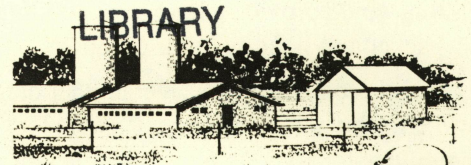


MAY 6 . 1994



Marketing Cooperatives: A New Twist on an Old Idea

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Livestock producers have been using various forms of marketing pools and cooperatives for many years. Marketing co-ops can still provide economic advantages in today's changing production environments, but may be organized in non-typical forms. Several economic advantages can be realized when producers unite into a single marketing or purchasing entity.

In many western states, markets are located far from production areas. A marketing pool gives producers several economies of scale that they most likely would not receive with individual lots of lesser volume. Specifically, shipping costs are diluted and buyers are willing to pay more for a truckload or large lot, provided on a prearranged delivery date. This type of pool can provide small producers more flexibility in terms of delivery time, alternative markets, and sale price. Hog producers across the country have organized these kinds of pools successfully for several years; many operate effectively in the Northwest.

Today, all pork producers are pressured to increase market weights, increase lot sizes, reduce backfat, and maximize uniformity. Marketing premiums, or higher prices, go to producers who can consistently supply a constant number of hogs. Most small-scale producers have difficulty marketing their hogs effectively, regardless of quality or distance from their primary packer. These hurdles will continue to grow. As the hog industry continues to integrate, a cooperative marketing program may determine the difference between survival or loss in the small hog enterprise.

New Marketing Options

The future of the hog industry revolves around producers who can provide (contract) a specific number of uniform, quality hogs on a weekly basis. Packers, regard-

less of operation size, are interested in a constant hog supply. Packers are developing programs or procedures to standardize lot size and quality of the live hogs they purchase. They are achieving these goals by contracting producers with consistent quality and quantity, or by producing their own hogs.

- **How can small scale producers compete?** One way would be to organize a local marketing pool or co-op regardless of the distance to the local market or packer. In its simplest form, this type of pool would provide a minimum number of hogs on a regular basis. Instead of marketing small groups of hogs randomly, local producers would market together to consistently provide a relatively large number of hogs. This idea is no different than other marketing pools in the Northwest; however, this type of co-op may improve the marketing position and provide several marketing advantages for small producers with local markets.
- **How could this type of local co-op benefit small producers?** Initially, local producers could shop for bids on larger lots of hogs. Producers could also negotiate a higher base price for hogs marketed locally through a marketing co-op or pool. A \$1 increase in base price for a producer marketing 320 head (20 sows, 16 hogs marketed/sow/year) of hogs annually would generate a \$768.00 revenue increase. In the West, there is often a relatively large distance between competing packers, making it difficult for producers to compare marketing options. Consequently, a marketing co-op probably won't be able to shop for prices routinely. New



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co-ops should initially evaluate all options and then establish a formal contract with the packer of choice; this would provide a long-term commitment for the packer and stability to the co-op.

Local producers have several other options available when forming a cooperative. Packers today are providing premiums for consistent quantity, weight, and quality. Local marketing cooperatives that are willing to standardize their genetics and management to provide a more uniform, quality pool lot can expect a higher market price for their animals for two reasons: one, because of the lot uniformity, and two, because of the overall quality increase. This type of co-op can be organized in a variety of ways, but may include contracting with a local breeder to provide quality replacement females for each member, or building a large farrowing facility to provide feeder pigs to members. By working together, producers can improve market prices and carcass quality could improve dramatically.

Purchasing and Management Cooperatives

Local cooperatives could also be used to contract large quantities of feedstuffs, including grains and protein supplements, animal health supplies, and equipment. A purchasing/marketing cooperative could help standardize herd health practices, minimize ration costs, and improve

general management of individual herds. These procedures would allow producers to realize economies of scale on the input side of the production equation, not normally available to small-scale producers. Many other opportunities for industry cooperation exist as well as the ideas previously outlined.

Small-scale pork producers are finding it more difficult to survive in today's industry; however, opportunities exist for improving profitability. If you are interested in marketing through a pool or cooperative, contact your neighbors and explain the idea to them. Identify concerns, such as herd health, feed costs, market price received, market hog quality, and cooperative management. Then explore solutions. Talk with your local packers and let them provide input and ideas. Packers are enthusiastic about marketing cooperatives and would appreciate the opportunity to provide assistance. Assistance is also available through your local or state Cooperative Extension System.

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Acknowledgements — The author thanks the following for reviewing the manuscript: Wilson Gray, Extension agricultural economist, University of Idaho; Larry Loveland, pork producer, Rupert, Idaho, and David Sargent, pork producer, Swan Valley, Idaho.



Issued in furtherance of cooperative extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, LeRoy D. Luft, Director of Cooperative Extension System, University of Idaho, Moscow, Idaho 83844. The University of Idaho provides equal opportunity in education and employment on the basis of race, color, religion, national origin, gender, age, disability, or status as a Vietnam-era veteran, as required by state and federal laws.