

## **Producer premiums for organic and natural pork should last**

March 13, 2001, University of Minnesota Extension

Organic food sales have been increasing dramatically, but how long can the market continue to grow?

With organic and natural pork production, modest producer premiums are likely to continue over the long run, according to a study from the University of Minnesota Swine Center. The reason: "Increases in supplies (of organic pork) are unlikely to keep pace with expected increases in demand that cause higher prices," says U of M applied economist W. Parker Wheatley.

Wheatley recently completed the study by reviewing a number of previous studies done throughout the U.S. and talking to pork producers. He says demand is driven by the perceived safety of organic and natural products.

"Demand is also driven by the perception that organic products embody attributes related to improved environmental quality," Wheatley says. "As such, consumers view the premiums paid to organic producers as implicit rewards for reducing the pollution associated with production. An additional source of increased demand is the consumer perception that natural and organic production provides for improved animal welfare."

Actual premiums received by producers are hard to document, since no studies have been done. But Wheatley's discussions with two natural and organic pork producers and one marketing firm give you an idea.

"In fall of 2000, one processor/marketing firm paid \$6 per hundred over the mean market price for Iowa/Southern Minnesota with a minimum price of \$40 per hundred," he says. "The same firm will pay \$65 per hundred live weight for organic pork."

"Another national cooperative was paying an average of about \$50 per hundred live weight for organic pork. In its promotional material, the cooperative indicated a pricing policy based on production costs and maintenance of a fair price, which is independent of commodity pricing."

"One small-scale producer also does direct marketing and receives \$50 per hundred live weight. This same producer also handles all the processing and marketing in a separately held company."

"These premiums don't seem substantial given that market prices per hundred pounds live weight ranged between \$40 and \$50 in 2000," he says. "However, the premiums existed even when prices were lower in 1998 and 1999, and provided some stability to these producers' incomes."

Check-off dollars from the Minnesota Pork Producers' Association funded the project. For more information or a copy of the study, contact Wheatley at (612) 669-0331, [whea0025@umn.edu](mailto:whea0025@umn.edu).

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