

# CITD BRIEF: OKLAHOMA PORK



WES WATKINS CENTER FOR  
**INTERNATIONAL  
TRADE DEVELOPMENT**  
School of Global Studies and Partnerships



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# OKLAHOMA PORK

## Overview

The agriculture sector is crucial to Oklahoma's economy, is responsible for over 300,000 jobs in the state and is an important driver of exports.<sup>1</sup> One of the most important agricultural products exported by Oklahoma is pork. According to the Oklahoma Pork Council, the pork sector is the second largest agricultural enterprise in the state.<sup>2</sup> There are more than 1,900 farms in Oklahoma that produce swine meat, and these farms are responsible for generating more than 12,100 jobs. In 2018, pork meat exports from the state amounted to \$197.2 million (USD)—3.3 percent of the \$5.87 billion (USD) total of all U.S. pork meat exports for that year. The largest client for pork meat from Oklahoma was Japan, followed by neighboring Mexico, China (the largest pork meat consumer on the planet), and South Korea.

## Competitiveness

Domestically, Oklahoma is also a pork producing powerhouse. The United States exports more pork meat than any other country, and about 6 percent of those hogs come from Oklahoma. With 1.6 billion pounds of live weight produced in 2017, valued at \$819.3 million (USD), Oklahoma is the ninth largest pork meat producer in the U.S. To put this in context, the state with the largest production, Iowa, produced 12.7 billion pounds of live weight in 2017, worth \$5.67 billion (USD). Other leading producers include North Carolina, Minnesota, and Illinois.<sup>3</sup>

Additionally, Oklahoma enjoys a strong revealed comparative advantage (RCA) in the pork sector. This metric measures the ratio of a state's total exports of the commodity of interest, to its total exports of all commodities; over the ratio of the commodity of interest's exports of all the states as a whole, to the total of all the state's exports as a whole. Because Oklahoma exceeds the same ratio for all the states combined, it is considered to have a strong RCA for export strength. When contrasted with comparison states, Oklahoma's comparative advantage is almost twice that of North Carolina's, a leading pork meat producer, and almost 60 percent higher than Missouri's. Even Texas, a state that dwarfs Oklahoma in many industries, has a much lower RCA, as seen in **Figure 9**.

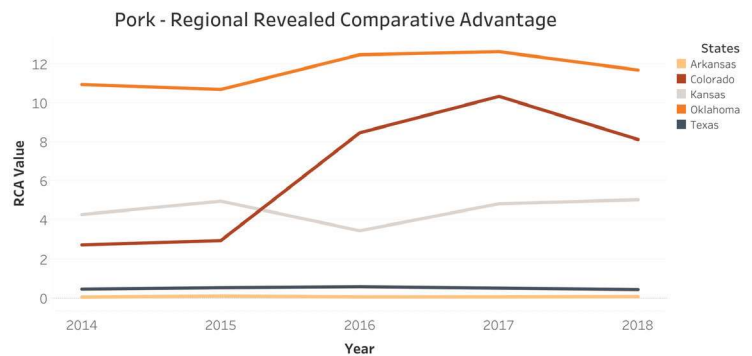


Figure 9: Pork RCA Graph. Source: CITD Analysis.

While having a strong revealed competitive advantage does mean that Oklahoma is well-suited to produce and export pork, that advantage does not always correlate directly to higher exports. In fact, in spite of its greater RCA in 2018, Oklahoma only contributed about half as much as Texas to the nation's total exports of pork. While there are many other factors involved in making a successful exporter, with such a high RCA, Oklahoma should be capturing more of the value within this market.

## Supply Chain Network

The most successful companies at capturing significant pork meat export growth are typically vertically integrated operations that control a large portion of the supply chain. Most of the value added in the pork sector is captured later in the value-chain and, due to high overhead related to logistical and legal costs, many Oklahoma pork meat producers lack the financial capacity to reach clients in far-away international markets or to participate as suppliers to larger

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corporate actors. As a result of these high overhead costs and regulatory requirements, the market is dominated by large meat and food processing corporations headquartered outside the state. Many of these firms do operate in Oklahoma, purchasing live hogs and pork meat from the local producers, further processing that meat, and then marketing it internationally. Some of these firms include names like JBS USA (property of Brazilian meat-processing giant JBS, the largest meat processor in the world); as well as Tyson Foods, from Springdale, Arkansas; Cargill Meat Solutions, from Wichita, Kansas; and Smithfield Foods, from Smithfield, Virginia. Even Seaboard Foods, which operates the largest pork slaughter and packing plant in the state, located in Guymon, Oklahoma, is headquartered outside the state in Shawnee Mission, KS.

Remarkably, although Oklahoma is a large pork meat producer in the national context, Oklahoma firms do not appear on the short list of dominant actors in the sector. One exception is Oklahoma firm, Lopez Foods, headquartered in Oklahoma City. Lopez Foods registers 48th in the National Provisioner's 2018 Top 100 Meat & Poultry Processors, an annual ranking of the top 100 meat and poultry processors in the United States based on net sales.<sup>4</sup> They employ more than 1,000 people and market processed pork meat products both nationally and internationally. To expand opportunities for additional Oklahoma firms to become more influential, state and local policymakers need better coordination with local firms to develop institutional policies, infrastructure, and human resource capacities to better engage in international trade. Strengthening the trade-related capacities of Oklahoma firms will allow them to capture an increasing share of value within the value chain as well, and can generate high-skill, high-paying, quality jobs associated with business management, planning, marketing and operations. As it stands now, most of these jobs in the Oklahoma pork meat export sector, with the exception of Lopez Foods, are located outside the state.

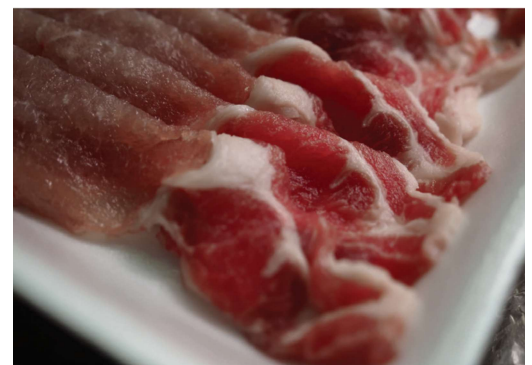


## Insights and Observations

When analyzing pork production and export statistics, an interesting fact stands out. Although Iowa's pork production is almost eight times larger than Oklahoma's, Iowa's pork industry is less dependent on exports. In 2018, according to data from the U.S. Census Bureau, 24.1 percent of Oklahoma's pork production was destined for international markets, compared with a more moderate 14.8 percent for Iowa's pork industry. That means a quarter of every dollar Oklahoma earns through the sale of pork meat came from overseas, an important takeaway from our analysis.

Another important insight arises when we look at Oklahoma's most important export markets: Japan, Mexico, and South Korea. Interestingly, these markets exhibit different pork consumption preferences. The Japanese market, a very affluent market with a preference for lean meats, is a large (and growing) buyer of high-value pork cuts. Another growing market, albeit for a different cut of meat, is Mexico. Mexican consumers prefer the fattier cuts traditionally used in Mexican cuisine, making this an excellent market for lower value, higher volume pork meat exports. This knowledge can be used when developing an export strategy.

Other markets to which Oklahoma currently exports pork meat also offer opportunity. For example, China, the world's largest pork meat consumer, has seen its local production decimated by an epidemic of African swine fever, a highly contagious and lethal virus. Estimates range between



30 and 50 percent of lost inventory, which could create a boon for countries with available pork meat to sell to the Chinese market.<sup>5</sup> While the tariffs associated with the U.S.-China trade war have been a stumbling block for Oklahoma pork exporters, if the supply drops enough, then prices could allow for greater exports even with the tariffs. Other exporters, such as Brazil, the European Union and Canada have all capitalized on this opportunity to pursue sales without retaliatory tariffs in place and have increased their shipments to the Chinese market. South Korea, on the other hand, is a growing consumer of high-value pork cuts that already has a free trade agreement in place with the United States. The growing South Korean economy and evolving consumption trends mean that this niche can prove an interesting market for Oklahoma pork producers to explore further.

The time for Oklahoma pork producers to seek new opportunities in trade is now. Although the value of U.S. pork exports has grown by 26.2 percent between 2008 and 2018 (when it reached \$5.87 billion (USD)), Oklahoma's pork exports have remained relatively stagnant. The value of pork exports from Oklahoma has increased from \$185.2 million (USD) in 2008 to \$197.3 million (USD) in 2018, a 6.5 percent growth rate. We observe that Oklahoma pork producers are not getting a fair share of this export growth. Markets like South Korea have seen the value of their U.S. pork imports double between 2008 and 2018 (going from \$229.48 million (USD) to \$595.28 million (USD) in 2018), and Oklahoma pork producers could benefit more from this surge in global pork imports.<sup>6</sup>

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Understanding the connectivity and interdependence of the global supply chain will be crucial for further developments. Additional next steps for the Oklahoma pork industry to further develop trade performance and open new markets, is to boost research and understanding on how current market conditions continue to act as a barrier to entry for small actors. Additionally, it will be important to investigate organizational development and vertical integration opportunities available for local firms to scale internationally. In response, the economy of Oklahoma will benefit by capturing more value, attracting increased private capital investment, and attracting higher value-added local jobs and income generation.

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