

Business Organization and Coordination in Marketing Specialty Hogs: A Comparative Analysis of Two Firms from Iowa

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Introduction

- ▶ Study two pork niche marketing firms to learn about what kinds of marketing, coordination, logistical, and general business organization issues are important.
- ▶ Document challenges and solutions (or at least attempted solutions)
- ▶ Improve coordination and organizational efficiency of firms

Table: Distribution of operation sizes.

Size (marketed head)	Number of operations			Percentage of operations		
	Iowa	Firm A	Firm B	Iowa	Firm A	Firm B
1-99	1560	40	5	15.90	11.49	38.46
100-499	3040	199	6	29.40	57.18	46.15
500-999	2000	79	1	19.34	22.70	7.69
1000-1999	1820	21	1	17.60	6.03	7.69
2000+	1920	9	0	18.57	2.59	0.00

Specific focus areas for study: “Coordination and Business Organization”

1. Planning and logistics
2. Quality assurance
3. Process verification
4. Business structure
5. Profit sharing and incentives

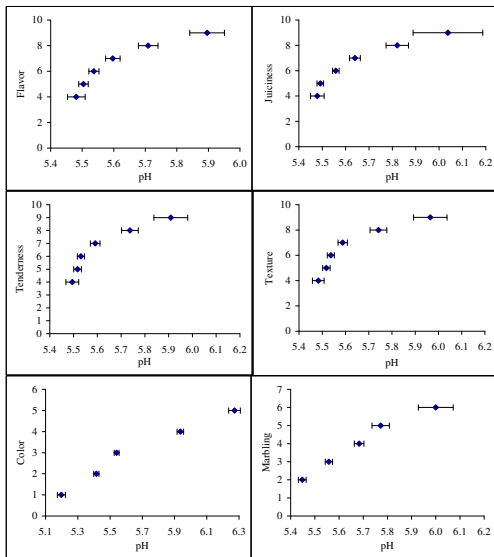
Planning and logistics

- ▶ Finding weekly/monthly market and arranging for delivery
- ▶ Load logistics for small operation
- ▶ Finding a market for all parts of the animal

Constant challenge; some attempt to anticipate with forward-looking predictions from growers; developing product and demand for hams and other non-primals parts

Quality assurance

- ▶ *Ex post* evaluation and measurement vs. breed uniformity
- ▶ pH is an excellent indicator of eating quality (see figure)
- ▶ Niche hogs need some exercise! (see figure)



Horizontal lines are 95% confidence for the expected value of pH.

Market	Average premium (\$/head)
Company A	-2.91
Excel	-1.05
SiouxPreme	-2.58
Tyson	-0.75
Morrel	-3.63
Farmland	-2.99

Process verification

- ▶ Very little; remarkable and points to importance of reputation; benefit vs. cost
- ▶ Both are considering something more intensive, but nothing so far

Business structure

Relative to traditional comparison,

- ▶ Timing of payment after delivery
- ▶ Participation of members from multiple states

Cooperative structure relaxes both these constraints.

Profit sharing and incentives

- ▶ Rewarding hog quality vs. member commitment
- ▶ Risk sharing and marketing effort
- ▶ Compensate for cost of niche marketing (see figure)

