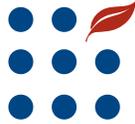




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Vertical Coordination of Marketing Systems: Lessons From the Poultry, Egg, and Pork Industries

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Abstract

The poultry, egg, and pork industries have taken significant steps to improve the control of production either through contracting and/or vertical integration. These improved controls were motivated by the emergence of new specialized large-scale production technologies that placed a premium on quality control and the efficient use of information. The heightened speed of production, the perishable nature of products, and significant measuring and sorting costs all increased the difficulty of obtaining accurate economic information and thereby increased the cost of exchange throughout the marketing system. Contracts and vertical coordination provided an efficient means of organizing markets by reducing these transaction costs.

Keywords: Vertical coordination, vertical integration, contracts, transaction cost economics, technology, measuring and sorting costs, poultry, pork.

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Contents

Summary	iii
Introduction	1
Evolution of Vertical Coordination in the Poultry, Egg, and Pork Industries	2
Vertical Coordination in the Poultry and Egg Industries	2
Vertical Coordination in the Pork Industry	4
Incentives for Contracting and Vertical Integration: A Transaction Cost Approach	6
Asset Specificity	6
Uncertainty	8
Measurement Costs	8
The Viability of Spot-Market Transactions in the Poultry, Egg, and Pork Industries	10
Physical Specificities and Small-Number Conditions	10
Site and Temporal Specificities	16
Measurement Costs	16
Marketing Contracts, Production Contracts, or Vertical Integration?	18
Uncertainty and Vertical Acquisitions	18
Vertical Integration in the Turkey and Egg Industries	19
Marketing Contracts in the Pork Industry	21
Beyond Transaction Costs:	
Benefit Effects From Contracting and Vertical Integration	23
Production Efficiency Gains	23
Quality and Uniformity	24
Potential for Further Research on Incorporating Benefit Effects	27
Conclusions	29
Selected References	30
Appendix A: Vertical Stages of the Poultry and Egg Industries	37
Appendix B: Geographic Region Definitions	38
Appendix C: Location of Broiler, Turkey, Egg, and Pork Production, 1997	39
Appendix D: Demand Index Calculations	41