Agricultural Marketing Report

Colorado State University Cooperative Extension

Department of Agricultural and Resource Economics, Fort Collins, CO 80523-1172 **June 2000-AMR 00-01**

MARKETING OPPORTUNITIES FOR NATURAL PORK PRODUCTS IN THE INTERMOUNTAIN WEST

by
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Market potential exists for natural pork, even though there is currently no product in supermarkets.

Natural food consumers now represent a broad cross section of the population, rather than a small niche market.

Retail sales of organic foods have grown tremendously in recent years, from $178 million in 1980 to $3.5 billion in 1996. Consumers seem especially interested in naturally produced fruits, vegetables, dairy and meat products. There are several premium beef products marketed in supermarkets, including some natural brands, but there are few branded or natural pork products. A 1998 study, including a large consumer survey, was conducted by Colorado State University researchers with support from Colorado livestock producers and Rocky Mountain Farmer's Union. The survey was used to determine what production practices are most important to consumers, thereby enabling producers to develop better production and marketing plans for pork products. The study also focused on the willingness to pay for natural meat products among Intermountain consumers.

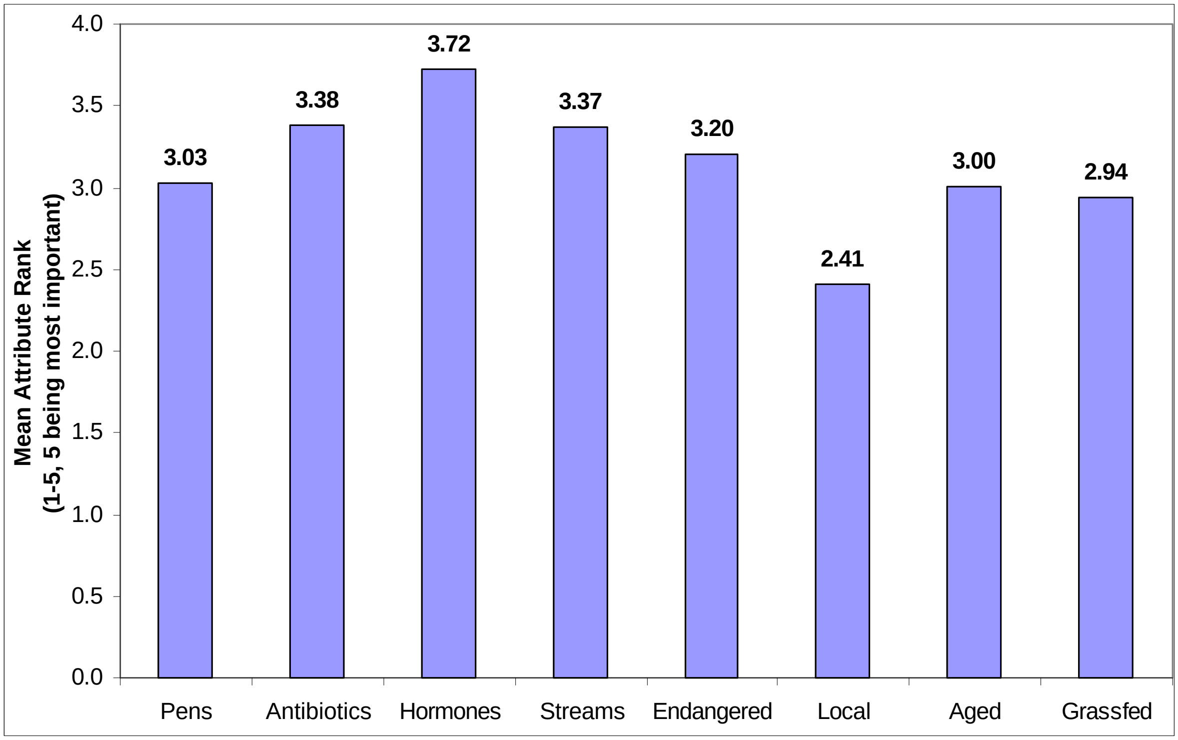
Both pork and beef products were explored in the survey, but this paper focuses on issues related to marketing regional, natural pork products, specifically, ham and pork chops. Consumers were asked to rank how important production characteristics related to meat products were to them. These attributes are discussed below in more detail. A second section of this survey also determined what price premiums consumers would be willing to pay for these new products. Combining the information on attribute valuations and willingness to pay for the new product allowed general conclusions to be made about how a new natural pork product could be marketed more effectively. This report highlights important conclusions and marketing implications.

How Consumers Value Production Attributes

The survey of 1400 consumers living in the intermountain region of Colorado, Utah, and New Mexico asked consumers to rank the importance of several production attributes for both beef and pork products (from 1-5 with 5 being the most important). The complete list of attributes listed to rank were: No small or crowded pens, No antibiotics, No growth hormones, Grazing managed to protect streams, Grazing managed to protect endangered species, Animal born and raised within 250 miles, Meat aged at least 14 days, and Grass Fed. Results indicates that consumers were highly sensitive to the use of chemical additives in the production of meat as illustrated by the fact that the most important attributes to consumers were "no use of antibiotics" and "hormone free" (Figure 1). Production practices that protected streams and did not contribute to the endangerment of some wildlife were also of importance.

Previous research has suggested that locally produced products were more likely to be purchased by residents of the area as consumers may see their purchases as a way to support local producers. However, these survey results indicated that the "Animals born and raised within 250 miles" was the least important attribute to Colorado consumers.

Figure 1. Ranking of Production Attributes by Consumers



Willingness to Pay for Natural Pork Products

In addition to questioning the respondents about their attribute concerns, the survey respondents were asked how much they would be willing to pay for natural pork if it were available (see Figures 2 and 3). The base prices given for ham and pork chops were \$3.30 and \$3.90 per pound, respectively (based on prevailing retail prices at the time).

Figure 2: Willingness to Pay for Natural Ham

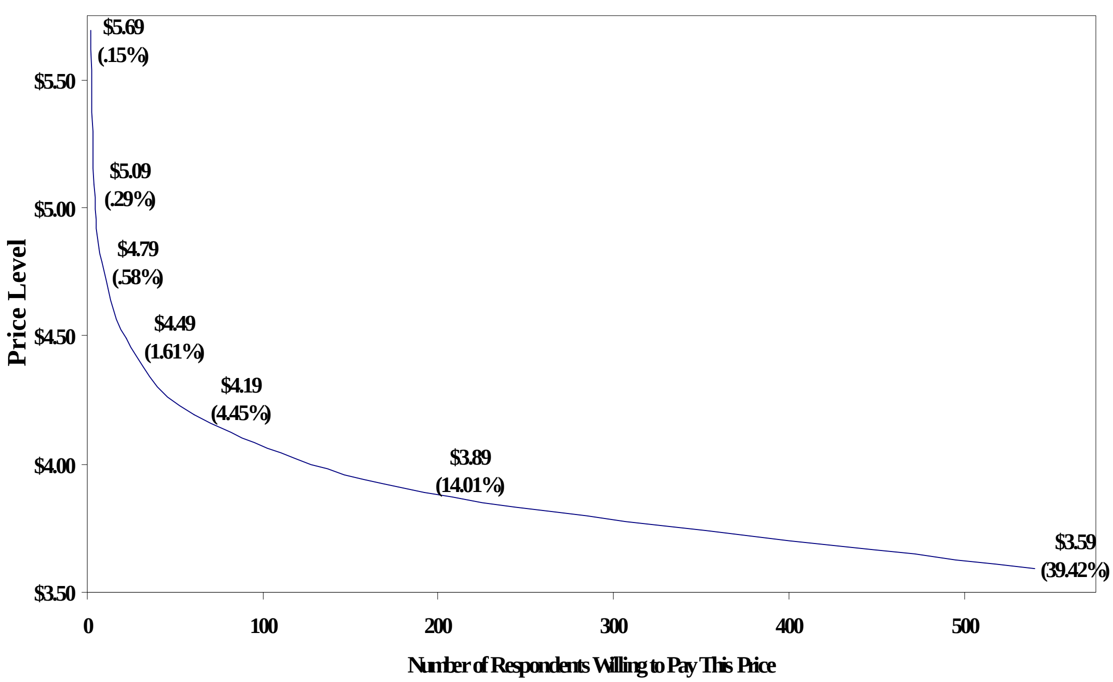
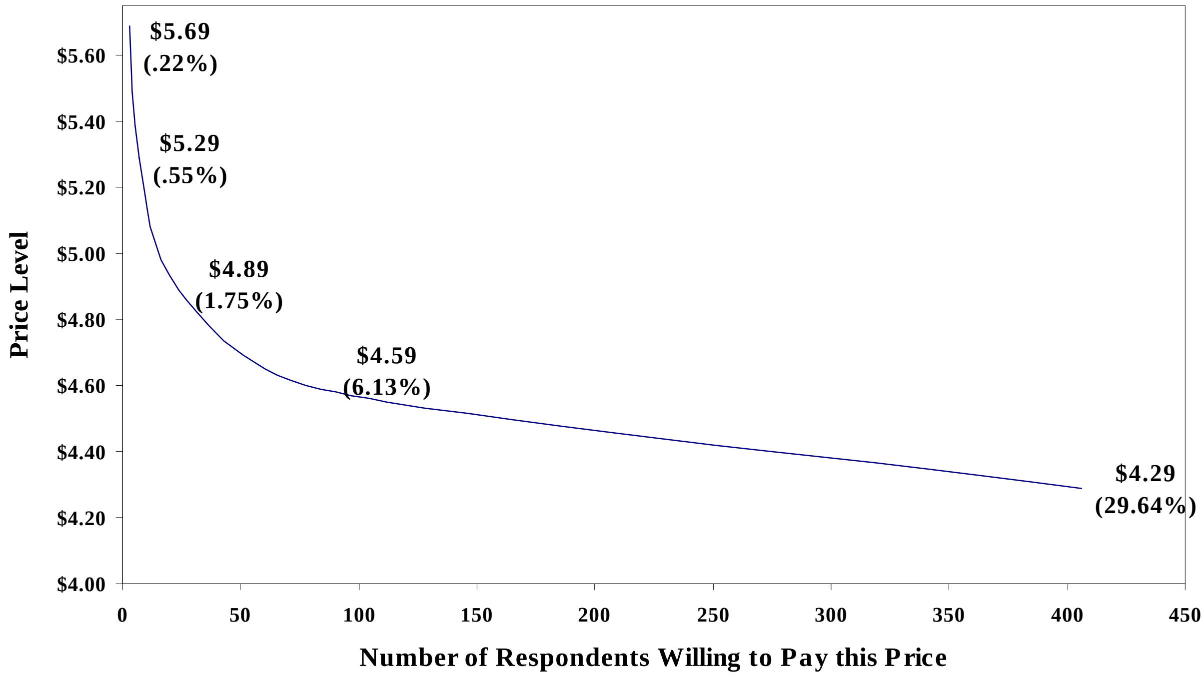


Figure 3: Willingness to Pay for Natural Pork Chops



Of the 1400 survey respondents, 406 consumers (29.7%) were willing to pay $4.29 (10% price premium) for natural pork chops and eighty-four consumers (6.25%) were willing to pay $4.69 (20% price premium). At $3.59 (10% price premium), 545 consumers (40%) would buy natural ham, and at $3.89 (20% price premium), 195 consumers (14.2%) were still willing to buy the natural ham (see Figures 2 and 3). A much smaller share of respondents was willing to pay a 30-50% premium for these products.

One might assume that those who shop in specialty food stores may be sensitive to additives and production methods that detrimentally affect the environment. The survey indicated that even those shoppers who make most of their purchases at traditional grocery stores rank such attributes highly. Still, consumers who shop most often at natural food stores were relatively more concerned about all of these attributes. Another interesting result was that consumers who have purchased natural beef in the past were more likely to purchase natural pork, which may indicate an opportunity for joint marketing among livestock producers. Seventeen percent of the sample purchased natural beef in the past, and of those, 21% indicate that they do most or some of their meat shopping at a traditional grocery store.

Marketing Implications

We can conclude from this survey that consumers in this region are very concerned about additives to the meat they consume. In addition, these consumers are willing to pay a premium to guarantee that the meat they consume is free of these additives. Further, individually identifying hormone and antibiotic free production practices is of greater benefit than identifying other attributes that producers consider of value to consumers (origin of product and environmentally friendly practices). This is especially true if higher-premiums will be added to natural pork products. There is a substantial market segment willing to pay a twenty-percent premium for either natural pork or natural ham: a premium level that low would be best suited for a traditional grocery store. Producers limited by production capabilities may want to look at entering natural food/specialty shop markets, or selling premium local products to restaurants where premiums would be higher. This study provides the market research necessary to secure a retailer relationship (or to attract a food broker) and initiate a marketing campaign. The face of natural product consumers is changing from a relatively progressive, niche shopper, to a broader set of high income, market conscious families. With this change, there are new opportunities for producers to enter the natural meat arena and satisfy a growing segment of meat consumers.[1]

[1] For more information on the study and results, contact the authors at Dept. of Agricultural and Resource Economics, Colorado State University, Fort Collins CO 80523-1172, 970-491-7220, thilmany@lamar.colostate.edu.