
Supply Systems for Niche Pork Producers

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Challenges

- Niche Producers Face Unique Challenges
 - Less Vertical and Horizontal Integration
 - More market risk
 - Less economy of scale

Result:

- Higher real input costs
- Lower real market prices
- Lower real ROI

Challenges!

- Niche Producers Face Unique Challenges
 - Less Access to Technology and Information
 - More difficult to adopt new technologies timely
 - More difficult to generate adequate ROI on technology

Result

- Higher real input costs
- Lower real market prices
- Lower real ROI

Challenges!!!

- Niche Producers Face Unique Challenges
 - Unique Production Systems/Environments
 - Technical resources may not exist
 - Difficult to accurately determine ROI for technologies and management

Result

- Higher real input costs
- Lower real market prices
- Lower real ROI

Challenges!!!!

- Niche Producers Face Unique Challenges
 - Unique Products & Production Technologies
 - Technical resources may not exist
 - Difficult to accurately determine ROI for technologies
 - Markets are not accurately described
 - Seasonal supply issues
 - Marketing information/education is not adequate for producers or consumers

Result

- Higher real input costs
- Lower real market prices
- Actual product value is not fully realized
- Lower real ROI
- Cash flow implications

Mistakes

- Niche Producers Make Too Many Mistakes!!
 - Place too much faith in the “unique value” of their product: “Organic is not automatically profitable or even locally competitive!”
 - Inefficient genetics
 - Poor or inefficient management
 - Poor feed and nutrition
 - Inadequate technologies

Result

- Higher real input costs
- Lower real ROI
- Lower real production levels

Mistakes!

- Niche Producers Make Too Many Mistakes
 - Do Not Adequately Utilize Available Technologies and Information
 - Inefficient genetics and reproductive physiology
 - Poor or inefficient management
 - Poor feed and nutrition
 - Inadequate technologies

Result

- Higher real input costs
- Lower real ROI
- Lower real production levels

Mistakes!!

- Niche Producers Make Too Many Mistakes
 - Do Not Adequately Realize Available Economies of Scale for **Production & Marketing**
 - Inadequate market share – seasonal supply
 - High marketing and advertising costs
 - Inadequate technologies
 - Inefficient labor and resources/expertise

Result

- Higher real input costs
- Lower real ROI – labor, input costs, Intellectual property!

Opportunity

- Supply Systems!
 - Large integrated producers are simply large supply systems
 - Efficient utilization of labor and resources
 - Early adopters of emerging technologies
 - Efficient genetics and management programs
 - Able to access information and expertise
 - Niche producers DO have real advantages & opportunities!
 - Unique products – value and quality
 - Locally grown, imported, etc
 - Natural or organic
 - Welfare or environmentally friendly
 - 3rd party audit or USDA Process Verification
 - Other opportunities for differentiation and added value

Opportunity!

- Supply Systems for Niche Producers!
 - Get Organized and Get Associated!
 - Achieve “Technologically Dynamic & Profitable” Economies of Scale
 - Organize with similar production systems/producers
 - Locally, regionally or nationally
 - Build a cooperative or producer association
 - » Contracts or marketing agreements
 - » Individual accountability
 - Determine optimum production levels to maximize efficiency, profitability and market access
 - Honestly evaluate your opportunities and challenges
 - Focus on real opportunity

Opportunity!

- Supply Systems for Niche Producers!
 - You Will Need Help
 - Utilize/Hire expertise – full time, part time, consulting
 - Financial, Accounting, Taxes, Legal, Etc
 - Program Management and Labor
 - Genetics
 - Production, Management, Feed, Health
 - Marketing, Advertising, Promotion
 - Market Representation

Opportunity!!!

- Organizational Structure?
 - Many Successful Programs - Study Thoroughly!
 - All Programs are Unique
 - Local vs regional, quality attributes, etc
 - Size, scope, market availability, costs, etc
 - All Programs are Similar
 - “Unique Quality” produces market premiums
 - Focus on adding value to a commodity product
 - Capture the consumer’s willingness to purchase
 - Structure will vary for programs
 - Use existing models for successful programs
 - Understand your market and competition
 - Clearly evaluate your costs, efficiencies and market premiums
 - Focus on long term competitiveness and profitability
 - Work together to realize economies and efficiencies of scale
 - Learn from others mistakes!!

Opportunity!!!!

- Funding?
 - Producer or marketing checkoff
 - Added value premiums
 - Venture capital – internal or external
 - Grants and loan programs
 - SARE
 - USDA Rural Development Value Added Producer Grants
 - State Programs
 - All Require Accurate Financials
 - Production models to describe program value
 - Financial statements, etc

Summary

- You Can Do Anything!
- But You Can't Do Everything!
- Build a Team and Work Together!

- For Assistance:
 - USDA & Cooperative Extension System
 - Regional and Local Organizations
 - Practical Farmers of Iowa and other state groups
 - Commodity/Breed Organizations
 - Consultants
 - National Pork Board: www.nichepork.org