

## PORK INDUSTRY CHALLENGE

"How Well Will We Respond To  
The Performance Challenge?"

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Performance testing is not new. Some have attempted to leave the impression they have rediscovered the wheel.

More than 1000 years ago an Arab chieftain sent his servant to an enemy camp by night to steal semen from a stud that was reported to be the fastest horse.

In those days there was a rather drastic process called natural selection. It was costly to be second. In fact it was fatal. There were no second chances. No second breeding season to look for the mythical genetic nick.

If you were overtaken on the desert by an enemy you not only lost your horse but also your life.

The Arabian horse was the first breed of livestock to have been put to the performance test.

You can even go back, however, to Biblical days when Jacob, who had the agreement with his rich father-in-law to divide the cattle by color. When Jacob left with all the ring streaked and spotted cattle I would assume the reeds he put in the water were only a part of his plan. I would be willing to bet he controlled the selection of the bulls. You see, him being the cow herd manager and winding up with the majority of the herd was no accident. He had some production goals.

There have been some great cliches about performance testing. I think one of the best ones, however, was authored by Carlton Carbon of Oklahoma when he said, "I sure do hope the next popular bull is a good one".

Performance testing is not new but some have made it more sophisticated.

To lay a foundation for my remarks to you here tonight I would like to begin by looking at the broad industry view and then narrow down to the subject at hand.

In my analysis of the pork industry, I have come up with the following conclusion: The missing element in our planning process is "clear-cut, well defined, understandable goals".

There is the continuous discussion about the relative merits of the size of pork operations. Efficiency and economics will dictate the size of operation, we can't legislate it. It's just another place for government to screw up.

There is on-going controversy about production traits versus carcass traits. The meat animal is a biologically balanced animal. It must adapt to the environment it lives in. It must first reproduce.

There is the added confusion about whether the Council should overlap with the Meat Board in nutritional studies and food service.

There is the "as yet undefined purpose of the state councils" and if defined, the reluctance to discipline and implement on a national basis.

And last, but not least, there is a much greater concern generally speaking about how a "job is to be done and who does it, rather than if it gets done".

Concern for method seems to have taken precedence over the weightier matter of achieving the goal.

I believe this is because there has never been a clear-cut goal

Goals must be defined in terms of quantity or quality or price or profit.

Pork producers can affect price as has been proven this year. By implementing an aggressive promotional program, the price this year has been held to a 21 percent drop with a 19 percent increase in hog production. The price should have made a 57 percent drop according to Dr. Glen Grimes of the University of Missouri, who states that a three percent drop in market price is expected for each one percent increase in volume of hogs.

The NPPC \$300,000 dollars increase over the budgeted 2 million for 1979 generated an estimated additional \$13 million in institutional advertising as a companion part of the newspaper insert campaign. It included stepped-up activity of all kinds at the meat counter where 70 percent of all buying decisions are made.

We know there is elasticity in consumer demand for pork

Consumers can and will consume more pork and at higher prices than are prevailing today if we whet their appetite and get them to competing with each other at the meat case.

A factor, however, that has a profound effect on the consumer's buying habits is the availability of a continuous supply of a quality product at a reasonable price. The herky, jerky supply situation and the roller-coaster erratic ups and downs of price has a negative effect on consumer demand and buying habits over a long period of time.

#### Goals - Marketing

The industry has become static at about 60 pounds more or less per person for the last 30 years while beef has moved up to an average of 110 pounds per person.

Economic conditions may prevent beef from ever again being competitive at the meat case as the high volume red meat.

The only real competition is poultry and people can eat only so much poultry.

I propose that we establish an aggressive marketing program in four specific areas:

1. Restaurants
2. Fast foods
3. Institutional food service
4. Home consumption

And then data be obtained that will provide us with feasible goals in each marketing area to attain the increase in total consumption by 40 percent by 1985.

I propose that marketing efforts keep pace with increased volume of production to maintain a market price profitable to producers.

Pork consumption reached 61.4 pounds of carcass pork in 1978

Expected consumption in 1979 is 70.5 pounds per person or an increase of 9.1 pounds.

1980 is now estimated to be 76 pounds

Increased demand at the pork counter and continued high marketing may make this estimate conservative.

The week ending November 10 recorded the first record 2 million hog slaughter week in history.

The most positive sign is that the market is absorbing these record numbers with a stronger trend and approaching \$40 cwt prices. Economists are predicting now a market price of mid forties the first eight months of 1980.

Because of an expected prolonged beef shortage and increased cost of producing beef it may be necessary to increase pork consumption to between 80 to 100 pounds per person.

One-hundred pounds would require additional production of 9 billion pounds of pork, amounting to 56.25 million more market hogs. Gross increase could amount to \$5 billion per year to pork producers.

Each one pound increase in consumption for 225 million Americans will require 1.4 million more market hogs yielding 160 pounds of carcass pork per hog.

Assuming a conservative long term average net profit of \$10 per hog, each one pound per person increase in consumption would yield a net profit to pork producers of about \$14 million.

These estimated figures would not include the profit made by packers, processors, wholesalers, retailers, restaurants, and fast-food services.

Wouldn't it be great if while we step up our promotional program in all media that we develop an image building campaign on national television and through public service radio and TV.

I propose a more progressive, cooperative relationship with packers and retailers in advertising and point-of-purchase activities to influence consumer-buying decisions

I propose greater emphasis on restaurants and fast-food chains through stepped-up personal contact and new product proposals and co-op advertising.

I propose a stepped-up aggressive Foreign Market Development Program by surveying market potentials and providing pork-oriented programs to stimulate foreign trade.

In addition to the profitability that producers will enjoy from increased demand at the meat counter, a great deal of profit in the future will be derived from more efficient management and genetic engineering.

Costs have increased in every area of production. However, feed is the greatest cost factor in production.

I propose that emphasis be placed on nutrition and more research to increase feed efficiency, feed conversion, and reduce cost of production. Most of our progress in feed efficiency the last 30 years has been in nutrition. The greatest single advantage poultry production has over pork production is that gain made in feed efficiency.

Cost of grain and concentrates will continue to increase and the greatest impact can be made on reducing cost of production in the area of feed consumption. Obviously feed conversion is affected by both nutrition and selection.

Sharpening our selection tools may provide us our greatest profit potential in the future.

The seedstock people are clearly in the driver's seat if they are determined about their job.

Performance testing is the key, I'm told, for each one tenth of a pound of improved feed efficiency at a feed cost of five cents per pound will yield one dollar a pig more profit. Multiply this times an 80 million hog slaughter and the industry has added an \$80 million profit.

I'm told there is a young boar in a Wisconsin test that has attained a feed gain ratio of 1.9 pounds of feed to a pound of gain.

Projected to the industry what would this boar be worth? This raises the possibility of a theoretical goal of cutting feed cost by one half and a savings of \$20 per pig. This may not be a practical goal but one to stimulate our thinking.

There should be industry concerns and effort towards research and means of measuring performance.

There should be industry goals to attain a level of efficiency by certain dates. Producers' concerns should be toward development and use of performance measures and identification of improved germ plasm that will project the industry on toward goals of efficiency.

Twenty dollars per pig could have a \$1.5 billion impact on the industry and ultimately earn each of the 400,000 producers an average net profit of \$4000.

We must pursue research goals to reduce cost of production in areas of disease and parasite control, environment, and energy.

### Legislative Goals

The greatest single threat to the future of pork and the entire red meat industry is the growing vegetarian philosophy in government agencies that have been infiltrated by consumer activists and pseudo-nutritional experts propagating dietary fads.

I propose we confront these issues head-on as they surface and encourage a cooperative industry approach.

I suggest a cooperative national program and close cooperation with the Red Meat Advisory Group. I propose we contribute personnel time and expertise to encourage this group to maintain continuous vigil and to alert the industry to threats of faddists that may affect the image of pork. ("Stroke of pen in Washington")

#### Funding Goal

Funding has remained relatively static for several years. The current rate of 10 cents per hog has remained in effect since 1976. Rate of inflation has eaten away at the dime until today it is valued at only about one half its purchasing power five years ago.

I propose an aggressive "checkoff blitz" to increase the number of checkoff participants from the current 52 percent in 1979 to at least 65 percent by the end of 1980 and 75 percent by the end of 1981. All increase is designed to support stepped-up activity to underwrite an ambitious pork campaign on all fronts.

You are mandated with a special goal: "To develop and standardize measures of performance." You must take on a second dimension to sell the program. We must tie it all together. People will make change slowly, ever so slowly, but when it becomes "the thing to do" they will do it. We don't need a new breed of people but it may take a new generation.