



pork industry handbook

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Developing a Niche Market for Pork

Reviewers

Introduction

The pork industry has gone through rapid change in the past few years. Since 1979 the breeding herd has declined 38%, while the pig crop has stayed about the same. Fewer breeding animals producing about the same number of pigs is largely due to the remaining producers' increased efficiency. Today, special efforts have to be made to determine the customers' wants and then develop a product (and package) that satisfies those wants. Customers in today's marketplace have "special" needs and wants. That is, they prefer a product that is "specialized" in some way or they are a "specialized" group with a well-defined demand. This situation may best be referred to as a niche market.

Objectives

- Describe the operating, marketing and financial requirements needed for niche marketing
- Identification of consumers for specific niche markets
- Assist in development of a niche market business plan

Background

The average number of pigs per breeding herd inventory per year increased from 10.3 in 1979 to 16.2 in 2001, a 57% increase. Operations with more than 5000 head accounted for 75 percent of the pig crop, compared to only 27% just seven years earlier. The number of operations with more than 5000 head has increased from a little less than 1000 in 1993 to more than 2200 in 2001. This trend will likely continue in the future. The 20 or so mega producers who sell more than 500,000 head per year account for about 35 percent of all hogs marketed in the U.S.

The share of the retail dollar going to pork producers has decreased in recent years and hit a new low in 1998 at 22 percent. This means only 22 cents out of each \$1 spent by the consumer went to the producer of the hog. In 1998 the average hog had a farm value of \$81, while the retail value was \$370 for the same hog. 1998 was also the year when many producers started looking for alternative marketing strategies to stay in the hog business.

Niche marketing is still somewhat of a buzzword in the agriculture arena and does not have a complete and consistent definition. The word "niche" is derived from the French word that means "to nest." Niche marketing refers to targeting a product or service to a limited segment of the mainstream market. A niche market, however, should not be confused with an alternative market. An alternative market may

be best thought of as a market opportunity that has not been utilized, tapped or fully exploited. Often used interchangeably, the activities, details and challenges of niche and alternative markets may be quite different. In agriculture, a “niche” may be best described as a normal product in a specialized market or a specialized product in a normal market. For instance, a 50-pound bale of hay may generally be worth \$3 to most livestock producers, or worth \$5 if featured to a marketing niche of thoroughbred racehorse owners. Similarly, bulk honey may be processed for a certain niche as a gelatinized gourmet delicacy, “honey jelly.” In addition, niche markets for specialized corn products, such as high-lysine and high-oil corn are developed. Production and marketing niches do exist, and they should be determined and pursued; however, for marketing niches to be a widespread solution for an entire agriculture industry or even an agriculture enterprise, there would have to be many niches that either currently exist or are developed. For example, if too many farmers decide to market hay to thoroughbred horse owners or gourmet honey jelly to affluent retirees, the over-production of these products would tend to convert these niche markets into commodity markets. Likewise, the over-production of high-lysine corn would result in a market for that product which closely resembles the market for No. 2 yellow corn. Marketing niches provide success only to the extent that they remain a niche. While a niche market is more demand driven with a more narrow market potential, few substitutes and less sensitivity to price, a market niche is more supply driven with products that have a broader demand and greater price sensitivity.

Niche marketing can be a process where producers (or groups of producers) find a marketing situation or activity specially suited to their abilities and develops a plan to pursue the opportunity. Niche marketing of pork can take on many faces. It might be selling live pigs to the Chinese market in San Francisco; to selling lightweight hogs to the barbeque market in Wilson, North Carolina; to selling high-end pork cuts to soccer moms in Nashville; to selling whole carcasses cut a special way to the Hispanic markets in Salt Lake City and Los Angeles. It might also be producing and selling more than 80 different cuts of fresh pork in your own market in rural North Carolina or selling pork on the Internet to people all over America. It could mean producing country hams in Paris, Tennessee or Italian sausage in downtown New York City. Every situation is different, but, in most cases, the process of getting started is similar.

Some important questions need to be answered before embarking on any niche marketing effort. Some of these questions may be easy to answer, while others are more difficult and will require some time, effort and money. You will likely need the help of professionals when it comes to a business plan or a feasibility study. The purpose of this fact sheet is to assist you in making the right decisions concerning possible niche marketing opportunities you may have.

What Product Can I Sell?

For most pork producers, this should be a relatively easy question to answer. Most likely, you produce hogs or you have an idea about a special pork product you could process and sell to a specific group of customers. If it is a pork product you have decided to market rather than the live hog, you will probably engage other people in the venture unless you plan to start out small and work up to a profitable size as the market demand dictates.

If the product you have to sell will require a slaughter facility, you will need to decide up front who will do the slaughtering and who will further process the pork product. These are very important issues. You may want to consider bringing in other producers to join with you or you may decide to go it alone. Some producers have joined with others to form cooperatives, but the truth is that more of these fail than succeed. It is not impossible, but it is very difficult to keep everyone engaged with the requirements needed to make a cooperative work. The product or products you have to sell may determine whether you go it alone or engage some other people in the niche enterprise.

An example of a niche market could be selling fresh, pure pork sausage to the people in your neighborhood or town. Along with this, you may also decide to sell chops and package them for a premium price. The good thing about such a combination is that you could use the whole hog in this process. You could take the loins for chops and grind the rest of the carcass up for the “pure pork sausage.” This illustrates one of the big problems with selling a certain cut of pork to a niche market. What do you do with the rest of the carcass? In the case of pork, the sausage products help you solve that problem. Another product would be ground pork to be used for pork burgers. If these are kept fresh, they are excellent for summer barbecue grills.

One of the first problems people encounter with selling pork in a niche market is dealing with the whole carcass. Even very large packers experience the same problem at a much larger scale. As in most businesses; it is difficult to be profitable if you have to waste a percentage of the raw material. In the process of deciding on a product to sell, be sure you consider the whole hog. Some niche marketers have solved this problem by selling the whole carcass cut up a special way to specialized markets, which in turn further process the carcass for their ethnic trade. This has been the case with some niche markets in Hispanic neighborhoods. Even in this situation, the slaughter facility becomes the key part of the operation. To get into the slaughter business requires adequate skill and knowledge of the business and capital to build the facility, not to mention the regulations imposed upon any facility processing food for human consumption. The idea of a backyard slaughter facility is not an option today.

The first place to look for a slaughter facility that is federally inspected is right in your own community. You may be surprised to find someone close by that you could work with, either supplying the hogs for further processing by them or hiring them to slaughter the hogs for you. Then you could further process the pork in a facility of your own, but not have to go to the trouble of handling the slaughter part of the operation. If you have enough volume, the cost of custom slaughter may be kept at an acceptable rate, but for small numbers the cost of slaughter could be and probably would be prohibitive. If your hog is worth \$100 on foot and it cost you \$40 for slaughter, your good idea just turned into a bad idea. If on the other hand, you paid \$20 for slaughter, you probably still have a good idea.

Many times, the extra profit in the hog is in further processing or in adding value to the end product. Keep this in mind when deciding on a product to sell. It might be more profitable to add value to pork you purchase rather than producing it yourself. This is done every day; for example, in adding value to hams. It may take the form of simply pumping hams, taking the skin off and putting them through some kind of cooking process, then slicing them with a special spiral process and selling them during holidays or to a pre-selected customer group (niche). In this case, and with other added-value processes, volume becomes especially important. The cost of the raw material is probably such that the possibility for profit is more dependent on volume rather than margin on each pound sold. Another factor is purchased weight loss, through taking the skin off during the value-added process and weight loss during cooking.

Deciding which products you can sell in a niche market must be a carefully thought-out process. There are an unending number of possibilities, but probably only one or two that would give you a competitive edge. Look at the competition in your area and pick a product that no one else is offering, that you could do well, and with potential customers who have money they are willing to spend on what you have to sell.

Who Is the Targeted Customer?

The notion of developing a niche market for pork really can't be separated from identifying a target customer. In essence, niche marketing is identifying a particular sub-set of the total consumer base that is more likely to purchase your product and then "targeting" this group with specific marketing tactics.

The concept of marketing products to a target customer involves some basic steps:

- Identifying unique characteristics of your product
- Identifying a group of customers that have common characteristics; one of which is the tendency to prefer the unique characteristics of your product.
- Promoting the unique characteristics of your product to those specific consumers that prefer it.

This may be easier said than done. It takes a great deal of time and thought to perfect each of these steps. It is much easier to fall back on a simple and broad sales pitch described as "pork for sale" than to study and prepare a detailed and targeted marketing plan. However, rarely is it profitable for a niche product to be promoted, advertised or marketed to each and every member of the population. And that is basically what the "pork for sale" plan does.

Normally, there are certain segments or pockets of the population that consist of people with similar characteristics, one of which is the preference of buying (in this case) certain pork products. These "certain pork products" may be the products from hogs that were raised in a certain and identifiable manner or the certain products could be specified pork cuts.

Many niche pork marketers describe their target customers according to geographic location, age, sex, ethnic background, eating habits and specific food preferences. Some examples of possible targeted customers are presented below:

Geographic location	Midwest U.S.
Age	Between the ages of 28 and 35
Gender	Female
Ethnic background	German
Eating habits	Heavy meat eaters, mostly at-home consumers
Specific food preferences	Natural/Organic

Any one of these customer descriptions could be a niche marketer’s target customer . . . or better yet, the consumer that meets all of these descriptions might be the targeted customer.

Think for a moment of a niche market as a group of customers who share a common preference for pork products that have certain characteristics. In fact, there are a number of these niche markets (group of customers) that indeed have special preferences for pork products. Some of these special preferences may include:

Organic and natural pork	low fat
Pasture-raised	locally-raised
Antibiotic-free	farm-fresh

For example, a different consumer is likely to be targeted as a buyer of salt-cured, country ham than a buyer of low-fat, organic bacon. Similarly, a different consumer is likely to be targeted as a buyer of whole-hog, smoked sausage, than for two-inch, boneless, free-range pork chops. This is not meant to imply that only one target customer will be adequate to support a successful niche marketing pork operation. In fact, a different target customer may be needed for each different pork product.

An on-farm value-added pork operation may target many different customers for different products. This means that product characteristics will be accentuated through their packaging and promotion to different groups of customers. A sample list of possible targeted customers for various value-added pork products is presented in Table 1.

Table 1 is not a presentation of scientific-based consumer groups for various products. Each niche pork marketer should have a unique matching of product characteristics with targeted customers. And their products should be differentiated in ways that attract the targeted customers. Your role as the supplier is to communicate with these customers the fact that your product has the characteristics that they desire and make the product available to them.

So, the easy and straightforward question, “who is the targeted customer?” does not deserve an easy and straightforward answer. The targeted customer will vary according to the niche marketer and the specific niche products offered. It is most important to either identify a certain target consumer and develop a product suitable for their buying preferences OR identify the marketable characteristics of your product and then determine what consumer sub-set should be targeted.

Example Targeted Customer Characteristics	Value-Added Pork Product
Small retail stores in ethnic areas	Whole carcass
Outdoor grill enthusiasts	Pork Ribs
Lower income, large families	Pork chops cut ½ inch, bulk
People with southern background	Salt-cured country hams
Middle class families with outdoor grills	Boneless Loin
People with slow-cook facilities for BBQ	Picnic-Boston Butt
Upper income families with working moms	Marinated tenderloin
Hispanic (chicarron, carnitas)	Skin (Cuero)
All dog owners	Ears
All income groups & most ethnic groups	Fresh, ground pork
Hispanic families	Feet (patas de puerco)
Numerous ethnic groups	Ethnic sausages
People with rural background	Whole-hog country sausage

Table 1. Example Targeted Customer Characteristics for Various Value-Added Pork Products

The Other Players

Once you have decided which niche you want to pursue and who the targeted customers are, you need to look at who the other players will be. There may be only a few other players who will affect your outcome, but there could be many. As a general rule, the fewer number of other players, the greater possibility for a well-run operation. The more processes you have control over, the fewer possibilities there are for communication breakdowns and misunderstandings. Of course, in any niche marketing venture there will be other people involved with the ability to either help you make it work or in some cases cause it to fail. This fact points to the necessity of having a great game plan before you get started and for you to study your lesson well. The other players in your plan could own a part of the business or be employed by you to perform a specific function in the operation. Your plan needs to include who the decision makers will be.

In many cases, the other players in a niche marketing enterprise will be family members, while others will involve people outside your family, either individuals or businesses. In the case of most niche marketing ventures, there will be a producer of the raw material, a slaughter process, a value-adding step and a marketing activity. Along with this, you will have the customer group as players in the process. It is important to develop an understanding with all of these players before you embark on the business. Bring all the players together and develop a plan for the entire enterprise. Remember, everyone who is included as a player must be rewarded for his or her role. In most cases, the reward needs to be financial, in the form of profits. In the case of customers, the reward might be an outstanding pork product for their family or it could be an ethnic pork product they desire, but can't buy through any other local outlet. Remember, the product you are selling must be unique enough that it can't be purchased at the local Wal-Mart® or Kroger® store. If it is, you will be unable to compete unless you can produce enough of it at a competitive price to wholesale it to these retail stores also.

If your niche market idea involves the Internet, you will have another group of players. A Web site to sell your product could very well be the most probable market for your product. Keep in mind; there are already many Internet players who sell pork products. How do you position yourself and your product to sell it to people via the Internet is a question that must be answered. Do you go it on your own or do you form an alliance with someone who is already selling products there? The best answer could very well be to join forces with a well-known company to furnish pork products to them for sale on the Internet. Consider choosing a company that does not presently sell pork, but maybe other food products that would complement your product. The main reason to join with another company is simply to hook into their customer base up front.

Generally speaking, products purchased on the Internet are more expensive than products purchased at the local grocery store. This is primarily because of shipping costs and the fact that orders must (in most cases) be delivered overnight in an insulated, cold package that is protected from heat. Quality of product is very important for Internet sales. People who make food purchases on the Internet are usually looking for exceptionally high-quality products for their families, and price is not the determining factor in the sale.

If you are selling a special line of products, such as "Certified Organic By," or "Natural," "Range Fed," "No Antibiotics Used in Raising" (which claims a special production system), be sure you meet state and federal regulations for that particular designation. The USDA, through its Food Safety and Inspection Service (FSIS), regulates these designations.

How Do I Know If the Customer Will Buy the Product?

Many marketers claim that a person is not really a customer until they actually buy the product. Until the actual time of purchase they are simply a "potential" customer. Some even say they are not customers until they are repeat or regular buyers of the product. While this may indeed be true, it is not very helpful to the pork producer that is considering or planning a niche pork enterprise.

In a recent survey trying to identify the best way for farmers to get new value-added food product on the shelves of grocery stores, the store managers participating in the survey indicated that one of the best ways to convince them to carry a new food product is to show them a proven sales history. This makes sense, but is very confusing and frustrating to the value-added marketer because it is difficult (if not impossible) to show a proven sales history without getting the product on store shelves to begin with.

The notion of whether or not customers will buy the product is really an issue of market research and market planning. In many cases the successful niche marketer who has the greatest confidence that customers will buy the product also has the best understanding of the four P's of marketing: Product, Price, Place and Promotion. These successful marketers thoroughly understand the characteristics of their products, they know what product attributes are marketable to specific target customers and they highlight these characteristics in product packaging and image. They also develop a precise pricing strategy reflective of the competition, cost of production and image. Their pricing is also reflective of specific marketing outlets, sales quantities and seasons. The pricing strategy also represents a unique relationship with specific product placement. A successful placement strategy will reflect intensive evaluation of the most effective and efficient methods of getting the product to customers through ideal distribution channels. Finally, the successful niche marketer will develop a complete promotion plan that includes appropriate publicity and advertisement activities that are precisely aimed at the identified target customers. A well-implemented marketing plan centered on the four P's is often a result of a well-executed and well-evaluated test marketing program, consumer surveying and competitive analysis.

Sometimes this complete and thorough understanding results from a formal feasibility study or the development of a business plan. Developing a market feasibility study and a marketing plan can be a very valuable process for a niche pork marketer. The process enhances the marketer's understanding of the overall industry in which the products will compete and identifies market strengths and weaknesses. The process also strengthens the relationship between the product's characteristics and the methods in which these characteristics are communicated to the targeted customers. Finally, the process clarifies the most favorable product characteristics, allows for a quantified estimate of sales and revenue and increases the overall confidence that customers will buy the products.

It may be best just to accept on the front end that you will not know for certain that the product will sell until it sells. But there are many things that you can do to increase your confidence that the product will sell. Properly conducted consumer surveying and test marketing increase the confidence that products will sell. Understanding the characteristics and demographics of the targeted customers for each product and developing a detailed marketing plan that matches your niche products with the appropriate target customer increases confidence that the product will sell. Developing promotion and advertising that is specific to the targeted customers and appropriate placement of products increases confidence that products will sell. Finally, a strategic planning process which includes a feasibility study, business plan and marketing plan are critical components a niche marketer's confidence that a product will sell.

Producing and Processing

Producing and processing the pork product you have chosen to develop a niche market for demands that you pay close attention to detail. When you cross the line from being a pork producer to being a producer and/or processor of a finished product for human consumption, you have made a huge step into the world of governmental regulations and food safety. Most likely, you are already involved in the National Pork Board's Quality Assurance (PQA) program and are familiar with the 10 Good Production Practices and the nine Care and Well Being Principles (CWPs) of the Swine Welfare Assurance Program. These programs are voluntary and made available through the National Pork Board. These two programs dealing with pre-harvest food safety and animal welfare issues are a must for every producer who plans to sell finished pork products to the consumer. The PQA program is especially important, because it leads you through a process of being sure there are no drug residues in the pork you produce and no broken needles. If you are becoming a processor of pork, you will have periodic samples tested for residues and you will need to be sure your product is free of all drug residues.

Depending on the product you will be selling, there may be special production practices you will need to follow. You may decide to produce pork without the aid of antibiotics in the feed. In this case, you will need to make allowances for some slower growth in your pigs and less feed efficiency. In other words, it will cost you more to produce the same amount of product. This means you will need higher prices for your products to make up for less efficiency in production. The market you are after may or may not justify the less efficient production. Depending on the market, you may also need to modify the weight at which you sell or harvest your hogs. If you are after the barbeque market, a lighter pig is required than the present day 250- to 260- pound standard. For cooking whole pigs on the grill (North Carolina-style) you need a dressed pig weighing 75-125 pounds. If you are going to produce American-style Prosciutto hams, the final weight of the hogs will need to be in the 300-pound range to produce a larger ham.

Processing your niche pork product will require much study and careful planning. You will need to become familiar with the state and federal regulations that deal with processing fresh meat to be sold to the consumer. The USDA and the FDA are the two lead federal agencies dealing with regulations on food production and processing. The Hazard Analysis and Critical Control Point (HAACP) program has been designed to establish food safety standards throughout the food industry. In 1998 the USDA established HAACP for meat and poultry processing plants. The larger plants were required to start using HAACP by January 1999. Very small plants had until January 25, 2000 to have the plan in place. HAACP involves seven principles.

1. **Analyze hazards.** Potential hazards associated with food and measures to control those hazards are identified. The hazard could be biological, such as microbes; chemical, such as toxins; or physical, such as broken needles.
2. **Identify critical control points.** There are points in a food's production from its raw state through processing and shipping to consumption by the customer, at which the potential hazard can be controlled or eliminated. Examples are cooking, cooling, packaging and metal detection.
3. **Establish preventive measures with critical limits for each control point.** For a cooked food, for example, this might include setting the minimum cooking temperature and time required to ensure the elimination of any harmful microbes.
4. **Establish procedures to monitor the critical control points.** Such procedures might include determining how and by whom cooking time and temperature should be monitored.
5. **Establish corrective action to be taken when monitoring shows that a critical limit has not been met.** For example: reprocessing or disposing of food if the minimum cooking temperature is not met.
6. **Establish procedures to verify that the system is working properly.** For example: testing time and temperature recording devices to verify that a cooking unit is working properly.
7. **Establish effective record keeping to document the HAACP system.** This would include records of hazards and their control methods, the monitoring of safety requirements and action taken to correct potential problems. Each of these principles must be backed by sound scientific knowledge. For example: published microbiological studies on time and temperature factors for controlling food-borne pathogens.

Another area that needs attention is labeling of a new food product. The Food Safety and Inspection Service (FSIS) of the United States Department of Agriculture (USDA) is responsible for ensuring that meat, poultry and egg products are safe, wholesome and accurately labeled. The FSIS enforces the Federal Meat Inspection Act, which requires the federal inspection of meat products prepared for commercial distribution for use as human food.

The Labeling and Consumer Protection Staff (LCPS) of the FSIS develops policies and inspection methods and administers programs to protect consumers from misbranded and economically adulterated meat and meat products. Their purpose is to insure that all labels are truthful and not misleading. Labeling includes all forms of product identification, claims, net weight, species identification and nutrition related to meat products. The agency serves as an expert group on the composition of meat and meat products, including safe and suitable added ingredients.

For labeling applications and consumer protection information, contact the FSIS at the following address:

USDA, FSIS, OPPD
Labeling and Consumer Protection Staff
1400 Independence Avenue, SW
Room 602-Annex Building
Washington, DC 20250-3700

What Are the Financial Needs and Expectations?

It is oftentimes easy to get excited about niche pork products and the demands by certain segments of the population and forget about the cost associated with preparing these products and marketing them to targeted customers. However, profit from a niche pork enterprise only occurs when the revenue it generates is more than the associated costs. Appropriate market development and market research should be balanced with ample planning and consideration of the start-up costs, annual operating costs and the per-unit variable costs.

Significant start-up costs often make the early days and years of a new business stressful. It is likely that there will be several months between the time initial investments are made for niche pork operations and the time that revenue starts coming in from the sale of products. There are a certain amount of expenditures that will be required before any products are ever sold. The specific amount of start-up costs will vary from farm to farm based on a variety of factors such as the volume of output needed and whether or not slaughtering, processing, retailing or a restaurant will be included. Start-up equipment costs will also vary according to types of packaging, storage, retailing and distribution. Start-up costs will also be heavily dependant on land costs and the type of facilities that need to be constructed or refurbished.

Once all the start-up activities and their associated costs are in place, the niche pork enterprise must consider a number of annual costs that will be incurred. Some of the recurring/annual costs in a niche pork business will result as a direct relation to the number of products sold while others will result regardless of how much volume the business does. Some of the annual costs of operation include utilities, interest charges, managerial labor, cleaning and maintenance, insurance, bookkeeping, marketing and promotion. Costs that will vary directly with the amount of products sold will include the value of the incoming or raw meat, handling labor, packaging materials and distribution.

Without first knowing some specific details about the type of niche pork business planned, their targeted customers and specific business resources available, it is very difficult to estimate the cost that a niche pork business will incur. Start up costs for a new slaughtering and processing facility, all of the needed equipment and a retailing operation could range from \$250,000 to in excess of \$1 million depending on construction specifics and volume. Operating costs could range from \$100,000 to \$1 million and variable costs per-pound of retail sales could range from \$.050 to \$2.00.

Where Do I Get Start-up and Operating Funds?

Funding for a new business venture tends come from two primary sources. The first primary funding source is equity. Equity is the owner=s contribution of funds to the start up of the business that tends to stay in the business as an investment and does not have a definite repayment schedule. Equity is often a critical part of a start-up business, which is also needed to secure additional funds from debt. The most common source of equity is from the owner, but may also include friends and family. Debt (or a loan) is the second primary funding source for new businesses. Loans are critical to the business with insufficient equity to finance the business' start-up. Loans are set-up with a fixed payment schedule. Debt often is supplied through a loan from a commercial lender or another investor. As a general rule, lenders may require that equity represent 25-50% of the total start-up costs for a new business. Loans are generally obtained from commercial banks, government agencies or some other third party that sets a specific repayment schedule. Loans may be secured or non-secured. Non-secured loans are based entirely on the borrower's financial strength and past performance. Secured loans require that assets be used as collateral to secure the loan.

Various combinations of equity and debt as well as the various sources of start-up funds exist from business to business. However, a heavy majority of the total start-up costs of a new business are most often provided from the personal finances followed by funds from commercial lenders, friends & relatives of the owners and outside investors. Commercial lenders often cite a lack of owner's equity, lack of proper business skills, collateral shortfalls as some of the primary reasons they decline credit to new business ventures.

The most common sources of funding for new business ventures are:

- Personal Finances
- Commercial Lenders
- Investors
- Government Agencies (agricultural and small business)

Many small businesses consider grants as a possible funding source for their start-up costs. Generally, grants are funds that are made available to support projects that meet the mission and objectives of a particular funding source. The most common funding sources are government agencies and private foundations. Most funding sources set very specific guidelines and procedures for those interested in obtaining grant funds. Many funding sources restrict the use of their grant funds to non-construction projects while some grant funds do support construction activities. There are an endless number of

requirements and specific qualifications that some funding sources have. Seeking and obtaining grant funds to support a niche-pork project will depend on a unique matching of the financial needs of the niche marketer and the funding source.

Using a Business Plan to Increase Chances of Success

A good business plan can help identify potential business-failure characteristics and improve the chances for business success. A business plan is a road map that identifies business goals and presents a plan for achieving them. A business plan should force the new business owner to determine the feasibility of the proposed idea and its start-up requirements, to evaluate the need and potential payback of borrowed money and to develop the groundwork for more detailed operational plans.

Development of a business plan should be a basic management practice for a new business venture. A business plan should provide a detailed description of the business operations including such key factors as:

- \$ Overall business description
- \$ Product/service description
- \$ Market analysis & development of marketing strategies
- \$ Operational/production guidelines
- \$ Management overview
- \$ Financial plan

Some of the most critical aspects of a business plan are the financial projections for the new business. Financial projections should show the profit potential of the venture. If the projections do not show an adequate return in a reasonable time period, then the proposed business venture should be re-evaluated.

Many failed businesses mention "lack of capital" as the primary contributor to business failure. However, businesses often do not adequately plan and additional capital often just postpones the eventual failure of the business [1]. A formal business plan should be written but does not have to be long nor expensive, but it does require the investment of time and attention.

Many business plans are developed in order to secure funding from commercial lenders. However, a business plan should also be developed to communicate plans to the business owner/manager as a guide for evaluating the potential and actual results of the business venture.

Example Business Plan Format

There are many different business plan formats that can be used to guide the business planning process. The example that follows is one such format:

- Summary/Statement of Purpose
- The Business
 - Description of business
 - Operating procedures
 - Personnel
 - Business Insurance
- Description of Products or Services
 - Description of Product Line
 - Competitive Product Analysis
- Market Analysis
 - Description of Total Market
 - Industry Characteristics and Trends
 - Target Market
 - Competitor Analysis
- Development of Marketing Strategy
 - Overall Marketing Strategy and Target Market Identification
 - Market Penetration/Distribution
 - Pricing Policy
- Description of Operations/Manufacturing
 - Methods, Means, Capacity

- Sources of Supplies, Costs
- Strengths and Weaknesses.
- Presentation of Management Plan/Organization
 - Key People and Their Strengths
 - Organizational Structure, Chart, and Responsibilities
 - Staff Requirements, Employment Forecasts
- Presentation of Financial Potential
 - Position, Data, Requirements
 - Past Financial Statements (If You Have Them)
 - Financial Projections
 1. Profit/Loss Statements
 2. Balance Sheet
 3. Cash Flow Statements
 4. Capital Expenditure Estimates
 - Loan Applications
 - Capital Equipment and Supply List
 - Breakeven Analysis
 - Assumptions upon which Projections were based
- Supporting Documents
 - Tax returns of Principals for Last Three Years
 - Personal Financial Statement
 - Copy of Proposed Lease or Purchase Agreement for Building Space
 - Copy of Licenses and other Legal Documents
 - Copy of Resumes of all Principals
 - Copies of Letters of Intent from Suppliers, etc.

Summary

Niche marketing of pork provides many unique opportunities for producers to remain economically viable and competitive in a volatile marketplace. Those who pursue niche marketing must be able to produce a safe, high-quality pork product. Furthermore, they must also be able to successfully identify and market their product to a distinct group with specific preferences. In order to be successful, a great deal of time, money and effort must be dedicated to the development of these exclusive markets. However, sound business planning can result in alternative marketing options which have the potential to keep pork producers in business.

Literature Cited

1. The Business Plan, Small Business Development Center, Bradley University, Peoria, IL.

Purdue Extension
Knowledge to Go
1-888-EXT-INFO

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