

Beefing up its local appeal

The Burgerville chain switches to using only range-fed, "natural" beef from Oregon ranches

By Allan Brettman and Michelle Cole
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In a move to assure customers about the source of the meat they're eating, the Burgerville chain will eliminate generic ground beef from its burgers and instead make them using only range-fed, hormone-free cattle from Oregon.

On Monday, Burgerville will begin selling Oregon Country Beef burgers at some of its 39 restaurants in Oregon and Southwest Washington. By Friday, all Burgerville outlets will offer the burgers.

The decision follows the nation's first case of mad cow disease, discovered in December in a Washington state Holstein. But executives of the Vancouver-based chain say they had contemplated the switch to locally produced beef for four years as part of an emphasis on Northwest products. Already, Burgerville brags about its Walla Walla onion rings, Tillamook cheeseburgers and chocolate hazelnut milkshakes.

Burgerville joins a handful of fast-food chains nationwide that have committed to serve "natural" beef from cattle raised on vegetarian feed and without growth-stimulating hormones, antibiotics, steroids or genetically modified grains.

The decision marks a bold new direction for American fast-food chains as they confront growing public worry about the source, safety and nutritional content of food.

"For me, where our food comes from has been driving this company from the very beginning," said Pat Klinger, director of product development for The Holland Corp., Burgerville's parent company. "But in the mid-'90s it became an obsession, an absolute obsession."

The change will be costly. Burgerville will pay at least a 30 percent premium for the natural beef but says it can make the switch without increasing its hamburger prices -- which at 99 cents for a hamburger to \$3.99 for a Pepper Bacon Tillamook Cheeseburger are more costly than most other fast-food burgers. The privately held company thinks, however, that the switch to Oregon Country Beef will increase sales.

Burgerville is considered a regional, niche player in the highly competitive fast-food industry.

But the company, which opened its first restaurant in 1961 on a suburban Vancouver street, is thinking bigger. It plans to launch at least five restaurants in the Seattle area as well as expand market share elsewhere.

Co-op's sales up 40 percent

Oregon Country Beef is a cooperative of 40 family ranches. Another 16 ranches will be

added once they are certified by Food Alliance, a Portland-based organization that reviews agricultural, environmental and labor practices.

Meat bearing the Oregon Country Beef label is sold in natural and health food stores in Portland, Seattle and San Francisco. Nearly 50 pub restaurants in the McMenamins chain have been using Oregon Country Beef for their hamburgers since September 2001.

Doc Hatfield, an Oregon Country Beef founder and marketing director, says the co-op did \$18 million worth of business last year. Sales are up more than 40 percent since Oct. 1, with a spike since news of the case of mad cow disease broke Dec. 23, he said.

Hatfield and his wife, Connie, have returned more than 50 telephone calls plus e-mails from nervous consumers in the past several weeks. They told customers that Oregon Country Beef's feed, birth-through-slaughter tracking and processing practices help make the meat as safe as it can be.

Burgerville and Oregon Country Beef had been talking about a deal since the fall of 2000. The sticking point, until recently, was whether the Oregon ranchers could supply Burgerville with 30,000 pounds of hamburger a month, or about 75 tons a year.

"We always kept in contact," said Cathy Nehl, executive vice president of Holland. "As they grew, they would call."

A final agreement was struck Dec. 29 as grocery stores were recalling hamburger that could contain meat from the diseased Washington Holstein.

The timing was either perfect or perfectly awful. Either way a decision was made to wait to make the Burgerville-Oregon Country Beef partnership public.

Burgerville executives say the scare over mad cow disease did not affect their hamburger sales. Even so, Hatfield says, "they didn't want it to seem like it was a knee-jerk reaction" to mad cow disease.

No one can guarantee that a pound of any kind of hamburger is 100 percent free of the deviant protein that transmits mad cow disease to people, but scientists and government officials stress that the risk is remote.

Still, marketing surveys and restaurant sales indicate American consumers are worried about contracting the brain-wasting human form of mad cow disease.

The NPD Group, a marketing firm that surveys Americans twice a month about food safety, found 72 percent of the consumers questioned between Christmas and New Year's Eve said they were concerned or even "very concerned" about mad cow disease. It was an all-time high for the survey.

A follow-up NPD Group survey Jan. 21-28 found 70 percent concerned or very concerned.

Yet it appears that people haven't stopped eating burgers.

In a speech Thursday during a forum sponsored by the U.S. Department of Agriculture, McDonald's chief executive officer, Jim Cantalupo, said sales in the days and weeks following the announcement about mad cow disease were "virtually unaffected."

The fast-food giant moved quickly to reassure customers, however, offering a toll-free number and beef safety fact tips on its Web site. In Japan, where American beef is banned until further notice, McDonald's gave away burger coupons.

"People say they want to be sure their beef is safe, but their actions are different," said Pat Cobe, food editor for Restaurant Business Magazine. "They haven't stopped eating at McDonald's, Wendy's or Burger King."

Cobe thinks people haven't changed their eating habits because mad cow disease remains a single, isolated case in the United States. "I think if another incident came about it might be different," she said.

Nationwide, the few fast-food chains that have changed their menus to include organic and/or "natural" meats have seen mixed results.

In July, Good Times Burgers & Frozen Custard, a 36-restaurant chain based in Golden, Colo., announced it would sell burgers exclusively made from Coleman Natural Meats. Like Oregon Country Beef, Coleman cattle are raised without hormones or antibiotics. Like Burgerville, Good Times pledged to upgrade its burgers without increasing prices.

Good Times' announcement drew attention from newspapers and television stations but no corresponding increase in burger sales, said Boyd Hoback, Good Times' president and chief executive.

The Colorado chain made no attempt to capitalize on its natural burgers after the infected Holstein was discovered in Washington state, though Hoback argues that the way Coleman cattle are raised and the young age at which they are slaughtered ensures a high quality beef burger.

"We don't want mad cow and Good Times in the same sentence," he said.

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