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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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