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Meat Type Hogs Do Pay

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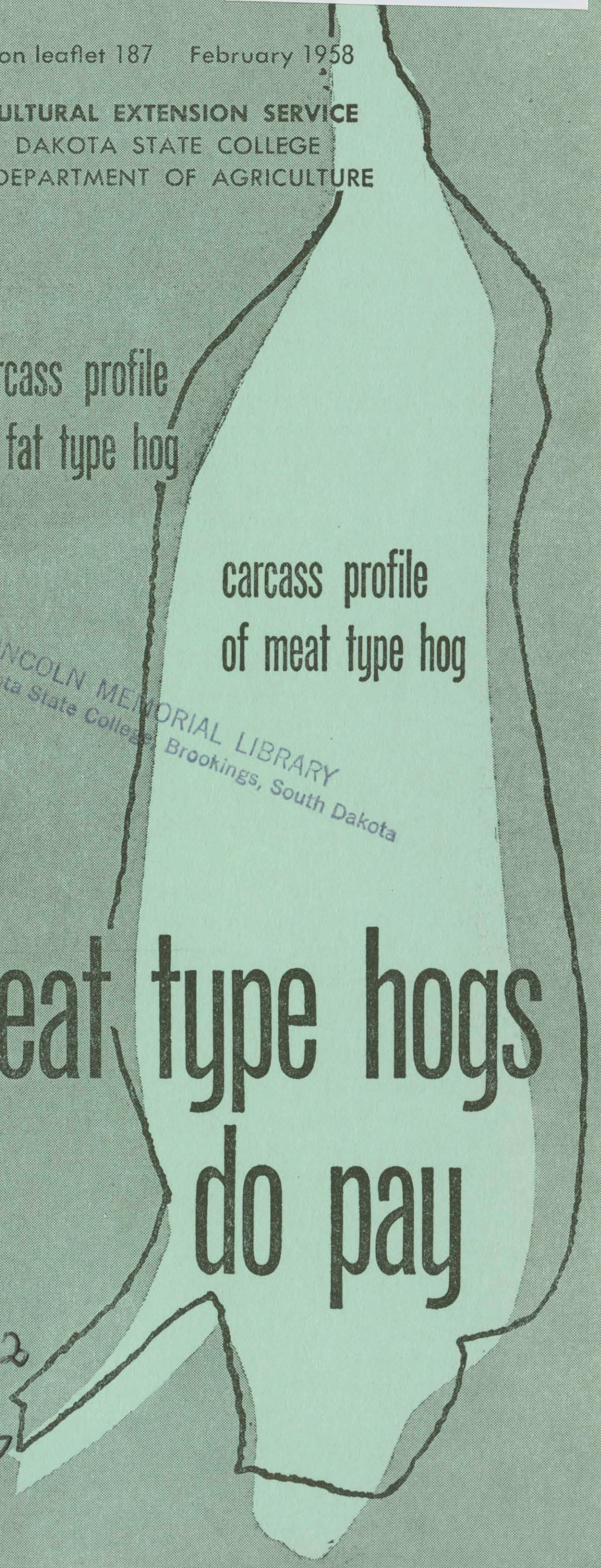

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Meat Type Hogs Do Pay

By Edward Dailey, *Livestock Marketing Specialist*

In recent years, educators and leaders within the swine industry have vigorously encouraged producers to shift from lard-type or fat-type hog production to the more desired "meat-type" hog. Yet, the changeover has been slow. Industry people estimate that only 15 to 20 per cent of all market hogs are meat-type. This means a vast amount of marketings are still fat-type—despite known consumer preferences for lean pork.

Why has this change-over to meet consumer demand been slow?

To learn some answers to this question, the author conducted a research study in South Dakota. A survey was made of commercial and purebred producers, commission firms, order buyers and meat packers to learn of their experiences and opinions about meat-type hogs.

Listed below in the table are reasons given by purebred producers on obstacles to increased meat-type hog production.

WHAT ARE THESE OBSTACLES?

Obstacles to increased production of meat-type hogs are many. Here are some of them and some suggested means for overcoming them.

The belief of many producers that meat-type hogs are slower to gain and less efficient to produce than fat-type animals.

This belief, although found not necessarily so in numerous Experiment Station research studies, is well entrenched and difficult to overcome. A continued educational effort—with emphasis on the results of experimental feeding trials—will be needed. Identification by producers of what a true meat-type hog is will be necessary to overcome this obstacle.

Summary of Factors Listed by Purebred Producers As Obstacles to Increasing Meat-type Hogs

Reason Given	Times Mentioned
Lack of sufficient premium or price differential	23
It costs more to raise them	11
Inability to identify meat-type	8
The belief that meat-types are slow gainers or cost more to raise	5
Lack of proper breeding stock	5
Guesswork in selecting breeding stock	4
Ignorance of true facts	4
Indiscriminate selling of breeding stock	4
Indifference	3
Lack of grading at market	2

Inefficient quality pricing

This is perhaps the most important problem in the overall meat-type area. Many producers commonly believe that since meat-type hogs are more expensive to produce, they must receive a price premium to recover these added production costs. Although much research disproves this idea, it still remains a big obstacle.

An ideal price structure would recognize value to its fullest extent. This would provide scaled discounts for the less desirable grades and price rewards for the desirable grades. Some markets are approaching this while others are not. What these price differentials between grades should be to encourage more marketings of desirable grades is speculative. A 25c to 50c premium would probably not be incentive enough for a major enterprise change-over for those producers who believe that meat-type hogs cost more to produce.

What premium or discount—or combination of both—would bring about this change, then? This question needs study. It is doubtful, however, that any premium less than $1.00 per hundredweight for No. 1 hogs over No. 3 hogs—in the same weight bracket—would provide this incentive.

In addition to large enough price differentials, they must also be more regularly dependable than they are now. Producers could influence this by taking fuller advantage of those market outlets which do offer unvarying premiums and discounts. Valid conditions resulting in varying price-grade differentials no doubt exist. A rigid, inflexible premium-discount schedule probably could not be adopted, and even if it could, it would not completely solve this problem. Unstable premiums or discounts, however, are not conducive to increasing production for a quality product.

Swine and Pork marketing practices

Consumers do prefer lean pork. Research studies at several colleges point this out. A recent Illinois study showed that consumers bought as many lean chops as fat chops when the lean product was priced 18c a pound higher than the fat pork chops. Twice as many lean chops sold when lean chops were 10c a pound higher. Other research at Michigan, Missouri and by individual retailers show similar results. Despite this definite consumer preference, the average weight and lard yields of hogs has increased.

Why are more meat-type hogs needed?

Steady production of fat-type hogs means that an abundant supply of lard keeps flowing into the market. A heavy accumulation of lard stocks—in the face of reduced export demand and increasing competition here at home from vegetable fats and oils—has kept lard prices under pressure. In addition, consumers tend to resist products from hogs carrying excessive fat. This has reduced the competitive position of pork with beef and other meats.

If pork is to remain competitive in the market with other meat products, some action must be taken to improve pork quality. One course of action is to replace fat-type hogs with meat-type animals in the market system. This would mean a large change-over to meat-type hog production by the nation's swine producers.

Supporting this idea are the U. S. Department of Agriculture, agricultural colleges, most of the meat-packing industry and many swine producers—both purebred and commercial.

Also known is that farmers can and are producing meat-type hogs for less cost than fat-type hogs. Iowa State College researchers have found that for every one-tenth inch backfat, pigs used 4½ pounds less feed for each 100 pounds of gain. Over 600 pigs were used in the tests. There was no conflict between fast-gaining and efficient meat-type hogs.

These three items—consumer preference for lean meat, too much fat, and lower production costs for meat-type animals—raise some questions. For example: Does our marketing system accurately reflect back consumer preferences to producers? Most seem to feel it does not or more of our total butcher hogs would be meat-type than the present 15 to 20 per cent.

WHAT CHANGES ARE NEEDED?

What suggestions will help bring about the desired changes under our present marketing system? Here are some points which might need consideration:

1. Grades and standards for pork at retail that follow consumer preference and pricing according to known preferences.

2. Processor-buying on value and selling to retailers on the basis of consumer wants.

3. Markets which are able to identify differences in

values—indicating to farmers what processors want.

4. Farmer delivery of the type and weight desired.

HOW TO GET THESE CHANGES

A great deal of industry cooperation is needed to maintain pork's position in the food industry.

Farmers must learn to produce meat-type hogs and market them more effectively. They should try to select markets that pay price differentials based on value and not on weight groups alone.

Markets must provide the opportunity for farmers to sell on a sorted, graded, merit-price-differential basis if they desire.

Packers must train buyers to recognize meat-type hogs, then pay for them on the value of the meat derived. They must also train salesmen to merchandise meaty pork cuts.

Retailers can maintain price differentials in the meat counters (a steady supply of meat-type cuts will be required.)

Consumers need information to help them shop wisely for pork products. This will maintain pressure for improved quality.

SOME CHANGES THAT ARE TALKED ABOUT

Unless some of the above changes or other improvements are made, the hog industry may find it more difficult to compete with other meat products.

As with some other products, the hog industry may develop what is called "vertical integration. One organization in the marketing channel—a retail chain, for example—might contract with packing plants, operate the plants themselves, contract with farmers for hogs of given qualities, or would produce the hogs themselves.

Another change being discussed is for some outside organization—like a feed company—contracting with both farmers and processors for scheduled production of a uniform, specified product.

There may be other ways or a combination of these which might eventually be tried.

Although the study on obstacles to meat-type hog production brought out little that is actually new, it has helped to verify those items which were merely speculative. As a result of the information learned, it appears that educational efforts need to be renewed and that through these educational efforts lies the most satisfactory answers to the meat-type hog problem. Education can-

not be limited to one part of the industry: it must be coordinated from producer through consumer.

MORE RESEARCH IS NEEDED

Additional research and economic analysis is needed in each segment of the swine industry. Producers need fuller information on the economics of meat-type hog production. Markets need information on cost and benefits of sorting, pricing and sale of graded lots. Processors need information on cost and benefits of preparing and merchandising pork by grades. Retailers need information on merchandising pork by grade and consumers need a fuller understanding of the variable quality of pork cuts and products.

In addition appraisal needs to be made of the net economic affect on the corn belt hog industry of changing to a meat-type hog. Included in this might be a study on questions such as the affect on hog numbers, the total dollars received for the hog crop, the affect on net profits of all segments of the swine industry and any time pattern changes of production and marketing that might result. When many of these questions can be answeed by research increased progress toward improving the lot of all those in the industry can be expected. Even without these needs being entirely fulfilled real progress will continue to be made.

ASSISTANCE IS AVAILABLE

If you have been thinking about turning more to raising a meat-type hog and would like some assistance, check with your County Extension Agent or with State College. They would be happy to help in locating boars, selecting breeding stock, feeding, in your marketing program or in any other way.

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