

WDATCP Agricultural Development and Diversification (ADD) Grant Final Report

Grant # 17090

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Project Title: Bringing Wisconsin Raised Pork to the Marketplace

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Project Aim, Anticipated Benefits and Results

The opportunity for this project was to develop and implement both business and marketing plans to bring Wisconsin Raised Pork to the marketplace, ultimately benefiting both the producer and the consumer.

Four main objectives were pursued to address the opportunity:

1. Development of marketing channels and expertise necessary to bring Wisconsin Raised Pork to the consumer.
2. Identification and/or development of slaughter capacity and expertise to handle the necessary volume of hogs.
3. Identification and/or development of processing capacity and expertise to match the output of the slaughter facility and have the ability to provide product in a form that the marketplace desires.
4. Provide information in the form of a workable business plan to provide a framework for producers to be able to be part of an ongoing value added business.

Objectives one through three have been significantly or completely accomplished with substantial progress being made on objective four. The development phase of the opportunity has been by and large accomplished. Work on implementation is ongoing with several viable opportunities being actively pursued.

Project Summary

The project began by expanding previous work of investigating slaughter, processing and marketing options. A state inspected plant in Southwest Wisconsin was identified as a workable facility that had available capacity. Identification of viable marketing opportunities was initially not as successful. Existing retail outlets that were contacted viewed possible products as a commodity and didn't feel that there was enough differentiation to warrant further talks. Ethnic markets were contacted, specifically Hmong communities in the Marshfield area as well as Hispanic outlets in the Milwaukee area. Numerous barriers; including well established suppliers, small volume markets (in several instances) and ability to utilize the entire animal became apparent. The Pork Schoppe through which WPA markets chops and burgers at the Wisconsin State Fair continued to look like a viable market to expand on. WPA continues to work through trade mark and other issues with the Pork Schoppe.

Representatives of WPA also investigated the possibility of purchasing an existing state inspected plant and building marketing from that base. The due diligence process quickly identified several problems with plants that were currently for sale.

WPA acquired additional knowledge and expertise by various methods. Representatives attended meetings including: National Pork Board niche pork marketing, UW Extension meat marketing, Wisconsin Association of Meat Processors, Cooperative Development Services, WDATCP and others. Meetings were held with companies and agencies with expertise in the financial and legal arena as well as with product labeling and licensing. Builders with expertise in small slaughter and processing plants were contacted. Many different models across the nation involving niche marketing were explored for ideas and possible application. WPA contracted with the National Pork Board to do an economic impact study of the industry within the state and obtained information on carcass yield differences between different breeds.

One of the key roadblocks in moving the project forward was identifying a suitable consultant with expertise in the area of niche pork marketing. It was relatively easy to identify individuals with expertise in law, finance, marketing, business planning, etc.. Finding someone with the skill set that was needed, however, proved to be a difficult task. Fortunately, WPA was exposed to Keith DeHaan of Food and Livestock Planning, Inc. (FLPI) based out of Kansas City, Missouri. After vetting Keith and his firm, WPA contracted with FLPI to produce a feasibility study on the topic of bringing Wisconsin Raised Pork to the marketplace.

FLPI in conjunction with WPA did an in depth series of interviews with three foodservice distribution companies, two retail distribution companies, two further processor/food distribution companies as well as two state inspected slaughter/processing facilities. These interviews, past work by WPA and other industry information was utilized by FLPI to put together an extensive feasibility study. The study was presented to the WPA board, membership and other interested producers. The feasibility study and associated information have proven to be valuable resources for moving the project forward.

As a result of the feasibility study and many other efforts, several viable marketing opportunities have been identified. Meat case managers are looking for something to differentiate them from Wal-Mart or other large retail outlets. Foodservice companies are interested in something to take to their high end customers that is unique. White tablecloth restaurants are looking to sell a local, sometimes even breed and farm specific connection. Negotiations are ongoing with all three of the above categories. One impediment to marketing is that the middle meats are much more marketable than the shoulders or hams. This is also true with the WPA Pork Schoppe Chop. This hurdle must be overcome to move forward.

WPA has currently identified three viable slaughter/processing facilities that have the capacity, expertise and willingness to work with a niche marketing program. One facility is under federal inspection while the other two are state inspected. Cutting tests which included weighing of primal and other cuts have taken place at one plant. More informal cutting tests have been done at another plant. The owner of one plant is currently running a delivery route to the Milwaukee area and the owner of another plant is actively pursuing the option of running a delivery route into the Madison area.

Project Challenges

One of the first challenges that was faced was narrowing down the number of opportunities and determining what was viable and what was not. The large number of possibilities that were explored led to a lack of focus and “analysis paralysis” in terms of moving forward. This sifting and winnowing process should have been dealt with much more quickly than what it was.

As detailed in the project summary, finding the correct consultant was a very big roadblock for this project. The pool of qualified individuals in the area of value added meat projects seems to be quite shallow. WPA was fortunate to be able to work with FLPI. A similar problem is the lack of successful models from around the country that can be replicated. There are numerous examples within the state of Wisconsin of successful meat operations of various sizes, but even on a national level there are few successful models of producer networks maintaining control from the live animal on the farm to the meat case or restaurant table.

Utilizing the entire animal is one of the largest (if not the largest) struggles for this project. This will be an ongoing challenge as the project moves forward. The center cuts of the loins can be moved with no difficulty, and at a profit. Unfortunately, these cuts are a very small percentage of the total carcass that needs to be marketed. Creative ideas for utilizing the hams and shoulders especially have been and will need to continue to be aggressively pursued. Products such as high quality sausages, deli hams, specialty hams, pulled pork, barbecue pork, specialty bacon products and others will need to continue to be developed.

A related issue with utilizing the entire animal is pricing. Commodity pork is driven by low cost and high volume. A project of this scale is totally unable to compete on that basis. Clearly, as much of the carcass as possible must be able to justify a premium in the marketplace. A huge challenge in continued business planning is knowing what value to assign to various products. Meat can always be sold, the question is: At what price? Success or failure hinges on this basic question. A great deal of investigation has taken place on this subject and there is still a lack of comfort with the reliability of various projections. A key to success as this project moves forward will be having the financial strength to withstand inevitable miscalculations in pricing projections.

Developing an appropriate business structure is an area that also needs to continue to be addressed. Who will own it and how are basic questions but ones that must be answered correctly for success. Numerous examples have been looked at and evaluated but this needs continued work.

An additional challenge for the completion of the project was that a key team member had a family crisis which set the project back a number of months. WPA would like to thank WDATCP for their understanding in this area.

Project Achievements

A key achievement of this project was the development of a comprehensive feasibility study which includes a significant amount of business planning. Working with FLPI moved the project forward significantly. Participating in the interview process used to develop the study gave WPA a great deal of new information and knowledge of business opportunities. The expertise of FLPI filled a critical need for the success of this project. A copy of the feasibility study is included with this report. Confidential survey data from various sources has been eliminated but the summary and analysis of this data remains.

The National Pork Board provided information on the economic impact of the pork industry within the state as well as carcass yield data. This data is very important for evaluating where the industry is at currently and for assisting with business planning.

A number of viable options for marketing Wisconsin Raised Pork were identified. At least as important an achievement is that non-viable options were evaluated and identified as well. This process was a struggle, but a crucial one for moving the project forward.

Significant time and effort was made in meeting with many individuals involved with the meat industry. This included attending various meetings and visiting and interviewing individuals at various companies (formally and informally). A great deal of time was spent evaluating meat cases throughout the state. Menus were examined both online and in person to determine restaurant trends. Industry publications were reviewed on a timely basis to help determine marketing and processing opportunities. These activities all are an important part of the knowledge base developed through this project.

Identification of viable slaughter and processing options is a key achievement of this project. Previous investigations have not been nearly as successful in this area. As the livestock industry in the state continues to change the infrastructure in the state, including small slaughter and processing plants, is changing as well. Additionally, there have been plants that have changed ownership and are aggressively seeking new business. The identified plants currently have enough available capacity to allow for start up and significant growth.

A final achievement is quite possibly being in the right place at the right time. Concerns over food safety and origin as well as the desire to purchase locally are all rising. Movements such as organic, natural and slow food all speak to this trend. Additionally, both chefs and consumers are continually looking for both new and traditional high quality food items which certainly include pork. The focus of this project appears to be very well suited to capitalize on this trend.

Future Plans

The future plans for this project are to utilize the information developed with this grant to finish bringing Wisconsin Raised Pork to the marketplace and to continue to be able to do so in a sustainable, profitable business.