



The Economics of Pacific Northwest Pork: Investor Summary

OVERVIEW

The pork industry is small-scale and relatively undeveloped in the Pacific Northwest. In Oregon, for example, recent years have seen a decline in both the number of farms and the total value of pork produced. Alternative pork producers in the Pacific Northwest (and elsewhere) tend to utilize hybrid artisanal production systems including barns, hoop houses, and pasture. To get to the scale needed to sell into mass markets, the Pacific Northwest alternative pork industry will require medium- to long-term investment in and coordination of low-cost feed and processing infrastructure accessible to small- to mid-size hog farmers; increasing the scale of existing hog-raising enterprises; and expanding the range of differentiated, strongly branded products available to consumers.



Pure Country Pork in Ephrata, WA -PHOTO BY AMANDA OBORNE

SUPPLY DRIVERS

- **Feed costs**–Feed is the number-one cost item for hog raising; the PNW is far from the markets for conventional feed. Though evidence indicates that locally milled feed may be cost competitive, additional research is needed.
- **Labor costs**–Labor costs for Northwest farmers are high, challenging the viability of labor-intensive production methods such as hoop house hog production.
- **Processing infrastructure**–There is limited pork processing infrastructure in the PNW that meets the needs of small to medium-scale hog producers. There may be opportunities to expand this infrastructure.



DEMAND DRIVERS

- Branding and product differentiation. There exist a small but robust group of differentiated, branded pork producers in the Northwest; data on the growth of this market is scarce.
- Price premiums. A study in Colorado shows some evidence that a minority of consumers (~6%) are willing to pay premiums of up to 20% for pork raised using alternative, non-confinement systems. Regionally specific data on this topic are scarce.

OPPORTUNITIES

The pork industry in the Pacific Northwest, in order to become a significant supplier of regional markets, needs some “industry building.” In particular, the industry is in need of an affordable, regionally produced feed manufactured from locally grown grains such as wheat, barley, oats, and legumes, or waste from dairies and breweries. To meet demand, many of the smallest-sized hog producers (1–24 head), who comprise 89% of the total number of hog farms in the Pacific Northwest, would have to scale up production. One-off investments are unlikely to be successful over the long-term, without coordinated investment to build a Northwest pork industry.



Hoop house pork production; Paul Klingeman Sr. & Jr. -PHOTOS BY AMANDA OBORNE

- Seek opportunities to produce low-cost feed using local grains
- Look for highly skilled alternative hog raising operations seeking to scale up production
- Seek opportunities to invest in processing infrastructure that is accessible to small to mid-scale
- Look for final processors with strong brands seeking to expand

For more detail on the economics of pork production in the Pacific Northwest see the full narrative that accompanies this investor brief.