

The background of the slide features several illustrations of meat products. At the top, there are two rows of sausages: one row of plain sausages and another row of sausages with a red and white pattern. Below these is a large, round ham. In the foreground, there are several slices of meat, possibly ribs or brisket, with a red and white pattern. To the right of the meat slices is a vertical thermometer with a red liquid level.

Co-Packing Opportunities in the Meat Industry

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Who would use Co-packed or Private Labeled Products?

Foodservice Distributors

Retail Chains

Anyone wishing to expand their product offerings without having to use the necessary resources

Why?

- **To use a strong existing brand as an umbrella for new co-packed items**
- **To gain entry into new markets**
- **To maintain competitiveness**

Private Label Statistics:

- Total sales of private label products have reached \$41.9 billion per the 2003
- 54% of Consumers “frequently” purchase store brand products at the supermarket

Private Label Statistics:

- FMI study found demographics of store brand shoppers shifting from “lower income households” to more “affluent households”
- Shoppers are demanding more than price from store brands
- 87% of Deli Retailers now carry premium store brands

Advantages to Purchasing Company

- Minimal if any Capital Expense
- No regulatory involvement
- No inventory of raw materials
- No labor concerns associated with manufacturing co-packed products
- Maximize resources to build new markets
- Not necessary to have long term commitment
- Inventory of finished goods can be minimized

Advantages to Manufacturing Company

- Use of available capacity
- Helps defray overhead costs
- Little if any sales and marketing expense
- Minimum order volumes can be negotiated

Disadvantages to Purchasing Company:

- Cost of product higher than if manufactured by own company
- Contract can be typically terminated by either party in 60 - 90 days
- Manufacturer usually requires minimum order volume
- Scheduling and JITI becomes critical

Disadvantages to Manufacturing Company:

- Contract can be typically terminated by either party in 60 - 90 days
- Co- pack product can require uncommon raw materials
- Volume purchases of raw materials are necessary to get price breaks, which require large on hand inventories
- Possible additional regulatory involvement
- If Manufacturer depends too heavily on Purchasing Company's volume and loses it, severe financial consequences could occur

QUESTIONS ?

