

# Comparing Swine Niche Market Opportunities

Iowa Pork Industry Center ICN program – originally presented Aug. 20, 2001

Updated Information current as of November 1, 2003

The changing structure of the swine industry has fostered the creation of new markets and interest by swine producers in considering alternatives to the traditional commodity system.

Normal live production – ~~loss ownership~~ -> Market to Packer → Processing → Wholesale → Consumer

The point at which the pig is sold or ownership lost will determine the reward and risk potential to capture a greater portion of the consumer dollar. The following approaches may or may not be considered “niche markets” depending upon the definition of “niche.” For this program, “niche” is defined as any marketing system (in part or whole) which does not use our current commodity-based marketing channels. The following marketing approaches are being used:

## 1. Special Attributes for Production and/or Marketing

Development of Brand or Name Recognition key issue

Production – ~~loss ownership~~ -> Market to Packer → Processing → Wholesale → Consumer

Production with special attributes or limitations (specific genetics, humane production or antibiotic free)

- Target Markets: Packer or Market Maker (e.g., Niman Ranch, 100% Berkshire Pork)

## 2. Retailed or Repurchased Ownership

Development of Brand or Name Recognition key issue

Production → Processing → Wholesale → Consumer

Production may require conventional or special attributes (antibiotic, humane or organic)

- Target Markets: Wholesale, Grocery Chains, Restaurants, Customers (e.g., Organic Valley – CROPP Pork Pool)

Production – ~~loss ownership~~ -> Market to Packer – ~~repurchase~~ -> Processing → Wholesale → Consumer

Production may require conventional or special attributes (antibiotic, humane or organic)

- Target Markets: Wholesale, Grocery Chains, Restaurants, Customers

## 3. Direct Marketing:

Production → Processing → Consumer

Production may be conventional or special (antibiotic, humane or organic)

- Target Markets: Consumers, Restaurants, Community Supported Agriculture (e.g., Eden Farms)

**Information is provided for awareness of approaches and is not a statement of endorsement for companies or products presented, nor is criticism implied for organizations or approaches not listed. The information is current as of November 1, 2003.**

The following chart provides comparisons of five swine niche market opportunities. Groups included are active in the state of Iowa and are new or open to additional participation. Markets presented are: Niman Ranch Pork Company, Organic Valley Pork Pool, Truline Premium Pork, 100% Berkshire Pork and Five Star Premium Pork Company. The candid sharing of information is appreciated. Because details of business may change, please direct company specific questions to the appropriate contact person listed.

*Note: The original ICN program and chart presented eight market opportunities. Organizations not presented here are: Confederated Swine Producers LLC (business structure and facility changes); American Berkshire Gold & Royal Berkshire Pork (marketing programs discontinued); and Chester White Pork (re-evaluating market).*

For questions or comments contact Mark Storlie, ISU Extension Swine Field Specialist, E-mail: mstorlie@iastate.edu  
Information compiled with assistance of Larry McMullen, ISU Ext. Swine Field Specialist; Russ Euken, ISU Ext. Livestock Field Specialist; and Tom Baas and Sherry Hoyer, Iowa Pork Industry Center.

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Name of Niche Market (system):	Niman Ranch Pork Company & Niman Ranch	Organic Valley Organic Pork Pool	Truline Premium Pork
<b>1. Goal or Mission:</b>	"Humanely raise the best tasting pork and provide the farmer with fair share of the market price. "	"The goal of our cooperative is to return an organic premium and a consistent pay-price month-to-month to our farmers for their certified livestock."	"To produce and market for our customer, the world's finest pork that is high quality, delicious, health and consistent"
<b>2. Year Started:</b>	Niman Ranch Pork Co.- 1995 Niman Ranch late 1970's.	1998	1999
<b>3. Contact Person:</b>	Paul Willis, Manager, or Lori Lyon, Quality Manager, or Philip Kramer 2551 Eagle Ave Thornton, IA 50479 Phone 641-998-2683 Fax 641-998-2774 e-mail: lorij@nimanranch.com or philipk@nimanranch.com www.nimanranch.com	Allen Moody, Coordinator 507 W. Main St. LaFarge, WI 54639 Phone 888-444-6455 ext. 240 Fax 608-625-2300 e-mail: allen.moody@organicvalley.com www.organicvalley.com	Everett Forkner RR 1, Box 19 Richards, MO 64778 Phone: 417-484-3306 Fax: 417-484-3317 e-mail: efortkg@kimtel.net www.truelinegenetics.com
<b>4. Producer's production is directed - when to breed/farrow for the system</b> Comments:	No  Niman Ranch Pork will tell them when the supply has not met demand so producers may target production for low supply.	Yes  Producers, based on seniority, sign-up for production commitment (breeding/farrowing).	No
<b>5. Genetics: (limitations)</b> Comments: Attributes required	No*  Genetics that provide good eating pork-variety of genetics have been used. Should be able to perform in outside environment.	Yes*  Preference is for Berkshire boars crossed with Chester White gilts and sows. Tolerance for Duroc, Hampshire, and other traditional breeds. NO TOLERANCE for Landrace, York, Large White, extra-lean breeds, etc.	Yes*  Duroc sired market pigs with gradual rollover of sow herd to a full Truline Program.
<b>6. Feed: Specific Supplier</b>	No	No	No
<b>7. Feed Formulation:</b> Comments:	Exclude Some Ingredients No meat products, no GMO's when possible.	Strict Limitations - Certified Organic Feed Ingredients, no GMO sources	Requires specific ingredient (Details not provided)
<b>8. Feed Additives:</b> Comments:	No Antibiotics or artificial growth promotants Wormers, probiotics okay	No Medications	Limited feed medication  Details not provided
<b>9. Animal Treatment:</b> (No limitations; limited treatment; no treatment) Comments:	Limited Treatments Niman cannot buy any hogs given ANY antibiotics. However, it is AWI policy to humanely treat sick or injured animals. Therefore, animal treated with antibiotics would have to be sold to alternative market. Animal Welfare Institute Pig Husbandry Guidelines complete text available: <a href="http://www.awionline.org/farm/AWIPig%20Standards.htm">http://www.awionline.org/farm/AWIPig%20Standards.htm</a>	Limited Treatments No antibiotics allowed. Paraciticides are allowed for breeding stock not meant for slaughter. Vaccinations are acceptable - prefer organic products. Only organic treatments allowed, such as homeopathics, herbal remedies, etc..	Limited Treatments (Details not provided)
<b>10. Facilities:</b> Comments:	Limitations on buildings, bedding required and space allowance/pig requirements No confinement, no crates, access to bedding required in all phases, no overcrowding. Contact for specific space requirements.	Limitations on buildings, bedding required and space allowance/pig requirements No confinement, no pits, sows must be able to move in and out of farrowing area, no crates, access to bedding and outdoors required in all phases, no overcrowding. Contact for specific space requirements.	Limitations on buildings  (Details not provided)
<b>11. Market Arrangement:</b> Comments:	No Formal Arrangement  Producers who have been in the longest and/or have better meat quality have priority in marketing pigs when the supply is more than demand	CROPP Cooperative is the farmer/member organization and the livestock meat products are marketed through a wholly-owned subsidiary called the Organic Meat Company (OMC). Producers who have been in the longest have priority in marketing pigs when the supply is more than demand	Contract  Marketing Fee of \$1.00/head
<b>12. Market Commitment:</b> (All production must be marketed through system; System will take all production; System may take some production; System has right not to accept any production)	System may take some production and reserve the right not to accept any production	System may take some production and might not accept any production on a limited basis.	System will take all production

Name of Niche Market (system):	Niman Ranch Pork Company & Niman Ranch	Organic Valley Organic Pork Pool	Truline Premium Pork
<b>13. Producer Retains Ownership until:</b> Comments:	Live pigs are delivered Niman Ranch Pork Company will pay for pigs on a carcass basis once data has been collected. Delivery is on Wednesdays and payment would be sent by mail typically on Friday. Niman Ranch pays Niman Ranch Pork Company for meat.	Live pigs are delivered Organic Valley pays for pigs based on base price in addition to individual carcass premium/discount (carcass wt., % primal lean, backfatgrid).	Live pigs are delivered
<b>14. Payment Basis : Live Wt \$/lb. or Carcass Wt \$/lb.</b> Comments:	Carcass Wt. \$/lb.	Live Weight \$/lb Base pay price \$0.76/# hot carcass, winter farrowed pigs are paid \$0.83/# hot carcass (on the rail).	Carcass Wt. \$/lb.
<b>15. Payment system or Formula - Describe:</b> Comments:	Day of delivery National daily direct hogs price afternoon report +\$2.00/cwt (carcass basis) is the market reference point for setting price. Floor price plus a market premium and an individual carcass merit premium. Live pricing- floor of \$34/ live cwt. \$6/live cwt. premium is provided until market reference hits \$48 Then the premium is the difference between the market reference and \$51/cwt. If market reference is above \$51/cwt then the premium is \$3/cwt. Carcass pricing - floor \$46.25/cwt Premium is \$8.16/cwt. until market ref. price hits \$65.30/cwt. Then premium is the difference between market reference and \$69.38/cwt. When market reference is above \$69.38 then premium is \$4.08/cwt. Individual carcass merit premium and discounts also apply.	Unique relationship- producer members set pay price with Organic Valley. Organic Valley establishes retail pricing based upon pay price and market forces. Thus a base pay price is established. Individual carcass merit premium and discounts also apply as determined by a pricing grid. This is established by coop members in conjunction with the Organic Meat Company (OMC) specifications.	Carcass base price (\$3.00/cwt over IA/Southern MN wt. Daily avg.) plus or minus carcass merit. Top grid is 49-53% lean.
<b>16. Minimum Price provided:</b>	Yes - (Floor price)	Yes - (based price)	No
<b>17. Marketing Fees: System wide or Trucking</b>	Trucking	Trucking - Producer pays for first 30 miles of hauling.	System Marketing Fee \$1.00/head
<b>18. Producer or System determines marketing schedule or delivery dates:</b>	Producer provides Niman ranch with anticipated dates and numbers to be marketed. Niman ranch determines how many pigs it can take from accepted producer when supply is more than demand	Producers follow production sign-up and provide monthly inventory reports on live animals and weights.	Producer provides anticipated dates and numbers to be marketed.
<b>19. System arranges trucking:</b> Comments:	No Comments: Will try to get producers in same area to work together if they can. Producers arrange and pay for trucking.	Yes - farm & collection point Two main trucking routes exist from Wisconsin to Sioux Preme Pack - this allows for farm pickup if near route.	Yes
<b>20. System has collection points: If so - List town locations</b> Comments:	Yes locations: Cascade, Charles City, Clarinda/Villisca, Meservey, & Knoxville/Sigourney, IA; Columbus & Sargent, NE; Montgomery City, MO; 1 in IL	Hogs are picked up directly at the farm. If necessary, NFO collection points are used.	Yes Maryville, MO
<b>21. System Packer / Market:</b>	Sioux Preme Pack Sioux Center, IA	Sioux Preme Pack Sioux Center, IA	Sioux Preme Pack Sioux Center, IA
<b>22. Does system have membership or ownership requirements: (Annual fees, Stock purchase, etc.)</b> Comment:	Yes Capital Contribution of \$.015/lb live weight paid when pigs are marketed. Niman Ranch Pork will also provide a matching contribution. Producer's share is redeemable if producer goes out of business.	Yes Stock Ownership - one-time investment. Must maintain 5.5% of estimated annual gross sales to Organic Valley, adjusted annually. Example: annual gross sales \$100,000 need \$5,500 invested in stock. Stock redeemable upon leaving coop.	No
<b>23. Additional Fees to Participate: (example - Organic Certification fees)</b>	No	Yes - Organic Certification (certification is third party)	No

Name of Niche Market (system):	Niman Ranch Pork Company & Niman Ranch	Organic Valley Organic Pork Pool	Truline Premium Pork
24. Approximate number of members:	150	10	30
25. Approximate total number of animals marketed per year:	95,000 /yr	1,500/year in 2000; 2,300 in 2003; expect 3,000 to 4,000 in 2004	Approx. 25,000 - 30,000
26. Approx. no. animals exported, where:	None	n/a	Approx. 15,000 to Japan
27. Approx. no. animals used in US domestic market and location:	95,000/year	All production	Approx. 10,000 in Midwest
28. Where is the pork in the domestic market being utilized the most:	Hotel Restaurant & Retail	Retail Grocery Stores and Food Service Restaurants	Retail Stores
29. Criteria beyond genetics and production protocol and how is it measured? (i.e. Muscle quality, pH, color, marbling, taste)	Initial taste testing, submitted feed labels, signed affidavits, farm visits	Initial taste test, boars are scanned for loin eye area.	pH and color score
30. What quality controls are in place?	Farms visited after passing test taste Samples are pulled each week from various producers for taste testing	Farm Visits, breed limitations, taste testing.	(No response provided)
31. Is there any certification, audit, or periodic review of the system?	Yes - internal periodic review, Random audits possible	Yes - Organic Certification Process and on-site inspections by Coop field rep	Yes
Comments:	Comments: Not by any external group, internal reviews, checks have been explained.		Semi-annual - cut test at packer
32. Are there market opportunities for animals that meet specifications but when not enough demand when they need to be marketed?	Sioux Preme may have a bid available for pigs that meet requirements but are not needed by Niman Ranch. A few pigs may be marketed if they meet most requirements.	Program is set to match supply and demand. However, alternative markets include natural, American Berkshire Gold and conventional.	"Depends on the USA hog market - as the price increases, it seems the quality product get harder to market"
33. Is there a brand name for the pork marketed?	"Niman Ranch" -trademark owned Niman Ranch	"Organic Valley Family of Farms" -trademark owned by CROPP Cooperative	"Truline Premium Pork" - trademark owned unknown
34. Is there a time of year or season when demand is larger than supply or vice versa?	Last 2 weeks in June -Aug lack of supply. Oct- Nov and sometimes in March and April some over supply.	Program needs more potential for winter/summer farrowings.	"Fall and Winter" - details not indicated
35. How secure or stable are the markets that the system is providing pork for?	"As good as any"	"Organic meat market is relatively small and in a growth phase and will be for a long time."	"Not stable depending on demand and price"
36. What Market or consumer research has been done, if any, by the system or end user?	End user feedback has been good. Kliebenstein study on premiums for humanely raised pork	Limited in-house funded surveys that tell us the consumer knows very little about organic meat.	(No response provided)
37. Is there any documented cost and/or net profit information for producers wishing to participate in this niche market?	No	No	Yes, we have all records of pigs marketed in 2000 and 2001 (January-July) comparing their net receipts to local markets in their area
38. Are there any additional costs to market pigs into this niche market?	No	Attendance of bi-monthly pool meeting is required.	No
39. Are there plans to expand the market for this niche or will it stay at the current scope?	Yes - could sustain 30% growth per year currently.	Yes, we intend to expand as much as the limited supply and market will allow.	"Yes, we plan to expand and possibly merge with another breeder to expand the producer base"
40. If yes to expand, what are plans and scope for expanding this niche market?	"Hiring additional staff to manage office and locate producers-need the hogs"	CROPP Cooperative is currently looking for new organic hog producers to raise organic hogs to our specifications. Contact Allen Moody for more information at 888.444.6455.	"Possibly merge with another breeder to expand the producer base to have more bargaining power with other packers"

Name of Niche Market (system):	100 % Pure Berkshire Pork	Five Star Premium Pork Company
<b>1. Goal or Mission:</b>	100% pure Berkshire Pork (export) "Develop and enhance the exportation of pure Berkshire pork to the rest of the world"	"Produce and deliver extraordinary quality, fresh certified Duroc pork products to the U.S. foodservice industry"
<b>2. Year Started:</b>	1998	2001
<b>3. Contact Person:</b>	American Berkshire Association, Amy Smith, Office Manager, PO Box 2436, West Lafayette, IN 47996-2436 phone 765-497-3618 fax 765-497-2959 web: www.americanberkshire.com  ABA = American Berkshire Association BMP/LLC = Berkshire Meat Products, LLC / A wholly owned subsidiary of ABA	Doug Stewart 1750 212th Street Waverly, Iowa 50677 Phone 319-352-1709
<b>4. Producer's production is directed - when to breed/farrow for the system</b> Comments:	No	Yes  Pigs are harvested on a weekly schedule
<b>5. Genetics: (limitations)</b> Comments: Attributes required	Yes Certified Registered Herd Certified Commercial Herd Certified Feeder Pig Herd Herd boars must be stress gene and Napole gene negative	Pure Duroc w/ registration papers Genetics must be negative for Halothane Gene and acceptable meat quality standards
<b>6. Feed: Specific Supplier</b>	No	No
<b>7. Feed Formulation:</b> Comments:	No Limitations	No Limitations
<b>8. Feed Additives:</b>  Comments:	No Limitations	No Limitations
<b>9. Animal Treatment:</b> (No limitations; limited treatment; no treatment) Comments:	No Limitations	No Limitations
<b>10. Facilities:</b>  Comments:	No Limitations	No Limitations
<b>11. Market Arrangement:</b>  Comments:	No Formal Agreement	No formal Agreement (contract is in development)
<b>12. Market Commitment:</b> (All production must be marketed through system; System will take all production; System may take some production; System has right not to accept any production)	Take some production or market contract with packer	System may take some production and reserves the right not to accept any production



Name of Niche Market (system):	100 % Pure Berkshire Pork	Five Star Premium Pork Company
24. Approximate number of members:	Approximately 300 producers	25
25. Approximate total number of animals marketed per year:	Approximately 500 head per month or 6000 head per year	Undetermined
26. Approx. no. animals exported, where:	All production - Japan	(No response provided)
27. Approx. no. animals used in US domestic market and location:	Approximately 360 head per year	Undetermined - first year of operation
28. Where is the pork in the domestic market being utilized the most:	Hotel Restaurant and Restaurant	Hotel Restaurant and Restaurant
29. Criteria beyond genetics and production protocol and how is it measured? (i.e. Muscle quality, pH, color, marbling, taste)	Taste is main requirement, PQA Level III, Stress gene negative, and Napole gene free breeding stock	"Random sample is evaluated for all quality characteristics"
30. What quality controls are in place?	Visual inspection, packer must be provided a registered pedigree prior to slaughter, or be from one of three designated "Certified Herds"	Quality is evaluated at processing and wholesale levels, feedback is obtained from restaurant
31. Is there any certification, audit, or periodic review of the system?	The three designated "Certified Herds" are annually audited by ABA representatives	Yes
Comments:		System is reviewed periodically
32. Are there market opportunities for animals that meet specifications but when not enough demand when they need to be marketed?	Normal Pure Berkshire markets, SIG International, and Geneva Meats, Inc.	"First year of operation - currently demand exceeds supply"
33. Is there a brand name for the pork marketed?	"100% Pure Berkshire Pork" - trademark owned by ABA	"Five Star Premium Pork" - trademark unknown
34. Is there a time of year or season when demand is larger than supply or vice versa?	Presently supply meets demand	No
35. How secure or stable are the markets that the system is providing pork for?	Somewhat stable	Markets are stable
36. What Market or consumer research has been done, if any, by the system or end user?	Very little to date - need much more	Numerous projects conducted by National Pork Board (NPPC) have identified Duroc pork as superior in meat quality characteristics. Market and consumer research has been conducted to identify traits most important to restaurant chefs and consumers
37. Is there any documented cost and/or net profit information for producers wishing to participate in this niche market?	No	No - being developed
38. Are there any additional costs to market pigs into this niche market?	Registration of pigs and/or Herd Certification costs	No
39. Are there plans to expand the market for this niche or will it stay at the current scope?	Expand	Expansion will be determined by the market
40. If yes to expand, what are plans and scope for expanding this niche market?	Development of Processed Verification Certification Program with USDA-AMS is nearly completed and will lend credibility with markets and consumers in Japan	Group will look at expanding to markets for Duroc-sired pork products

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