

## Appendix D—Packer Branding Programs That Rely on a Specific Type of Genetics

**America's Best Pork.** “America's Best Pork” (ABP) was Farmland's USDA Process-Verified pork program. The ABP program provided hogs for Farmland's branded, case-ready meat products. Proprietary genetics for the program, referred to as Triumph Genetics, came from Triumph Pork Group, formerly a 56 percent-owned subsidiary of Farmland, which was formed to develop the genetics.

To participate in the ABP program, independent producers were required to enter into a participation agreement with Farmland that summarizes program requirements (Iowa Attorney General, 2002). Producers were required to enter a genetic supply agreement with Triumph Pork Group that covered a range of terms to safeguard the proprietary nature of the genetics, including monitoring, confidentiality, and penalty clauses, and dispute resolution procedures (table 5). Producers were also required to enter a “Market Hog Purchase Agreement” with Farmland, which provided both producers and Farmland with additional safeguards from potential opportunism.

**Lean Generation.** In 1996, Smithfield Foods launched its line of Lean Generation pork, which was the first branded fresh pork program to receive the American Heart Association's “heart check” certification for superior health qualities. Hogs for the Lean Generation brand were originally supplied through a joint venture between Smithfield and Carroll's Foods, a leading U.S. hog producer. In 1991, Carroll's Foods and Smithfield Foods entered a franchise agreement with the National Pig Development (NPD) Company of Great Britain to obtain exclusive rights for the NPD hog in the United States and Mexico. The NPD hog is the leanest hog in large-scale U.S. commercial production. Through the joint venture, referred to as Smithfield-Carroll's or NPD (USA), NPD breeding stock was provided to Smithfield and its partner-owned farms.

Hogs were produced in operations owned by affiliates of Carroll's Foods. The arrangement involved a partnership between Smithfield and Carroll's *Farms* of Virginia, which owned the hog raising facilities. It also included a long-term purchase contract between Smithfield and Carroll's *Foods* of Virginia, which leased and operated hog production facilities. Under the purchase agreement, Smithfield was obligated to purchase all hogs produced by Carroll's Foods of Virginia at market-equivalent prices.

Smithfield and Carroll's Foods also had production contracts with independent producers to raise NPD hogs.<sup>1</sup> The contractor (a packer or large producer) reduces producer hazards by investing in genetics and other inputs, in exchange for a greater degree of control over production.

As the Lean Generation brand grew increasingly successful, Smithfield gained greater control over the genetics. In 1999, Smithfield acquired Carroll's Foods and its 50 percent interest in the joint venture. Following the purchase of NPD by the Pig Improvement Company (PIC), NPD (USA) terminated its franchise relationship, and now independently operates the NPD genetic development program. In 2000, NPD (USA) was restructured

<sup>1</sup> Note that the same pig may be successively covered by a production and marketing contract. For example, Carroll's Foods may enter into production contracts with producers to raise the pigs, and marketing contracts with a packer to sell the same pigs.

as a separate company within Smithfield, under the name Smithfield Premium Genetics (SPG), to focus on the development of NPD stock. Operating as a subsidiary of Smithfield, SPG provided Smithfield with added safeguards for its Lean Generation brand.

**Others.** Through its niche marketing program, “Pennsylvania Country Wagon Family Farms Pork Program,” Hatfield meets exact Japanese specifications for quality and safety. Hatfield certifies that its hogs are disease-free and bred under strict genetic, nutritional, and hygienic specifications on “Certified Pennsylvania Family Farms.”

For the Japanese market, Hatfield sources genetics from Babcock Swine (Vigoda), which built a reputation for tender, well-marbled pork with low purge and superior palatability. It was the first U.S. breeding company to eliminate the stress gene, and to receive an official trademark from the U.S. Patent and Trademark Office for their pork products. Hogs for most of Hatfield's Japanese products are supplied through a joint venture with Wenger Feeds (a leading hog producer) (Marbery[b], 2000).

Premium Standard Farms (PSF) has a line of branded fresh pork products and specialty products, such as “Fresh & Tender” and “Premium 97 Heart Healthy.” PSF uses proprietary genetics from the Dalland breed, which is known for its uniform feeder pigs, free from the stress gene. PSF entered an agreement with a leading hog genetics company in the Netherlands to obtain exclusive use of selected male genetic lines in the United States. Production operations that supply PSF's processing plant in Missouri are completely integrated, from genetics to the slaughterhouse (Nunes).