

Niche marketing can help smaller hog producers, U of M researcher says

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Natural and organic hog production can help smaller, niche producers increase their revenues, according to a new University of Minnesota study.

"Demand will drive the development of organic and natural pork markets," says W. Parker Wheatley, an applied economist who completed the study for the U of M Swine Center.

"Consumer concerns about food safety, animal welfare and environmental management form the foundation of various niches that will support this demand," Wheatley says. "Our evidence suggests strong growth in consumer demand for natural pork products will support premiums for natural pork products over conventional pork products."

"For the smaller producer, natural production also introduces more flexibility into their production," he says. "With lower capital requirements, natural and organic production make it easier for smaller producers to enter and exit the markets. This allows them to remain in the market many years, despite volatile market prices."

Both the revenue and cost sides of the equation support pork producers considering entering natural markets. "However, there are institutional barriers between the retail and farm level of this market that will impede the rapid development of this opportunity for producers," Wheatley says.

There are numerous local channels for natural pork products and a few national channels, such as Niman Ranch in California and Organic Valley in Wisconsin. But information regarding marketing is limited, Wheatley says.

"Farmers already in these markets have gained access to marketing channels," Wheatley says. "But the limited marketing information available presents a short-term adjustment cost to farmers considering natural pork as a niche product."

"And at the retail level, firms must feel they will have a steady and consistent supply of product if they are to provide broader support for natural pork products," he says. "But evidence suggests retailers should profit from selling natural pork. If producers, processors, wholesalers and retailers can collaborate to eliminate concerns about steady and consistent supplies, it's likely that much of the market access problem can be overcome."

The Minnesota Pork Producers' Association funded the project. To gather information, Wheatley reviewed a number of studies done throughout the U.S. and talked to pork producers and processors. For more information or a copy of the study, contact Wheatley at (612) 669-0331, whea0025@umn.edu.

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Source: W. Parker Wheatley (612) 669-0331, whea0025@umn.edu

Writer: Jack Sperbeck (612) 625-1794, sperb001@umn.edu