

# **PRODUCT DIFFERENTIATION AND THE ROLE OF CONTRACTS: THE US PORK INDUSTRY CASE**

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## **ABSTRACT**

This dissertation studies factors influencing the rapid transition from spot markets to contracts recently observed in the exchanges between farm producers and processors or distributors. In particular, it attempts to fill gaps between the existing literature on organizational form choice and processors' or retailers' practices on contract choice recently observed in the agro-food sector by offering theoretical arguments and empirical analysis. On the theoretical side, it develops the concept of product specificity to a buyer by looking at the interaction between processors' or retailers' product differentiation activities in downstream markets and their procurement practices in upstream markets and then incorporates it into the existing theories of contracts to more consistently explain the rapid transition. On the empirical side, the product specificity analytical framework is applied to a more comprehensive analysis of contract structure and choice in the US pork industry. The results from long-term hog procurement contract documents analysis and an econometric analysis of the primary data generated from a survey of pork packers support the theoretical arguments.