



Antibiotic-Free Food Animal Production: A Profitable Path from the Farm to the Table

While recognizing that the terms “organic,” “naturally raised” and “raised without antibiotics” are not interchangeable, they are often viewed equally favorably by consumers seeking more natural, healthier foods. Food producers, grocery stores and restaurant chains are increasingly marketing their products using these terms. Because the term “organic” has been specifically defined by law and organic labeling requires federal certification, more marketing data are available for this range of products. To be clear, meat products labeled “raised without antibiotics” are not organic; however, all meat products certified as “organic” must have been raised without the use of antibiotics.¹

The Demand for Organic Meat Production

U.S. consumer demand for organically produced food has shown double digit growth for over ten years, reaching nearly \$21.1 billion in total sales by 2008.² Demand for organic livestock³ has jumped nearly 161 percent since 1992.⁴ This increased demand for organic products can be attributed to heightened consumer concern about health.⁵

As a result of increasing consumer demand, organic products have become more mainstream, appearing now in an estimated 73 percent of grocery stores.⁶ As availability of organic products has grown, consumption patterns have shifted to reflect this availability. Where consumption of organic goods used to be the lifestyle choice of a small group of consumers, today more than two-thirds of Americans admit to purchasing organic products occasionally.⁷

Farms

A small but growing share of farms in the U.S. is becoming certified organic, raising livestock on organic feed and without the use of antibiotics and hormones, while managing animal care in ways that better mimic natural behavior. In 2005 there were over 2.3 million acres of pastureland and rangeland in certified organic livestock operation—a 338 percent increase over 1992, and a 272 percent increase since 2002.⁸

Niman Ranch, which supplies grocery chains, independent markets and a portion of Chipotle Mexican Grill’s beef and pork, is a network of traditional family farms in California, Iowa, Minnesota and Michigan committed to raising meat naturally and without antibiotics.⁹ Their efforts have been bolstered by companies like Chipotle that help increase the demand for these products. Niman Ranch had \$44 million in sales in 2007.

Similarly, Bell and Evans, a Pennsylvania poultry company with over 1,000 employees, has witnessed success as a result of the growing market for their chickens, which are raised without antibiotics and are given an all-vegetable diet with no added preservatives or artificial ingredients. Bell and Evans partners with several major restaurant and grocery chains, including Chipotle Mexican Grill, Panera Bread Company and Whole Foods market. Earning \$158 million

in sales in 2007, Bell and Evans is part of a network of successful family-owned farming operations—growers, feed producers and hatcheries.

Grocers

Whether shopping at a farmers market, natural food store or local grocery store, consumers have more places to find and purchase natural and organic foods.

Whole Foods Market is the world's largest retailer of natural and organic products, including meat from food animals raised without antibiotics. Employing over 52,000 people, Whole Foods is a growing market force. The company earned more than \$8.0 billion in sales in 2009, a 21 percent increase over two years.¹⁰ Its profit margins are greater than those of major competitors Kroger and Safeway, as well as the industry average.¹¹

In 2003, the mass market grocery company Kroger began offering its own line of organic food products, and today sells over 450 items under its natural and organic labels. Kroger recognizes, "Consumer interest in healthier lifestyles and better nutrition has fueled significant growth in the natural and organic foods industry over the past several years."¹² Customers can shop in Kroger natural food departments in over 1,650 stores across the country. Safeway also unveiled an organic line in 2005 and offers over 300 certified organic products in its stores today.

Restaurants

Demand for organic livestock products goes beyond the grocery store. Consumer demand for meat from food animals raised without the routine use of antibiotics has grown such that several major and national restaurant corporations have stopped serving meat raised with antibiotics. Chipotle Mexican Grill¹³, Chop't Creative Salad Company¹⁴ and Panera Bread Company¹⁵ are just a few leaders in the restaurant industry that have started using meat from food animals raised without the routine use of antibiotics. Even fast food giant McDonald's issued a global policy in 2003 barring direct suppliers from giving antibiotics that are used in human medicine to food animals solely for the purpose of growth promotion.¹⁶

Chipotle began serving naturally raised pork in 2001 as part of their "Food with Integrity" program. Shortly after, Chipotle extended their policy of serving meat raised without antibiotics to chicken, and is currently working on assuring that 100 percent of their beef meets these standards as well.¹⁷ Today, Chipotle serves "more naturally raised meat than any other restaurant company in the world," some 52 million pounds annually.¹⁸ In 2009, Chipotle had over one billion dollars in sales, and a one year net income growth of 14.0 percent, demonstrating the potential profitability of serving meat from food animals raised without the routine use of antibiotics.

Chipotle's chairman, Steve Ells, testified before the U.S. House Rules Committee on the Preservation of Antibiotics for Medical Treatment Act (PAMTA, H.R. 1549 / S. 619) on July 13, 2009. PAMTA would phase out the routine use of important human antibiotics in food animals that are not sick. Ells stated:

[W]e are proud that we have been able to remain successful while serving food from these better sources rather than supporting a system that is often

exploitative. But we are still a relatively small piece of the puzzle that makes up the nation's food supply....Passing the '[Preservation of] Antibiotics for Medical Treatment Act' is an important step in driving the kind of change we have chosen to work toward for the last decade, but that too many others have ignored.¹⁹

Other Ventures

Bon Appétit Management Company provides café, restaurant and catering services onsite to corporations, colleges and universities and specialty venues. The company operates cafés for many well-known corporations and organizations, including: Target, Best Buy, Nordstrom, Inc., Yahoo!, eBay, The Monterey Bay Aquarium, American University, MIT and Washington University. A growing company, Bon Appétit now operates more than 400 cafés in 29 states and serves over 110 million meals a year²⁰. As part of their commitment to addressing the threat of antibiotic resistance, Bon Appétit only buys and serves chicken, turkey and ground chuck that are raised without the non-therapeutic routine use of antibiotics. The company expects to apply the same standard to all meat they serve as supplies become more available. Yet, CEO Fedele Bauccio has testified, "Many producers are afraid to change, even with economic incentive. They need a push. H.R. 1549 could be that lever of change we need."²¹

Applegate Farms is a company that produces and markets only natural and organic meat: turkey, chicken, beef and pork, as well as organic cheese. Their products, which are available in many grocery stores across the country, are made from food animals that were raised without the routine use of antibiotics. Applegate's CEO Steve McDonnell says that antibiotic-free production is "an alternative that is scalable, and can be large enough with lots of family farms contributing."²²

Large and profitable grocery stores, catering companies, farms and restaurants have demonstrated that it is both profitable and socially responsible to serve meat raised without the use of antibiotics. The demand from this growing group of companies for this meat is exceeding current supply levels,²³ indicating that there is a market waiting to be filled by farmers and ranchers.

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¹ Organic Foods Production Act of 1990. Available at:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5060370&acct=nopgeninfo>

² USDA Economic Research Service (ERS), August 22, 2007, "Organic Agriculture: Consumer Demand Continues To Expand," available at: <http://www.ers.usda.gov/briefing/organic/demand.htm>.

³ Organic Foods Production Act of 1990, *Op. cit.*

⁴ USDA ERS, "Table 2. U.S. certified organic farmland acreage, livestock numbers, and farm operations," available at: <http://www.ers.usda.gov/Data/Organic/#statedata>. USDA counts may not include all livestock that has been grown without the use of antibiotics, which may or may not be certified as organic.

⁵ 2009 U.S. Families' Organic Attitudes and Belief Study:

http://ota.com/organic/www.ota.com/pics/documents/01b_FinalOTA-KiwiExecutiveSummary.pdf.

⁶ USDA ERS August 2007, *Op. cit.*

⁷ USDA ERS December 2006, *Op. cit.*

⁸ USDA Table 2, *Op. cit.*

⁹ Hoovers, available at: <http://premium.hoovers.com/subscribe/basic/factsheet.xhtml?ID=hcrcfysx> (subscription required). Also, Niman Ranch website, at: http://www.nimanranch.com/about_us.aspx.

¹⁰ Whole Foods, , available at: <http://www.wholefoodsmarket.com/company/pdfs/ar09.pdf>.

¹¹ Hoovers, available at: <http://premium.hoovers.com/subscribe/co/factsheet.xhtml?ID=rfshtfsykyhjxj>.

¹² The Kroger Co., 2008, *Kroger Fact Book*, Section III: Sales Drivers, available at: http://www.thekrogerco.com/finance/documents/2008_KrogerFactBook.pdf.

¹³ Chipotle Mexican Grill. Available at: http://www.chipotle.com/#/flash/fwi_story

¹⁴ Chop't Creative Salad Company. Available at: <http://www.choptsalad.com/indexflash.htm>.

¹⁵ Panera Bread Company. Available at: <http://www.panerabread.com/pdf/er-20100211.pdf>

¹⁶ "McDonald's Global Policy on Antibiotic Use in Food Animals," available at:

<http://www.mcdonalds.com/usa/good/products/.com/?DCSext.destination=http://www.mcdonalds.com/usa/good/products/.com/>.

¹⁷ Currently, Chipotle serves naturally raised beef in 50 percent of its restaurants. Available at: http://www.chipotle.com/#/flash/fwi_fare

¹⁸ Chipotle, May 25, 2008, "Chipotle is First Restaurant to Serve 100 Percent Naturally Raised Chicken," <http://phx.corporate-ir.net/phoenix.zhtml?c=194775&p=irol-newsArticle&ID=1139427&highlight=>.

¹⁹ Testimony of Steve Ells, Founder, Chairman & Co-CEO, Chipotle Mexican Grill, Inc., before the House Rules Committee, July 13, 2009. Available at: http://www.rules.house.gov/111/oj/hr5419/statements/ells_hr1549_111.pdf

²⁰ Bon Appetit Management Company. Available at: <http://www.bamco.com/page/32/company-overview.htm> and <http://www.bamco.com/page/2/about-us.htm>

²¹ Testimony of Fedele Bauccio, Chief Executive Officer, Bon Appétit Management Company, before the House Rules Committee, July 13, 2009. Available at: http://www.rules.house.gov/111/oj/hr5419/statements/fedele_hr1549_111.pdf.

²² "The Use of Antibiotics in Meat Production," video of Applegate Farms' CEO Steve McDonnell, available at: <http://www.applegatefarms.com/ourstory/details.aspx?id=4256>.

²³ See, for example, Associated Press, July 6, 2006, "U.S. Demand for Organic Food Exceeds Supply," available at: <http://www.foxnews.com/story/0,2933,202433,00.html>.