

The Pork Niche Market Phenomenon

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Summary and Implications

After the broad industrialization of the U.S. swine/pork industry, there have been numerous niche markets for export and domestic pork developing. With the Midwest's tradition of a corn-hog family-based agricultural system, the stage was set for the pork niche market phenomena to take root. There are approximately 35 to 40 pork niche marketing efforts currently active in Iowa. A multistate Pork Niche Market Working Group (PNMWG) was started in 2002 in Iowa to "support the development of niche markets for pork, to foster the success of highly differentiated pork value chains that are profitable to all participants that incorporate farmer ownership and control, and contribute to environmental stewardship and rural vitality." Pork niche markets embrace a variety of approaches including direct marketing, internet sales, small locker plants, farmer groups, and organized marketing groups. One of the larger and more successful niche marketers of "natural pork" is Niman Ranch Pork, Thornton, Iowa. Niman Ranch pork has more than 200 farmer-producers and processes about 2,000 pigs weekly.

There are indications that U.S. consumers are interested in the environmental, pig welfare, and pig farm ownership and structure characteristics of the pork they buy. Many consumers may be willing to pay more for pork with positive attributes in these areas. Niche markets are attractive to small- and medium-based farmers who have swine experience and facilities. Noted agricultural economist Glenn Grimes of the University of Missouri stated at the 2003 World Pork Expo, Des Moines, Iowa, that "Unless small pork producers have captured a niche market within the pork chain, they will disappear." Niche markets seek product differentiation via quality and social or credence attributes. Quality attributes that are claimed by the niche market include certain breeds or genetics, taste or flavor, high quality, freshness, and tenderness. Social or credence attributes often are claimed and include antibiotic and growth promotant-free, family farm raised, "natural," organic, outdoor or bedded rearing, locally raised, humane rearing, known origin, environment-friendly, and no animal by-products in feed.

Introduction

In the wake of rapid widespread industrialization of the U.S. swine/pork industry, there has been a proliferation of niche markets for export and domestic pork. The work of supplying these markets has coupled small packing plants with small- and medium-sized independent swine farmers in the Midwestern United States.

Several factors have contributed to the pork niche market phenomena. Some factors are historical, others cultural. The Midwestern United States was settled about 150 years ago as a patchwork of diversified family farms and small towns. The settlers, primarily of Northern European descent, built a productive network of self-sufficient farms that quickly grew into enterprises that marketed surpluses. Grain, primarily corn and later also soybeans, was fed to livestock, particularly pigs. Iowa and surrounding states have led U.S. pork production for decades. The infrastructure of pig production was well established. There were many small- and medium-sized family-based farms that produced corn and pigs in a dominant mixed farming agricultural system.

Industrialization of pig production occurred rapidly and dramatically in the Midwest during the 1980s and 1990s. For example, in Iowa, the leading pig-producing state, the number of pig farms decreased from 65,000 in 1980 to an estimate of less than 10,000 in 2002. The size or inventory of the average Iowa pig farm increased from an average 200 head in 1980 to 1,400 head in 2002. In 1998 market pig prices fell to historic lows, which led many family pig farmers to look to niche marketing as a way to remain in the industry. Thus, the structural changes in pig production and the associated high supplies and low prices led to increases in niche marketing. Another contributing factor were consumers who were becoming increasingly aware of environmental, animal welfare, and health issues. Health issues especially became heightened, and consumers wanted more labeling and assurances that antibiotics were not fed to meat animals. Recently McDonald's announced that they would purchase meat only from antibiotic-free farms beginning in 2005. Whole Foods Market of Austin, Texas, is the largest natural/organic retail food chain in the U.S. According to their web site, their pork production standards state:

- No antibiotics – ever.
- No supplemental growth hormones.
- No animal byproducts in feed.
- No gestation crates.
- Sows provided freedom of movement in farrowing (birthing) pens.
- Bedding required to satisfy natural rooting instincts.

In response to these dramatic changes, some farmers in the early 1990s began to search for alternative pig

production systems. As farmers began to gain confidence in alternative pig production they sought markets that would provide a higher value for their pigs, and some consumers were willing to pay a higher price for great-tasting pork products that addressed the environmental, health, and animal welfare concerns. Niche pork markets emerged quickly in the mid to late 1990s. There are approximately 35 to 40 pork niche markets currently active in Iowa. A multistate Pork Niche Market Working Group (PNMWG) was started in 2002 in Iowa to “support the development of niche markets for pork, to foster the success of highly differentiated pork value chains that are profitable to all participants that incorporate farmer ownership and control, and contribute to environmental stewardship and rural vitality.” Pork niche markets embrace a variety of approaches including direct marketing, internet sales, sales to foodservice or retail (directly or through distributors), and organized marketing groups (co-ops).

There are indications that U.S. consumers are interested in the environmental, pig welfare, and pig farm ownership and structure characteristics of the pork they buy. Many consumers may be willing to pay more for pork with positive attributes in these areas. Those consumers who frequent restaurants are particularly interested in pork raised without antibiotics or hormones as well as whether the animals were free-range or confinement-raised, but they don't like to be reminded of these issues when they go out to a restaurant (based on focus group results sponsored by Iowa-based groups Practical Farmers of Iowa and PNMWG in 2003).

One of the larger and more successful niche marketers of pork is Niman Ranch Pork, Thornton, Iowa. When started in 1994, Niman Ranch Pork provided pork to a specialty food supplier, Bill Niman, in the San Francisco area. Niman Ranch Pork now supplies pork to hundreds of restaurants and retailers nationwide. Niman Ranch pork has more than 200 farmer-producers in Iowa and surrounding states and they recently expanded by adding producers in North Carolina. They process about 2,000 pigs weekly. Niman Ranch Pork now is connected with a major supplier of restaurant and institutional food and also supplies pork for McDonald's new upscale Chipotle Mexican Grill restaurants.

Niman farmers must follow guidelines of the Animal Welfare Institute, Washington, D.C., that require that pigs be allowed to behave naturally with ample space in outdoor or bedded settings. Humane husbandry by family farmers is required. Weaning must be 5 weeks or older. Confinement crates, electric prods, antibiotics, growth promotants, and tail docking are prohibited. Farmers receive about a 15% premium for pigs sold to Niman Ranch Pork. Niman Ranch Pork has grown 40% annually and continually is seeking new farmer-producers.

Niche markets are attractive to small- and medium-sized farmers who have swine experience and facilities. The markets offer price premiums and in some cases price

security to the producers in the highly competitive pork industry. Noted agricultural economist Glenn Grimes of the University of Missouri stated at the 2003 World Pork Expo, Des Moines, Iowa, that “Unless small pork producers have captured a niche market within the pork chain, they will disappear.”

Niche markets seek product differentiation via quality and social or credence attributes. The recognized measurable pork quality attributes of color, water-holding capacity, intramuscular fat, and ultimate pH usually are not promoted. Quality attributes that are claimed by the niche market include certain breeds or genetics, taste or flavor, high quality, freshness, and tenderness. Social or credence attributes often are claimed and include antibiotic and growth promotant-free, family farm raised, natural, organic, outdoor or bedded rearing, locally raised, humane rearing, known origin, environment-friendly, and no animal by-products in feed.

Along with pork niche markets and the attributes claimed, there is a proliferation of food animal certification or audit systems. These certification systems establish criteria and verify that pig farmers are compliant. Some systems that are currently active are led by the Animal Welfare Institute, the U.S. Humane Society, The Food Alliance, and various other organic certification organizations.

One of the challenges for pork niche marketers is maintaining a steady supply of pork. Because most of the markets require that pigs be born outdoors or on bedding, a majority of the pigs are farrowed outdoors during favorable periods, such as late spring through early fall in the Midwest. Indoor farrowing is avoided because of high labor requirements, cold temperatures, lack of facilities, or high piglet disease. This creates a shortage of marketable pigs during the summer for many niche markets. Some niche markets will not accept new producers unless they agree to farrow pigs during the winter.

Farmers have tried various approaches to improve alternative winter farrowing systems. Many involve using the outdoor farrowing huts in various indoor structures including pole barns, greenhouses, and hoop barns. Supplemental heat is essential. Iowa State University is documenting these approaches. The use of radiant tube heaters may be a positive development. Replicating a deep-bedded Swedish model in Iowa was successful except for high prewean mortality in the bedded farrowing cubicles.

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