organic," Johnson explains, "you have to completely sanitize your work area when changing from organic to non-organic. You need a different cutting board, different knives and a different slicer." In an old-fashioned butcher shop, which Johnson describes Taylor's to be, the added expenses and space are not cost-effective, he notes.

Testing the Waters

Packaged deli items are an effective way to gauge customers' organic interest. You can determine if there is a boost in sales without having to deal with the complications Johnson describes such as "keeping" organic as it pertains to equipment and ingredients.

Tedd Heilmann, vice president and general manager of Organic Prairies, La Farge, Wisc., an organic deli meat producer, agrees that running an organic deli provides operational challenges. Because of obstacles like separate slicers, he adds, organic sliced meats and cheeses have the strongest presence in the self-serve case.

Retailers attempting to create a full organic deli, explains Dixon of Papa G's, should consider that initially it might be more of a social commitment than a profit booster. "I think a lot of people do understand the importance of choosing organic food and even with the [budget] tightening going on, more people are still 'getting it,'" he says. But it is a challenge to have a 100 percent organic deli due to the high price point, he continues. Papa G's maintains a deli that is about 95 percent organic.

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Another place to start introducing organics is by offering upgraded versions of popular staples. "It's always smart to start out providing organic or natural versions of the classics, such as oven-roasted turkey, roasted chicken and baked ham," says Asoudegan. "These flavors are especially important in the current economy, since they have a better chance of appealing to the entire family and, therefore, less possibility of waste."

Educating the Consumer

A fundamental step to creating an organic deli business is education. Most customers understand the distinctions regarding organic versus conventional produce, but many of the labels around organic meat—for example no synthetic hormones or pasture-fed or phosphate-free—can be confus-

FOR THE TRULY COMMITTED: GETTING RETAIL CERTIFICATION

Food safety concerns are not only limited to manufacturing and processing: Consumers are also concerned about how retailers handle products in stores. Quality Assurance International (QAI), an organic certifier based in San Diego, Calif., has created a voluntary certification program that certifies that retailers are upholding the standards of food handling set by the U.S. Department of Agriculture's National Organic Program. Jaclyn Bowen, general manager for QAI, says the program continually expands and has certified more than 500 stores. "Independent, third-party certification verifies to consumers that organic standards are met and that the organic integrity of retail products is upheld from field to shopping cart." Although she admits that it is a difficult program, "we have received an overwhelming positive response from retail stores," Bowen notes.

Retailers such as Portland, Maine's Hannaford markets, which is QAI certified, offer a variety of organic and all-natural products in the deli department including a selection of organic cheeses in its specialty shop. The deli at the certified-organic Native Sun Natural Market in Jacksonville, Fla., is more than 90 percent organic and will only use non-organic ingredients if an organic option isn't available. Organic certification can be costly, however, and involves on-site inspections and comprehensive organic planning.

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NATURAL SELECTIONS

The organic deli sector is still in its infant stages so you may want to test customers' organic interest by first introducing packaged deli items.

ing. Asoudegan suggests that retailers make information on organics visible at the deli counter as well as provide samples so customers can taste the quality.

Concerns about food safety are opportunities for education. "The recent meat recalls were especially instrumental in raising awareness about the meat industry," notes Asoudegan. "As a result," she says, "consumers want meat companies to be transparent, not only about the ingredients in their products, but also about their livestock raising, handling and slaughtering practices."

Heilmann explains that Organic Prairie's deli meat ingredient labels display the difference clearly: "organic meat, water, sea salt...some have organic honey and other organic spices." It is important to explain to consumers, he says, that "organic meats do not use sodium phosphate or other chemicals that the meat industry uses to increase yield and sell more water. It is a more pure product [with] fewer additives."

These characteristics are resonating with consumers and sales of such products are on the rise. Organic Prairie started producing organic meats in 2006, Heilmann says, and has "grown at an average of 30 percent each year." Even in the recession, "sales March YTD are up eight percent over the same period in 2008," he notes.

A sausage and deli meats survey that was conducted between 2005 and 2006 by the Organic Trade Association (OTA), explains Barbara Haumann, press secretary for the organization, found a sales increase of 25 percent over that period. Results of

an updated 2007–2008 OTA study also showed a steady increase in the organic meat/fish/poultry category, with a growth rate of 12.1 percent from 2007 to 2008.

Offering Sides, Salads, Soups

Another strong way to tap into the organic deli market is by focusing on side dishes such as salads, soups or prepared foods. "We have an all organic salad bar and our soups are probably the best sales-generating items that we have," Dixon says.

Most retailers will prepare their organic deli sides on premise, explains Jeff Johns, director of sales and marketing at Dawn's Foods, Inc., Portage, Wisc., a supplier of deli items such as cole slaw and potato salad. This allows specialty retailers to "limit the quantities they make, and if something is not working they can just make something else," he says. This luxury, he adds, is not available for most chain stores.

If your store does have the capability of making foods on-site, "a strong sandwich line is important," adds Dixon. Papa G's features its house organic seasoned tofu sandwiches with organic mixed greens and sprouts in Original recipe, Savory Sesame and BBQ flavors. The tofu also comes prepackaged and ready-to-eat at stores throughout the Portland area.

The benefits of expanding deli offerings to include organics will vary by retailer. But overall, merchants note a sea change in consumer attitudes toward healthier fare. Johnson says that Taylor's Market doesn't focus on organics for logistical reasons, but stresses to its customers that the deli has local and quality products from humane producers. Others are embracing organics completely and taking the next step by becoming a certified organic retailer (see p. 75). Nevertheless, it is important to research and test attitudes toward organics in your store before making any final decisions. **[SFM]**

Dennis Marrero is associate editor of Specialty Food Magazine.