

PROGRESSIVE Pork Producers Inc.

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Progressive Pork Producers Co-operative Inc. (3P's) was incorporated in November 1994 to provide Ontario based pork producers with an opportunity to participate in value added processing activities beyond the farm gate and to expand both the domestic and export market for hogs. Through their involvement in pork producing, member producers planned to diversify the risks associated with hog production and gain a stake in the processing industry. A stake that was at the time not commonplace for producer groups in any protein. Over the past 25 years, the 3P's initial vision has proven itself many times over.

The creation of the 3P's Co-operative was not an easy task in the early going. In 1994, the Ontario pork industry was dominated by a few large multi-national processors and market access was challenging to say the least. The founding members' commitment to the vision in both supply and funding was and is the reason that the Progressive Pork Producers Co-operative Inc. is now a market leader in Canada and the world.

The 3P's Co-operative's line of business includes operating meat packing plants and slaughter houses. The main facility is Conestoga Meat Packers Inc. located in Breslau, Ontario. While the past 25 years have been challenging, Conestoga Meat Packers Inc. is a leader in terms of product quality, livestock handling, process automation, environmental responsibility and employee relations.

Conestoga Meat Packers mission is to provide premium pork products to those who desire responsibly raised, healthy, quality pork through their commitment to local farmers, families and communities worldwide.

The initial 3P's Co-operative premise was to achieve value through vertical integration. What did this mean at the time and how might other producer groups succeed with a similar strategy? The answer varies on a regional and protein basis but some general assumptions can be brought forward to any group looking at the opportunity.

Initial Premise

The realities of the international and domestic pork marketplace in the early 1990s suggested that long-term success and profitability for 3P's would rely on vertical integration and control of hog growth and supply. Consolidation and rationalization at both the producer, slaughter-cut, processor and retailer level had been occurring since the early nineties. The result was that a few large players controlled the majority of the domestic and international market. Plant inefficiencies as

a result of under-utilization and ageing structures had created large-scale rationalization and the advent of a 'super plant' philosophy. Companies such as Maple Leaf, Smithfield, and IBP were building systems to handle a minimum of one thousand hogs per hour slaughter-cuts. These systems relied on a steady supply of hogs to run at an efficient level. To this end, controlling the supply of hogs would be paramount and a major focus for these organizations. This left the independent hog producer vulnerable in relation to the intensive farms that were

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being created to supply the new structure. The basic premise of 3P's Co-operative Inc. was to replicate the larger processors' vertical co-ordination strategy on a smaller scale in the Ontario marketplace and to have ownership rest with the producers as opposed to the processor. This premise continues to be valid in many regions and proteins across Canada and the United States. The challenge is how to create a market entry that allows for a committed, long-term, risk sensitive business plan.

The initial specific premises were:

- Vertical co-ordination
- Supply management
- Grow efficiencies and strategies
- Just-in-time hog management
- Market flexibility
- Facility optimization
- Income stabilization

Vertical co-ordination was paramount to the 3P's strategy and without a strong commitment from the co-operative, the entire feasibility of this project would have been in question. The research at the time suggested that the Ontario marketplace had room for only two major processors given the current hog supply structure. A new processor without vertical supply would not be in a position to compete in the long-term.

The initial vision for the 3P's Co-operative was to renovate a 100,000 sq. foot food production facility in the London, Ontario area. This assumption proved very expensive and risky as a pure start up in the hog processing industry provided many challenges. The advent of the purchase of an existing processor Conestoga Meats in Breslau, Ontario and the ongoing retention of the management team provided the 3P's Co-operative with the market entry opportunity it needed. This arrangement provided 3P's with an existing customer and management structure, one of the significant hurdles for a green-field (brand new) start-up.

Some key aspects of the initial plan were:

- Expansion of the Conestoga facility to align with the initial membership's hog production capabilities.
- Full equipment utilization through supply management and member commitment.
- Product and yield control through a rigid production management-based culture.
- Efficient product flow, facility design, and control.
- Transition from the Conestoga management team to a 3P's team as the initial management contracts ended.
- Growth of sales to the current customer base while building export sales.
- Strategic co-op management.

Critical Success Factors

The initial 3P plan identified a list of critical success factors that needed to be addressed to help ensure success. This was proven to be easier said than done. With the establishment of a strong management team, consistent producer support and commitment, 3P's co-operative found success.

Some key factors were:

- The successful implementation of a vertical integration strategy always ensuring supply was consistent to

production capabilities.

- The development of a highly-skilled and experienced management team.
- The development of a facility and process that can provide competitive labour and yield standards.
- Progressive Pork Producers Co-operative Inc. maintains control of the proposed facility and business structure.
- An equitable structure is established to provide an adequate return on investment of the Progressive Pork Producers Co-operative Inc. membership.

Over the initial start-up period, and through to today, the above critical success factors remain paramount to the co-operative's success.

The 3P's Co-operative stands as a strong example of a successful producer-owned vertically integrated hog grow and pork processing operation. The founding members' long-term commitment and support remains a key component of the co-operative's success. Creating market access in an industry dominated by large multi-national players seemed both counterintuitive and risky in the early 90s. A committed group of Ontario based producers have proven many wrong.



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