

**NSW LAMB MARKETING ALLIANCES : FACTORS INVOLVED IN PRODUCTION,
GENETIC SELECTION AND MARKETING**

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SUMMARY

Lamb marketing alliances spawned in recent years, stem from producers wishing to go beyond the farm gate to market their product, and from the NSW Agriculture, pushing value based trading for lamb meat. Average weekly consumption of lamb in the Eastern states of Australia is currently in the order of 20,000 head.

Lamb Marketing Alliances provide the alternative to the end user :

- a haven for carcasses assessed on the hoof for weight and fat score
- a guaranteed supply source
- a negotiable pricing structure within a grid system of delivery
- minimal handling and bruising

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INTRODUCTION

Lamb Marketing Alliances work in the following way. A group of producers in a geographic area come together with the common goal, of greater sophistication in their marketing techniques and consistent returns for a consistent product. An estimate of production numbers is made and the months in which they can be finished and delivered for slaughter. An agent who has assessing qualifications is sought to act on behalf of the group. His role is to grade the lambs for fat score and weight, on each source property and make up trucking numbers for the consignment in a particular week or month. He provides accounting support and del credere insurance against payment default.

A processor or wholesaler is sought; who meets with the group and a pricing structure is drawn up involving weight and fat score. This is commonly referred to as a supply grid. Producers then agree to deliver lambs at certain times which the end user can then rely on. This takes the uncertainty out of sourcing product from saleyards or other means.

Product consistency is achievable through producer groups especially, as each animal entering the value chain has been weighed and fat scored prior to trucking. A margin of safety is built into the

delivery system. Producers are only asked to commit up to half of their lamb drop, in any one year. This gives a wider selection base from which to pull the numbers committed. To deliver lambs in a specification window, the assessor palpates the lamb at the GR site which is 110 mm from the midline of the carcass over the 12th. rib. Ninety percent accuracy can be achieved to give a regular batch of carcasses for fat score. They are weighed at same time and deductions are made for time off feed, wool length, sex etc to estimate the correct dressing percentage.

This is far removed from the traditional approach of selling lambs in the saleyards or on farm, as the only grading of the animals quite often, is a penning into similar visual groups. The onus is therefore transferred to the buyer to estimate purchase parameters on the hoof with no objective means of assessment. The producer loses all control over his product and frequently never gets feedback from the killing works.

The quality article begins at home. Genetics sourced and purchased, to deliver the maximum potential phenotype.

Sound management to achieve

1. growth potential and therefore dollars return on stock capital invested
2. buffer from seasonal influence to enable an even nutritional plane up until killing
3. a marketing plan

PRODUCTION

Geneticists over estimate market sophistication and under estimate production difficulties and influences. The genetic program for lamb is very frustrating for the forward thinkers, as there lacks quality market signals that can be followed, i.e. saleyard premiums for fat score 4 and 5 on the hoof meat versus discounts for fat score 2 animals. Selling over the hook (paid on hot carcass weight plus skin value) quite often delivers the reverse result. We are quite often in the position of making predictions of future market requirements as a basis for genetic selection now. Sourcing ram genetics has become increasingly easier over recent years with the advent of objective quality trait assessment schemes such as LAMB PLAN. The other half of the breeding equation however, isn't as easy to obtain. The production base required to sustain a first cross ewe flock is large and unwieldy; there is really only one alternative and that is to source F1 ewes off farm. In a world where money talks, let me expand on that.

Take a grazing business that wants to produce (among other commodities) prime lambs. To talk in round figures lets examine an enterprise which breeds lambs from 1000 first cross ewes of mixed ages (assuming a steady state regime - figure 1).

You will see that a producer needs to replace at a rate of 190 ewes per year to overcome dry ewes and deaths. You will also note that 190 replacements require a flock of merino dams in the order of 5000 to achieve this. In a self replacing merino flock (and most are now to stay safe) this dictates a ewe base of sizeable proportion. The point here is that it is more cost effective to source ewes externally than breeding your own. Sourcing cross bred ewes of any quality is not easy. Producers rely on saleyard offerings, advertisements in the rural press and word of mouth. They

need to be free of aggressive animal health diseases such as footrot, Johnes disease and parasite resistance - be well grown, of the right shearing time etc. Each of these steps narrows the choice field considerably. The most significant aspect in dollar terms, in a prime lamb enterprise is net dollars received per lamb, and equally stocking rate or kilograms of lamb meat produced per hectare. Prices paid for rams and replacement ewes are of relatively small importance, since the average ewe will last eight lambings and beyond.

MARKETING

The marketing alternatives today for the producer lie in the following areas.

- saleyard selling
- on farm sales
- over the hook sales to abattoir
- marketing group alliances

There exists a wide gap in the meat marketing chain between the production end, and the retail/consumption front. Lamb marketing alliances are about increasing understanding on both ends to facilitate increased efficiency in the handling and selling of our product. Market research shows consumer resistance to certain cuts of lamb such as the humble chop. The Trim Lamb campaign shows it is possible to win market share by inventive and new ways of product presentation. The Fresh Australian Range Lamb (FARL) program also demonstrates product labeling, and consistency of product quality, increases penetration into export markets dominated by beef and white meats, such as in the USA. We are most certainly facing a formidable opponent in the white meat industry which is not afraid to spend money on research /development and marketing. They also carry the factory approach to production to a sophisticated level.

Lamb Marketing Alliances are potentially very successful as they have the capacity to deliver a consistent product, on time, from a large production base. Climate can influence delivery commitments. The producer, who's farm is going through a drought has no feed to finish lambs he has committed to deliver. He may elect to adopt any of the following strategies;

1. lot feed his lambs on farm or by contract externally
2. purchase lambs from a drought free area to deliver against his commitments
3. purchase lambs from a saleyard system
4. purchase carcasses from an abattoir chiller
5. deliver his lambs early and accept the grid penalty
6. talk to the end user, explain his predicament, keep the communication going

CONCLUSION

Marketing alliances will hopefully in the future allow the producer to harmonize the genetics, production and marketing perspectives - and be rewarded with a consistently better price structure, as we are at the important end of the genetic chain. We recognize the need for a better way - to reduce the product variability to the consumer - to become focused on pleasing the person, that gets our meat, on their plate. It is of paramount importance to please our market and we must respond to the signals that flow from the important sources.

Genetic decisions for the industry need to be made at the "coal face" of the market and the consumer. That is saying to the industry that we must accept responsibility for the criticism and the praise, from the person eating our meat, and be prepared to take the changes necessary to ensure their satisfaction.

Producers that have a long term commitment to a business plan will survive.

FIGURE 1. FIRST CROSS EWES HISTOLOGY

Following 100 ewes introduced into a flock they will on average (throughout their life span) perform at or near the following parameters.

LAMB AT 140 % in a well run operation.

DIE AT A RATE OF 5 % PER YEAR

RETURN AS DRY (lambd and lost or not conceived) AT A RATE OF 14 %

From the above it can be seen that 19 ewes will need replacing after the first cycle of breeding per 100 ewes. Or for a flock of 1000 , this figure will be 190/year on a regular basis.

5150 Merino Ewes are required to maintain the above (see figure 2.)

FIGURE 2. THE REPLACEMENT EQUATION

The aim is to top up an F1 ewe flock from progeny bred from the culls of a self replacing Merino operation. This strategy exposes the producer to minimum risk as it is a 'closed flock' situation.
Main negative here is ewe base required (2990)

