

A Survey of Pork Niche Marketers in the Midwest

**Prepared for
Pork Niche Market Working Group**

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I. Executive Summary

This study identifies the business and technical assistance needs of producers and producer groups in Iowa and five surrounding states who are working in pork niche marketing. The surrounding states included Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin. The study involved a 33-question telephone survey that thirty-six pork producers and producer groups completed between March and May of 2003.

The key business needs identified in the study were the following:

1. Marketing expertise and assistance is a key business need for pork niche marketers in the Midwest. Producers as individuals and groups are recognizing their need for product line strategy, positioning strategy, pricing/profitability strategy, market channel strategy, processing strategy, and a logistical strategy. Technical assistance, training support, and research support in key areas of marketing could make a significant impact with pork niche marketers.
2. Processing is also a key issue for the future of niche marketing. Providing technical assistance in the areas of research (feasibility studies, surveys, seminars, etc.) and identification of processing options and creative solutions would provide a significant service and meet a very important need for pork niche marketers.
3. Accessing capital and learning successful ways to raise capital for new business ventures is another very important need for pork producers. Understanding the various sources of capital and how to access those resources is critical for producers to be successful.
4. Developing a strategic business plan that includes all phases of marketing, operations, finance, sales, and regulatory is another critical area that producers are looking for assistance. There is an opportunity for groups like the Pork Niche Marketing Working Group and others to provide technical assistance to help producers through the multi-phase process of developing a business plan and launching a successful new business.

Survey respondents answers are confidential, and individual producer's and/or organization's information is aggregated in this report to protect respondents' confidentiality. All information indicating a particular producer group is to be kept strictly confidential and is not to be disseminated. Confidential information may be used only for planning purposes.

II. Introduction

The Pork Niche Market Working Group (PNMWG), a collaborative effort to support the development of niche markets, contracted with Cooperative Development Services (CDS) to identify the business and technical assistance needs of producers and producer groups in Iowa and five surrounding states who are working in pork niche marketing. The surrounding states included Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin. The research included one Illinois-based group because the group involves several Iowa producers.

Methodology

Survey Tool

To identify the needs of producers, CDS conducted a telephone survey of producers during the months of March, April and May of 2003. CDS developed a survey tool with input from Practical Farmers of Iowa, Ag Connect and Iowa State University (see Appendix A). The key areas covered in the survey included:

- Involvement in Niche Marketing
- Type of Marketing (Direct and/or Wholesale)
- Structure of Operation
- Marketing Experience
- Volume and Capacity
- Distribution
- Product Differentiation
- Branding
- Processing
- Business Planning
- Technical Assistance Needs
- Business Challenges

Producer Group Contacts

Working with state departments of agriculture, land grant universities, non-profit organizations, pork processors, and pork producer associations, CDS collected names of producers and producer groups working in pork niche marketing in Iowa and the surrounding states (see Appendix B , and Appendix C). Other sources of information were found by using the World Wide Web.

Prior to conducting the survey, CDS sent a letter of introduction to the producers and groups explaining the purpose of the survey and the approximate date to expect a phone call (see Appendix D). CDS representatives attempted phone contact with 87 producers—74 from Iowa and 13 from other states. Attempts were also made to contact producers by email if that information was available. Surveys were conducted at various times of the day and evening.

Survey Protocol

CDS followed the following protocol:

Protocol

1. Beginning with Iowa, contact producers and/or businesses by telephone and follow the script to collect data.
2. In cases where the term “pork niche marketing” is not clearly understood, read the definition to the respondent.
3. Make three attempts to contact producer/business by phone. If producer/business is not available or does not return messages, review with project coordinator to determine importance of contact. If producer or producer group is determined to be an important contact, make 3-4 additional attempts to speak to producer.
4. Attempt to get as much information about producer group/business prior to telephone survey.

A minimum of three attempts were made for each producer; and in some cases at the request of Practical Farmers of Iowa, six to seven attempts were made.

Results of Attempts to Contact Producers/Groups

Number of Producers	Percent	Comments
60	69%	Completed survey.
27	31%	Unable to speak with the key contact or appropriate representative. Reasons included: 1) no longer in business, 2) unavailable or unwilling to participate in survey.
87	100%	

Of the 87 producer group contacts in six states, 60 producer groups were contacted and responded to questions, and 27 were not available to answer questions or were no longer in business. Thirty-six producer groups stated they were currently involved in pork niche marketing, while twenty-four reported they were not. Of the thirty-six producers groups involved in pork niche marketing, twenty-seven (75%) are from Iowa and nine (25%) are from surrounding states. Respondents to the survey represented groups and/or independent hog operations involving 1,812 producers (this includes a 1,400 member co-op that is entering the pork niche market in June 2003), with 1,701 from Iowa and 111 from surrounding states. Four respondents who participated in the survey were unwilling to provide volume and capacity numbers in their survey responses.

This report focuses on the key findings from the 36 producer groups that completed surveys and are currently involved in pork niche marketing.

For those 24 producers who completed surveys but are not currently involved in pork niche marketing, the following reasons were given for non-involvement:

- ❑ **Could not make a profit marketing a niche pork product. (29%)**
One producer indicated the debt-to-equity ratio required to take out loans or receive grants was too high, making it difficult to capitalize the venture from the start. Another producer group member indicated that the distributor, contracted by the group to market their product, set them up with buyers who did not appreciate their pork product and would not pay the premium price needed for the group to be profitable. Access to affordable processing was also indicated as a barrier to entry into the market.
- ❑ **Never seriously involved in pork niche marketing. (29%)**
These producers raised pork on a very small scale for special events or circumstances, such a 4-H project or for a local fundraiser. They were never significantly involved or invested in pork niche markets.
- ❑ **Unwilling to share information about their operation. (17%)**
These producers were not willing to discuss their respective group's business plans.
- ❑ **In the feasibility/early development stages of their business. (8%)**
One group had just conducted a study for breed specific niche marketing; and one producer group was in the process of doing a feasibility analysis for a niche marketing project.
- ❑ **Producers raised beef and had never raised pork. (8%)**
Producers should be removed from niche pork marketing list.
- ❑ **Other (8%)**
1) Producer does not raise his own hogs, but is involved in pork niche marketing. 2) Producer co-op had disagreements about marketing strategies, and disease in breeding stock forced the co-op to stop operations.

Despite their previous experiences, six producers indicated they would be interested in producing pork for niche markets in the future, because they believe niche marketing opportunities continue to exist.

Confidentiality

Survey respondents answers are confidential, and individual producer's and/or organization's information is aggregated in this report to protect respondents' confidentiality. All information indicating a particular producer group is to be kept strictly confidential and is not to be disseminated. Confidential information may be used only for planning purposes.

III. Key Findings

Structure of Business

Almost half (49%) of the producer groups surveyed and involved in pork niche marketing reported they operate independently and are not structured as Limited Liability Corporations (LLC's) or cooperatives (see Appendix E). Slightly less than one-third (29%) of the producer groups operate as Limited Liability Corporations, while 11% are organized as cooperatives, and 11% are operating as either S-Corporations or C-corporations.

All Producers	Indep.	LLC	Co-op	Other	Total
Iowa	43%	23%	3%	9%	77%
Other States	6%	6%	9%	3%	23%
Total	49%	29%	11%	11%	100%

In Iowa, 56% of the respondents operate independently, 30% are organized as LLC's, and only 4% are organized as co-ops.

Producers	Indep.	LLC	Co-op	Other	Total
Within Iowa	56%	30%	4%	11%	100%
In Other States	25%	25%	38%	13%	100%

Business Planning

Half of the producer groups reported having business plans in place for their operations, and 64% reported they had incorporated their businesses. Approximately half (48%) of the producer groups reported that they had conducted market research for their niche pork marketing business, while over one third (36%) conducted feasibility studies. And, nearly one quarter of the producer groups had secured financing (see Appendix F).

In both direct marketing and wholesale marketing, the producer groups who had business plans in place sold a significantly greater amount of hogs annually in total and on average, compared to the groups who had no business plans in place (see Appendix F and Appendix G).

All Producers	W/ Business Plans	W/o Business Plans	Difference	% Difference
Direct to Consumer				
Total Annual Volume	187,693	2,311	185,382	+8,023%
Average Volume	23,462	128	23,333	+18,178%
Median Volume	200	38	163	+433%
Wholesale				
Total Annual Volume	167,330	44,178	123,152	+279%
Average Volume	16,733	4,418	12,315	+279%
Median Volume	670	425	245	+58%

In Iowa, 44% of the producers reported business plans in place, and 63% were incorporated as a business. Fifty percent of the producers had conducted market research, while more than one in three (38%) had conducted feasibility studies. Only 13% of Iowa niche pork producers reported securing financing or conducting an equity drive for their operations.

Iowa niche pork producers who had business plans in place sold a significantly higher volume of hogs in total both directly to consumers (+17,395%) and through wholesale (+263%), than Iowa niche pork producers who did not have a business plan.

Iowa Pork Producers	W/ Business Plans	W/o Business Plans	Difference	% Difference
Direct to Consumer				
Total Annual Volume	152,295	871	151,425	+17,395%
Average Volume	25,383	67	25,316	+37,806%
Median Volume	125	35	90	+257%
Wholesale				
Total Annual Volume	157,730	43,428	114,302	+263%
Average Volume	26,288	6,204	20,084	+324%
Median Volume	1,800	400	1,400	+350%

Marketing

Eighty-three percent of the producers surveyed are involved in direct marketing of their pork niche products and 70% of the producers are involved in wholesale marketing. Over half (53%) of the producers are involved in both direct marketing and wholesale marketing of niche pork products. In Iowa the findings were similar with 85% of the producers involved in direct marketing, 67% involved in wholesale marketing, and 52% involved in both direct and wholesale marketing of their pork niche products.

% of Producers	Direct	Wholesale	Direct Mktg Only	Wholesale Mktg Only	Both
Iowa	85%	67%	33%	15%	52%
Other States	78%	78%	22%	22%	56%
Total	83%	70%	30%	17%	53%

Direct Marketing

Seventy-eight percent of the producers who direct market their products utilize two or more marketing channels (see Appendix H), including:

- ❑ deliver hogs to locker, and consumers pick up product there (59%)
- ❑ direct delivery to consumer's homes (59%)
- ❑ direct delivery to other locations (e.g., work place, churches, etc.) (44%)
- ❑ farmers' markets (37%)
- ❑ on farm pick up (37%)
- ❑ web site (30%)

The producers reported selling a total annual volume of 190,003 hogs through direct marketing, with a capacity to sell slightly over 2.1 million hogs per year. Annual producer volumes ranged from six hogs to 150,000; and annual capacity volumes ranged from 20 hogs to 500,000 hogs. Producers have been marketing hogs directly an average of 6.3 years (see Appendix G).

In Iowa, 76% of producers who direct market their products utilize two or more channels, including:

- ❑ deliver hogs to locker, and consumers pick up product there (71%)
- ❑ direct delivery to consumer's homes (57%)
- ❑ direct delivery to other locations (e.g., work place, churches, etc.) (38%)
- ❑ farmers' markets (33%)
- ❑ web site (29%)
- ❑ on farm pick up (24%)

Iowa pork niche producers reported selling a total annual volume of 153,166 hogs through direct marketing, with a capacity to sell 1.6 million hogs per year. Iowa producers have been marketing pork niche products an average of 6.6 years.

Wholesale Marketing

Seventy-eight percent of the producers who market their products through wholesale utilize two or more wholesale channels (see Appendix I), including:

- ❑ restaurants (81%)
- ❑ grocery stores (73%)
- ❑ other, such as brokers, marketing groups, etc. (69%)
- ❑ foodservice (58%)

These producers reported selling a total annual volume of 201,158 hogs through retail channels, with a capacity to sell nearly 2.4 million hogs (not including a new facility capable of supplying 2,000,000 more hogs.). Annual producer volumes ranged from 25 hogs to 151,000 hogs; and annual capacity volumes ranged from 50 hogs to 625,000 hogs. Producers have been marketing hogs wholesale an average of 5.7 years.

In Iowa, 72% of producers who market their products through wholesale utilize two or more channels, including:

- ❑ restaurants (72%)
- ❑ other, such as brokers, marketing groups, etc. (72%)
- ❑ grocery stores (67%)
- ❑ foodservice (44%)

Iowa pork niche producers reported selling a total annual volume of 201,158 hogs through wholesale marketing, with a capacity to sell 2.4 million hogs per year. Iowa producers have been marketing pork niche products an average of 5.3 years.

Niche Market, Product Differentiation

Producers reported differentiating their pork products by marketing them using the following characteristics (see Appendix J):

<input type="checkbox"/> Hormone Free	28%
<input type="checkbox"/> Antibiotic Free	25%
<input type="checkbox"/> Family Farm Raised	22%
<input type="checkbox"/> Genetics (Berkshire, Duroc, Chester White, etc.)	22%
<input type="checkbox"/> Natural	19%
<input type="checkbox"/> Taste (Unique, Great, etc.)	14%
<input type="checkbox"/> Pasture Raised/Not Confined	14%
<input type="checkbox"/> Locally Raised	11%
<input type="checkbox"/> Organic	11%
<input type="checkbox"/> Quality (High, Excellent, etc.)	9%
<input type="checkbox"/> Humane	6%
<input type="checkbox"/> Fresh	6%
<input type="checkbox"/> Know Where Your Hogs Come From	6%
<input type="checkbox"/> All Others	3%

(All others included: sustainably grown, fresh air, identity preserved, no animal by-products in feed, farmer owned, no msg/preservatives, no gmo's, home grown, 100% drug free, inter-muscular marbling, animal husbandry, and raised in traditional way.)

In Iowa, producers reported differentiating their pork products by marketing them using the following characteristics:

<input type="checkbox"/> Genetics (Berkshire, Duroc, Chester White, etc.)	30%
<input type="checkbox"/> Hormone Free	26%
<input type="checkbox"/> Antibiotic Free	26%
<input type="checkbox"/> Family Farm Raised	19%
<input type="checkbox"/> Taste (Unique, Great, etc.)	19%
<input type="checkbox"/> Natural	15%
<input type="checkbox"/> Pasture Raised/Not Confined	11%
<input type="checkbox"/> Locally Raised	11%
<input type="checkbox"/> Organic	11%
<input type="checkbox"/> Quality (High, Excellent, etc.)	11%
<input type="checkbox"/> All Others	4%

(All others included: humane treatment of livestock, know where your hogs come from, farmer-owned, no MSG, no GMOs, home-grown, 100% drug-free, and fresh air.)

Certification Program

Slightly more than one-third of the producers use some form of certification*—first party or third party (see Appendix K). Certification programs include:

First Party Verified

- Examples include signed agreements, internal standards, etc. 38%

Third Party Verified

- USDA – Processed Verified, Premium Quality 31%
- Organic 23%
- Federally Inspected 8%
- State of Iowa 8%
- Midwest Food Alliance 8%
- Free Farmed 8%
- NHTC (No Hormones) 8%
- PC Level III/Drug Withdrawal Certification 8%

**Some producers are participating in more than one certification program.*

In Iowa, slightly less than one-third of the producers use some form of certification*—first party or third party verified. Certification programs include:

First Party Verified

- Examples include signed agreements, internal standards, etc. 31%

Third Party Verified

- Organic 25%
- USDA – Processed Verified, Premium Quality 25%
- State of Iowa 13%
- PC Level III/Drug Withdrawal Certification 8%

**Some producers are participating in more than one certification program.*

Branding

Of the 25 producer groups that market to wholesale, 92% (23) use a brand label (see Appendix K). One group is working on getting approval for their brand labels and another group has not developed their own label yet. Of the branded labels, all are using either their own group label (91%), or a larger marketing group label such as Niman Ranch or Organic Valley Family of Farms (9%).

In Iowa, 17 producers market to wholesale and all but one use a brand label. The one producer group is currently not branding its products, but supplying a few natural food stores with fresh products.

Customer Outreach

Producers employ several methods to find customers for their niche pork products, but most rely on “word of mouth” (see Appendix L). Methods include:

- ❑ Word of Mouth 58%
- ❑ Advertising (Print, Radio, PR, Coupon Books, Directories, etc.) 22%
- ❑ Direct Mail/Newsletters 14%
- ❑ Internet (Web Sites, Emailing Lists, etc.) 14%
- ❑ Sales Calls (Face-to-Face or Phone) 14%
- ❑ Events (Farmers Markets, Neighborhood Association Mtgs, etc.) 6%

In Iowa, producers also rely heavily upon “word of mouth” to find customers for their niche pork products. Methods include:

- ❑ Word of Mouth 63%
- ❑ Advertising (Print, Radio, PR, Coupon Books, Directories, etc.) 15%
- ❑ Direct Mail/Newsletters 15%
- ❑ Internet (Web Sites, Emailing Lists, etc.) 15%
- ❑ Sales Calls (Face-to-Face or Phone) 15%
- ❑ Events (Farmers Markets, Neighborhood Association Mtgs, etc.) 4%

Geographic Focus

Nearly half (47%) of the pork niche producer groups are targeting their business development efforts locally (less than state-wide). About one-fifth (22%) are targeting the greater US in their marketing plans. Another one-fifth (19%) are focusing their business development efforts on state-wide markets. Approximately 11% of the producers are targeting region-wide marketing plans. In addition to these markets, 11% of the producers are also targeting international markets to help grow their businesses (see Appendix M).

In Iowa, 56% of the producers are targeting their business development efforts locally. About one quarter (26%) of the producers are targeting their efforts on the greater US market. Another 11% are focusing their marketing plans on the regional market, and only 7% of the producers are targeting a statewide market. In addition to these markets, 11% of Iowa producers are also targeting international markets to grow their niche pork business.

Processing

In general, producers reported being satisfied with the processors they were currently using (see Appendix N). Eighty-six percent of the producers said the processors were meeting their current needs. The other 14% of the producers stated the following reasons for not being satisfied with their current processor:

- ❑ Processing costs too high for local producers, and packaging quality poor.
- ❑ Processor not willing to process cured meats without nitrates.
- ❑ Poor customer service.
- ❑ Bottlenecks and delays during deer season.
- ❑ Processing capacity not available when producer needed it. Locker backed up and delays meant loss of business.

In Iowa, 89% of the producers were satisfied with their respective processors. The 11% of the producers not satisfied with their current processors stated the following reasons for not being satisfied:

- ❑ Processing costs too high for local producers, and packaging quality poor.
- ❑ Processor not willing to process cured meats without nitrates.
- ❑ Poor customer service.

Greatest Business Needs

Given the challenges facing pork niche producers, the four greatest needs reported by the 36 producers and producer groups, including those in Iowa (see Appendix O), were the following:

- ❑ **Marketing** - mentioned most frequently by producers, this need is far and wide the greatest one facing pork niche marketing groups. Many different facets of marketing were mentioned including: pricing (determining profitable pricing model for different cuts of pork), promotion (efficient and effective advertising and public relations), new product development (adding value to current products as well as developing new value added products such as ready-to-serve convenience products), sales (maintaining and increasing sales levels as well as sales assistance in different marketing channels such as grocery stores, food service accounts, etc.), and market development (finding new markets for less popular cuts of pork).
- ❑ **Processing** - the needs mentioned often in the processing area include: more affordable and cost effective processing, more accessible processing (accessibility is a problem because either the processor does not want to work with small producer groups, or there is no processor in the vicinity of the producer group), more availability of USDA inspected processing facilities (there are not enough USDA

inspected facilities to meet the needs of producer groups), more capacity (similarly, there is not enough capacity within processing facilities to meet the needs of this growing niche market), more capability among processors to produce value-added products in their facility, more flexibility among processors to work with smaller volume producer groups, and finally more customer service-oriented processors.

- ❑ **Capital** – mentioned many times, producer groups need several things related to capital including: access to capital (to support an expansion or a new introduction, etc.), assistance with capital/equity drives, and assistance with lining up financing for start-up phases (3-4 years).
- ❑ **Distribution** – producer groups need access to cost-effective distribution. Several producers cited difficulties in obtaining distribution for their products due in part to the high costs for pick up and delivery of products, especially fresh cuts, and the lack of low-cost distribution alternatives.
- ❑ **Utilization** - mentioned several times, and ranked closely with distribution as an important producer group need, the lack of profitable utilization of cuts of pork other than the loins poses a significant threat to long term profitability. Already highlighted under marketing need, producers must find profitable ways to market all the other cuts of pork to support the producer group's business.

Assistance that Would Have Been Useful

When producers were asked to reflect back over the years and identify areas of assistance that would have been useful to them in their business, the producers cited the following areas (see Appendix O):

- ❑ **Marketing** – producers agreed that assistance in marketing would have been very useful. Some farmers commented they knew how to produce the pork products, but they lacked the technical knowledge in marketing these products through a variety of marketing channels (grocery, food service, etc.). The areas identified by the producer groups coincided with the four “P’s of marketing—product (new product development, value added product development, market research, analysis of product options, packaging/labeling assistance), pricing/profitability (analysis of pricing for products, assistance in establishing profitability targets, understanding and managing costs), placement/distribution (identifying and determining cost-effective distribution options), and promotion (assistance with advertising, consumer education materials, public relations plans, customer oriented marketing materials, setting up an e-commerce web site, sales, and brand development).
- ❑ **Capital** – producer groups consistently mentioned the need for capital when planning new ventures. Assistance in identifying sources of capital and financing such as federal and state grants, low-interest loans, equity drives, etc., to cover the

start-up costs for new equipment, operating expenses, new staff, etc. would have been very useful. Some producer groups did participate in various USDA programs, but more assistance in this area is needed.

- ❑ **Strategic Planning** – producer groups identified the need for assistance in developing a strategic plan, or as one group representative stated “a map to guide us through”. Other related areas of assistance included development of a feasibility study, development of a business plan, a thorough analysis of the food industry to determine best niche to target (strategic marketing plan), and greater understanding of how to get help from a university (creating strategic partnerships).
- ❑ **Technical Support** – producer groups also identified areas of technical support that would have been valuable such as: a guide to help find financial and technical resources at the USDA, an understanding of all the state agricultural programs that producers can utilize, and general awareness of other agriculture resources and programs available through public and private (foundation) sources.
- ❑ **Regulatory** – to a lesser degree producers, mentioned assistance in understanding federal and state laws related to food— processing, handling, preparing, and marketing (such as state license requirements, interstate license requirements, food labeling requirements, etc.)
- ❑ **Processing** – as noted in the “needs” section of this report, producer groups have concerns about processing and indicated that assistance in developing a plan for processing products, including identifying all the federally inspected processors available for their products, would have been very helpful.

IV. Conclusions

In light of the key business needs identified above and the areas of assistance that would be helpful, there are four key conclusions that emerge from this survey.

1. Marketing expertise and assistance is a key business need for pork niche marketers in the Midwest. Producers as individuals and groups are recognizing their need for product line strategy, positioning strategy, pricing/profitability strategy, market channel strategy, processing strategy, and a logistical strategy. Technical assistance, training support, and research support in key areas of marketing could make a significant impact with pork niche marketers.
2. Processing is another key issue for the future of niche marketing. Providing technical assistance in the areas of research (feasibility studies, surveys, seminars, etc.) and identification of processing options and creative solutions would provide a significant service and meet a very important need for pork niche marketers. Could producer groups work together in some way to gain the critical mass required by some

processors? What other creative ways are there to help reduce the costs of processing and increase the power of the small to mid-size producer groups?

3. Accessing capital and learning successful ways to raise capital for new business ventures is another very important need and area of opportunity for groups like the Pork Niche Marketing Working Group to be support pork producers by providing technical assistance. Understanding the various sources of capital and how to access those resources is critical for a producer group to be successful.
4. Developing a strategic business plan that includes all phases of marketing, operations, finance, sales, and regulatory is another critical area that producers are looking for assistance. There is an opportunity for groups like the Pork Niche Marketing Working Group and others to provide technical assistance to help producers through the multi-phase process of developing a business plan and launching a new business. In addition, given the relatively high percentage of producer groups working independently and the growth opportunity for producers in niche markets, there may be an opportunity to provide technical assistance to groups of producers interested in forming cooperatives and/or establishing some sort of corporate structure (e.g., LLC).