



Canadian Lamb Market — Ups and Downs

By Jennifer Fleming, Executive Director

In this Issue

Lamb Market- Ups and Downs	1
Biosecurity	2-3
Scrapie Canada Update	4
Lamb Grading	5-8
Using Genetics to Produce High Quality Lamb	9-10
Heavy Lamb Marketing in Quebec	11
International News	12-16

VOLUME DECREASES WHILE CONSUMPTION RISES

Consumption of lamb in Canada is on the rise. Changing demographics throughout the country mean more people are eating lamb more often.

Statistics Canada projects that between 2005 and 2017, the fastest growing populations in Canada will be West Asian, Korean and Arabian. Those immigrating to Canada from Asia are from cultures where lamb and mutton make up 26 per cent of the total meat output. In addition, the high Muslim population in Asia makes it likely that a substantial proportion of new immigrants into Canada will be Muslim – a culture whose consumption of lamb is substantially higher.

In 2006, the per capita consumption of lamb in Canada grew by 8 per cent to 1.21 kg. At this rate, lamb consumption will surpass the goal of CSF's market development strategy to increase consumption by 0.25 kg per person by 2010.

THE MARKET FOR LAMB IN CANADA IS GROWING PRODUCTION

The downside however, is that while consumption in Canada is growing, the number of lambs being processed has decreased dramatically. The sheep industry is undoubtedly one of the bright lights of opportunity for Canadian agriculture, yet figures show we are not taking advantage of an enormous opportunity.

According to Agriculture and Agri-Food Canada, between 2005 and 2006 there was a 7 per cent drop in processed lambs at both federally and provincially inspected plants; from 827,1000 to 767,000. This decrease is not that surprising considering the ewe flock decreased from 588,000 to 564,400 between January 2006 and January 2007.

While Canadian production decreases, lamb imports are increasing – imports from New Zealand increased 2.4 per cent in 2006. Research shows Canadians prefer lamb raised in Canada over imports. The same research also shows that consumers' loyalty for locally grown product is negatively impacted by inconsistency in supply and quality. The majority of consumers clearly don't expect, even want, Canadian lamb to be the same as New Zealand or Australian lamb, though they clearly do want consistency. As do the retailers and food service – who need it to satisfy their customers.

The Canadian market for lamb is increasing along with the opportunity for lamb marketers – whether they're Canadian, New Zealand or Australian. The question becomes whether or not Canadian producers are going to continue to be a vital component of the Canadian lamb market.

If the issues of consistency remain unaddressed, whether it's a lack of consistent quality, or availability, we're risking losing the market share we currently enjoy. Consistency will ultimately trump any other factor including locally grown. So, whether you want to produce lamb year round, or every June, it does not matter as much as ensuring that the product is of a consistent quality. **The opportunity, really, is ours for the taking.**

BIOSECURITY REVISITED

By France Lanthier, On-Farm Food Safety Coordinator

Well it's official; summer is finally here. While this doesn't mean sunny skies and dry conditions from coast to coast, it does mean that schools will let out soon and that many of us as well as our friends and families will be planning holidays and travel... all of which could increase the traffic on your farm. This might be a good time to revisit your biosecurity protocol or to start considering putting one in place if you don't have one.

The Canadian Animal Health Coalition has put together a list of frequently asked questions concerning the elaboration of a biosecurity protocol.

What Is It?

It's a management program to prevent the spread of disease.

Why Do It?

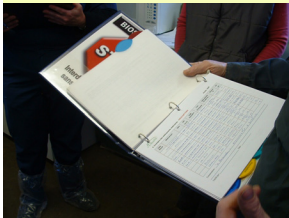
To reduce – in your flock and the national flock...

- The chance of introducing disease
- The spread of disease
- The cost of disease

Where To Get Help?

From your veterinarian, commodity group, the CFIA, and the Canadian Animal Health Coalition.

Developing and implementing a biosecurity protocol need not be onerous or involve mountains of paperwork. Listed below are a few suggestions to help you start.



1. Keep a farm visitor Log. This could be useful for tracking purposes if a disease outbreak occurs. This could also allow to prevent further spreading of a disease by being able to alert visitors who have passed through your operation. A printable copy of a Farm Visitor Log is found in this issue of From the Flock.

2. Make sure visitors are wearing clean clothes that have not been worn to visit another farm operation. Another method to prevent diseases being brought into your farm on the clothes or shoes of your visitors is to provide disposable coveralls or clean fabric coveralls along with disposable plastic boot covers or clean boots.



3. Post prominent signage warning visitors that they are not welcome to enter without permission. Signs can be strategically posted at the farm gate and again on the barn doors. While metal or wood signage may be more durable, simply printing a sign and having it laminated is a cost effective and quick method to get started.



For more information you can visit the Canadian Animal Health Coalition website at: www.animalhealth.ca or contact the Canadian Sheep Federation at france@cansheep.ca or phone 1-888-684-7739.

SCRAPIE CANADA UPDATE

Producers and industry representatives nationwide can now contact Scrapie Canada toll-free at 1-866-534-1302. If you are making a local call (local to Guelph, Ontario), please call 519-766-9761

Since the border opened for sheep and goat imports in April 2007, Scrapie Canada has seen a major increase in interest in the Voluntary Scrapie Flock Certification Program (VSFCP). This is no surprise seeing as any producer who wishes to bring breeding females into Canada from the US, must be registered on the program. The same goes for the US counterpart. Any US producer exporting livestock into Canada must also be enrolled in the US Flock Certification Program. Until the proposed requirements for the US Flock Certification Program are in place, Canada will only recognize US producers to be at Level E, or entry level. Therefore, any Canadian producer importing breeding females from the US will revert back to Level E until the US requirements are implemented (tentatively by the end of June 2007). For the import of males, there will be no scrapie related requirements.

The VSFCP has 50 subsidized positions for sheep producers and 10 for goat producers. To date, there are 25 enrolled sheep producers and 10 enrolled goat producers on the program. Meaning there are 25 subsidized spots left for sheep and 0 for goats. From this point forward, any goat producers who now wish to enroll on the program will be charged an enrollment fee of \$150/year.

For more information on the Voluntary Scrapie Flock Certification Program, call 1-866-534-1302 (or local to Guelph, Ontario 519-766-9761). You can also find out information on Scrapie Canada's website at: <http://www.scrapiecanada.ca/certification.html>.

As a reminder, the National Genotyping Survey is being run until March 31, 2008. This program offers purebred producers an opportunity to receive financial compensation for any genotype test completed until the end of March 2008. Canada's National Genotyping Survey is one of the most extensive sheep genetic programs in the world. As of June 2007, the survey had completed approximately 5,000 genotype tests on purebred animals across the country.

For more information regarding both scrapie programs being run out of Scrapie Canada, please contact Courtney Denard at 1-866-534-1302 (Local: 519-766-9761) or by e-mail at admin@scrapiecanada.ca.

UK FACES RENEWED SHEEP VIRUS RISK

A deadly sheep disease which has hit farms on mainland Europe is very likely to reach the UK, experts have warned.

The insect-borne bluetongue virus has re-emerged in Germany, according to the UK's Institute for Animal Health. The midges carrying the virus survived a mild winter, increasing the chance of it hitting the UK, the institute says. The viral infection can affect goats, deer and cattle, but does not pose a risk to human health. An outbreak would damage the beef and lamb industries. Once infected, up to 70% of a flock of sheep can die from the virus. Animals with the disease contract a fever that may last for several days, have mucous lining their mouth, nose and eyes, and suffer from excessive salivation and frothing.

Increased likelihood - The environment department, Defra, says there have been more than 2,000 cases of the virus, known as BTV-8, in the EU since mid-2006. According to Defra's website, the German authorities confirmed a single case of the virus on 30 April this year. Defra said: "The current developments still present a low but increased likelihood of the introduction of BTV-8 virus to the UK from the currently affected areas." The species of midges known to spread the virus is normally found in warmer parts of Europe - particularly in Mediterranean regions. But last year it broke out in Germany, the Netherlands and Belgium - eventually reaching the coast there. Some scientists believe that climate change could be behind the northward spread of the virus. The warming temperatures have seen the midges gradually move into higher latitudes.

Source: http://news.bbc.co.uk/2/hi/uk_news/6739699.stm

CANADIAN LAMB GRADING PART III — NEW ZEALAND AS THE WORLD LAMB EXPORT POWERHOUSE: HOW DO WE COMPARE?

By Sean Firth, Consultant (Ruminants), AgraPoint

A previous article discussed the GR yield grade breaks for both the Canadian and U.S. systems and postulated the Canadian lamb yield grade percentages based on comparison with USDA ERS data. It is instructive to compare the New Zealand GR breaks in comparison to the Canadian values in the context of lamb supplied at retail. New Zealand is the primary importer of lamb into Canada, supplying just less than 1/3 of the retail per capita Canadian consumption in 2003/2004 (Firth, 2006). Without question they are (see Table 1).

This classification is interesting for several reasons. Unlike the U.S. and Canadian systems, New Zealand does not classify based on muscling, although the YM, YX and the PM, PX and PH categories have a “well muscled” requirement. New Zealand measures GR at the same point as the Canadian system so no conversions are necessary to compare grade data. The Canadian system requires a minimum muscling score of 2 or greater and an average muscle score of 2.6. There are also very broad GR ranges within the AAA grade classification in Canada. **The range of GR within the New Zealand system would fit within our Y1 and lower Y2 category.** The New Zealand grades clearly reflect the system under which lamb is raised and finished – grass.

Based on New Zealand grading statistics, 5.4 % of graded lambs would fall into our Y2 category, the remaining 94.6% fall into our Y1. The GR breaks are the primary means of differentiating grades, while there is repetition in potential carcass weights, there is no repetition or overlap in GR categories. The New Zealand system provides very detailed breaks in carcass (both hot and cold) weights; indeed most commercial grids in New Zealand are based on carcass weights. While the grading system uses GR as the primary determinant of grade break, the industry appears to emphasize carcass weight. The Canadian grading classification contains no reference to carcass weights. This is a significant difference to the New Zealand system.

Tables 2 and 3 provide a stark indicator of the greater leanness of New Zealand lamb. Close to 95% of exported lamb fall into our Y1 category. This data is highly representative of the New Zealand export industry. Over 90% of lambs were graded in New Zealand in 05/06 with an average carcass weight (export) of 17.18kgs. There were 24.809 million lambs slaughtered for export during this period. Lamb with a lower GR measurement is theoretically more efficient at a constant finish weight. This is due to greater nutritional efficiency of lean (tissue) deposition vs. fat deposition.

This concept is worthy of discussion simply because it raises the point of imported lamb from New Zealand graded in a system with lower GR requirements competing against our lamb which rewards relatively fatter and less nutritionally efficient (more expensive to produce) carcasses. If there is little consumer penalty on New Zealand lamb due to eating quality, there could be potential for Canadian lamb producers to grow a lower GR finished lamb and enjoy the accompanying production benefits.

TABLE 1: New Zealand Lamb Classification System

KEY	Fat level	Hot carcass weight kg			Cold (export) weight kg
	Weight Class				
Fat Class	A	L	M	X	H
A devoid fat export carcass class	None < 9.1 kg < 9.0 kg				
Y low fat export carcass class		<=6mm 9.1-13.3 kg 9.0-12.5 kg	<=7mm 13.3-17.1 kg 13.0-16.0 kg Well muscled YME	<=9mm >17.1kg >16.5 kg Well muscled YME	
P medium fat export carcass class		6-12mm 9.1-13.3 kg 9.0-12.5 kg	7-12mm 13.3-17.1 kg 13.0-16.0kg Well muscled PME	9-12mm 17.1-21.3 kg 16.5-20 kg Well muscled PXE	9-12mm >21.3 kg >20.5 kg Well muscled PHE
T high fat export processing		12-15mm 9.1-13.3 kg No export	12-15mm 13.3-17.1 kg No export		12-15mm >17.1 kg No export
F excessive fat export processing		>15mm 9.1-13.3 kg No export	>15mm 13.3-17.1 kg No export		>15mm >17.1 kg No export
C trimmed or mutilated export processing		<=12mm 9.1-13.3 kg No export	<=12mm 13.3-17.1 kg No export		<=12mm >17.1 kg No export
M (manufacturing) export processing	Too thin / damaged for export				

LAMB GRADING CON'T

The Market Opportunities study completed by the George Morris Center for the Canadian Sheep Federation provided a detailed report on a survey conducted by Ipsos Reid on consumer attitudes to lamb. Several findings are germane to this discussion. The following relevant points are made:

- Despite being considered as healthy, if not healthier than beef and pork, lamb is considered to be “fatty”. Promoting leaner cuts may appeal to this health conscious segment and assist in competing with chicken
- Fully ¾ (76%) of lamb eaters could not identify the proportion of lamb that they consume from each country of origin, indicating a definite lack of brand awareness
- Canadian lamb is perceived to be of excellent quality and just as good as New Zealand lamb
- Canadian lamb’s freshness, taste and tenderness can all be marketed as core strengths. New Zealand lamb’s reputation and availability, however, are a competitive advantage over Canadian lamb and should be addressed.

These points provide support for the concept of increasing the leanness of Canadian lamb as measured by carcass GR. Note that I have said “as measured by carcass GR”, the CSF has recently completed a lamb meat nutritional profile with results indicating that Canadian lamb is leaner in terms of intramuscular fat than NZ lamb. I am speaking here strictly in terms of fat outside the loin which may be trimmed at processing. There are no current biases against the leaner New Zealand product and indeed the identification of Canadian lamb as fatty by some respondents may indicate that a leaner Canadian product is desirable by consumers. One possible conclusion from this line of reasoning is that the Canadian lamb industry could achieve savings by providing an equivalent GR finished lamb to the New Zealand imported product. Potential benefits include:

- Producer cost savings through more rapid finishing times, savings would be both variable (feed and labour) and fixed (greater throughput with fixed assets)
- Processor cost savings through less trim and product waste
- Greater selection pressure for lambs that finish at lower GR levels and smaller carcass weights
- Leaner Canadian lamb for a healthier brand image, directly addressing consumer perception of lamb as fatty
- Increased emphasis on post slaughter techniques for increased lamb tenderness – electrical stimulation, shear force testing and shear force standards, rapid pH testing, etc.

LAMB GRADING CON'T

There is an effect of carcass weight on dressing percentage with lamb. The greater the GR measurement, the greater the dressing percentage. Producers will use this relationship to offset weight penalties with being paid for a heavier carcass weight. This practice is wholly dependent upon the grid design. If grid penalties for weights are not sufficient to offset additional income generated by additional carcass weight, producers will ship heavier lambs. Grids need to consider the benefits of targeted, consistent lamb weights against the perception of providing steep discounts for heavy weights.

So.....where are we? My first article indicated that Canada should examine an additional yield grade at the 4-8GR level, in effect a leaner Y1 than is used now. Looking at the New Zealand grading standards and grade statistics would further support this approach. There appears to efficiency gains from producing a leaner lamb carcass with a lower carcass weight. If we choose not to pursue this approach we need to realize that we will be at a competitive disadvantage to our importing competition. Given the position of our industry in terms of production and per capita consumption we need to examine our grade standards very closely. If we want to grow the domestic industry and grow consumer demand we will need to do so with a cost competitive, high quality product. The CSF showed a great deal of foresight in traveling to New Zealand and learning firsthand how that country has become such a world powerhouse in lamb production. We ignore the lessons learned at our peril.

TABLE 2: Distribution of New Zealand Grades (2005-2006, Export Lambs)

Grade	Grade %	Cdn Equiv
PL	0.2%	Y1
PM	10.0%	Y1
PX	12.6%	Y1
PH	1.9%	Y1
PHE	0.0%	Y1
YL	2.4%	Y1
YM	35.2%	Y1
YX	26.8%	Y1
A	0.0%	
B	0.0%	
TL	0.0%	
TM	0.5%	Y2
TH	2.7%	Y2
FL	0.0%	Y2
FM	0.2%	Y2
FH	2.0%	Y2
CL	0.5%	Y1
CM	3.0%	Y1
CH	1.9%	Y1
M	0.0%	
2005-06	100.0%	

*NZ Meat Board - TC
Ws. Ts. NZ. Lb. Grades*

TABLE 3: Equivalent Canadian Lamb Grading, 13 year average, New Zealand Export Lamb Equivalent Fat Grades (2005-2006)

Average	%Y1	%Y2	%Y3	%Y4
Canada	56.2	40.3	3.2	.34
New Zealand	94.5*	5.5**		

* includes all Y, P and C grades** includes F and T grades, not eligible for export in carcass form

USING GENETICS TO PRODUCE HIGHER QUALITY LAMB

That genetics determine the attributes offspring inherit from their parents is nothing new. What is new is an understanding of the extent to which manipulating genetics can improve the long-term profitability and competitiveness of lamb production. Not just as at the primary production level, but right through the chain!!

While all genetic traits are heritable, some, like lamb growth and the maternal characteristics of ewes, have medium to low heritability respectively. Sean Firth, Ruminant Specialist, AgriPoint, states that the most important traits, from an income generating standpoint, are carcass characteristics like loin eye area and carcass fat thickness. He notes that these are among the most heritable traits of all. Yet, beyond overall animal size and weight, this area of research has received little overall attention ... until now!!

The approach taken by our leading competitors, namely Australia and New Zealand, in manipulating genetics through cross-breeding is about far more than producing a nice looking animal that wins shows. It is about creating and capturing added value along the entire value chain.

So how much value can the right genetics for a certain target market make for a producer? Rissington Breedlines, one of the world's leading genetic developers, says that it can easily add \$20 per head to the price of lamb graded on yield. And that's just for starters!

Looking at it from the other end of the chain, from the consumer standpoint – where overall value is actually determined, genetics is becoming a hot topic for enabling retailers to differentiate themselves. In fact, Marks & Spencer, a 450 store UK retailer whose market share is expanding at over double the national average, has contracted Rissington to coordinate the supply of lamb bred from their genetics on a twelve month basis. That the lamb is supplied on a counter-seasonal basis by British and New Zealand producers is not the important piece in the puzzle. The genetics are!!

In slightly different ways, other UK retailers are doing the same too. For example, Waitrose works in conjunction with Livestock Marketing (UK) and Canterbury Meat Packers (NZ), while Sainsbury's is coordinating with Lloyd Maunder. That UK retailers are applying this approach to the sourcing and marketing of lamb, and that trends occurring in the UK red meat industry tend to occur five to fifteen years ahead of Canada, loads the pipeline with ways for leading Canadian lamb producers and processors to create and capture added value.

So, exactly how are genetics playing an increasingly important role in the production, processing and marketing of lamb? To my mind, the role of genetics in advancing the production of lamb can be separated into four areas:

1. Improving the integral eating quality of lamb (e.g. marbling and flavour);
2. Reducing processing costs (e.g. consistency in yield and size);
3. Providing intangible benefits (e.g. environmental through reduced chemical usage);
4. Reducing production costs (e.g. improved labour & land utilization, less drenching).

This same approach is being used in sectors such as beef for exactly the same reasons. If Canadian lamb doesn't get on the band wagon soon, it could find itself trialing other red meats in terms of its ability to capture consumer interest, loyalty, and overall market value.

The ability to plan and coordinate supply is essential to exploiting the opportunity that a genetic base provides for maximum competitive advantage. Genetics have become another driver to forging closer linkages between farmers, processors and retailers or foodservice. Taking this approach also allows lambs from a specific genetic base to be targeted at a specific market segment, again providing the opportunity to create and capture added value.

GENETICS CON'T

The four key areas for advancing production, and the opportunities that each can provide for producers, can be best explained through concise descriptions. Issues raised under each of these four points are examples and not exhaustive lists of opportunities.

1. Eating quality: consumers want consistency. They also purchase meat with a particular meal occasion in mind. Particularly for special meals, and where lamb demand is steadily increasing, consumers do not want surprises. They want a consistent flavourful meal that impresses. Differences in lamb flavour and intensity relate to water soluble and lipid fractions. The former particularly relates to breed; the latter relates to a combination of breed and nutrition. Combine the two through implementing a pre-destined combination of genetics and production regime, not least to improve physical eating quality even further through added marbelling, and you have greater opportunity to increase the market share and the financial value of lamb.

2. Reduced processing costs: time after time studies show that inconsistency increases processing costs markedly. It is the number one cost creator and the number one determinant in processors' ability to capture consistent returns and increase the financial value of their operations. In return for guaranteed consistency, which enables reduced processing, administration costs, better service for customers, and the capture of new markets, enlightened processors are showing a greater willingness to pay premiums that provide producers with incentives to increase their own competitiveness. That it enables retailers to reduce their costs as well is a driver in the development of producer clubs, which are groups of producers contracted to supply specific animals to specific customers. The benefits for producers of going down this road can be tremendous!

3. Intangible benefits: who hasn't heard about consumers' increasing concern for, or at least awareness of, environmental and health / nutritional issues? Some of these concerns relate to chemical use, others to land degradation. With 30 to 40 percent of resistance to parasitic worms stemming from genetics, sophisticated breeding and selection, particularly in conjunction with advanced grassland management, reduces the need to treat animals with any medicines or chemicals. Producing animals with superior feed conversion rates, and flocks of smaller ewes allow for higher stocking rates and lower feed inputs, leading to the ability to introduce management practices that are sympathetic to the environment.

4. Reduced production costs: with rising inputs costs and competition, a need invariably exists to reduce production costs. Genetics play a large part in determining lambing prolificacy, milk quality and volume, lamb survivability and lamb survival rates, feed conversion rates, carcass size, and carcass yield, just to name a few! That all translates into relative production costs, including labour costs, medicinal and veterinary costs, etc.

What the above clearly shows is that genetics need to be placed at the forefront of developing a more competitive Canadian lamb industry. With cost of production being just one determinant of success and end value in the market, developing suitable genetics and then successfully utilizing them to capture greater value need to be approached as cross-industry initiatives.

Our international competitors are already farther down this road. They are also showing the opportunities that genetics offer producers. With this in mind, next month I will be describing some of the genetic-related initiatives that are benefiting producers in Australia and New Zealand who, together, supply over 50 percent of the Canadian lamb market.



The provincial marketing of heavy lambs

June 11, 2007 – Longueuil, QC - Long awaited by producers, the Heavy Lamb Marketing Agency started its operations on June 1st. The activities of this new marketing structure falls under the umbrella of the Fédération des producteurs d'agneaux et moutons du Québec. This new marketing agency specifically caters to the marketing of heavy lambs, that is, of lambs weighing 80 lbs (36.3 kg) or more live weigh, or 36 lbs (16.4 kg) or more carcass weight.

Heavy lambs represent 50% of the lamb market in Québec. The other categories are suckling lambs (64 lbs and less) and light lambs (65 to 79 lbs). It is in the heavy lamb category that there is the most potential for market development. This is also the category in which cuts for butcher's shops and supermarkets are selected.

It is estimated that over 70 000 heavy lambs are produced in Québec each year, amounting to sales in excess of 10 million dollars. At the present time, there are approximately 1100 lamb producers in Québec. The marketing agency has been developed according to the needs and interests of producers, who believe that this increase in structure will improve their marketing conditions. It is also believe that this structure will develop the market and render it equitably accessible to all producers, as well as assure a payment guarantee.

The Agency will manage the supply and the sales of heavy lambs. The Agency will therefore become the only place where buyers will be able to access supply. From this point on, each week buyers must provide the Federation with their purchase demand, while producers must provide their offer of supply. The Federation will coordinate supply and demand, and then confirm the date and location of the exchange with the producers and buyers. Henceforth the buyers will make payments directly to the Federation, who in turn will pay each producer based on the grading that will be done at the abattoir.

The issue of the sale price, which was a point of contention between buyers and the Federation, was brought to the Control of the agricultural markets and food of Quebec (RMAAQ) for arbitration. The RMAAQ decreed on June 6th that the price for the first six months of the agreement would be:

June 1st 2007 to November 31st 2007: 7.18 \$ per kg carcass weight

The operation of the Agency follows a long consultation process with producers to agree on the establishment of regulations. Intense negotiations with the principal buyers were carried out by the Federation since 2004. These negotiations led to a marketing agreement that is in effect until the end of 2008. This agreement applies to all buyers.

The Federation's Board of Directors is convinced that this new structure will allow the weekly regulation of the markets and help both producers and buyers secure supply. New markets and new products will be gradually developed while **the identity of Quebec lamb is reaffirmed**. The Agency will not solve all of the Federation's marketing challenges; however it does present a major change in the trading methods of producers and buyers, which will positively but gradually influence production.

The Federation can count on the support of the Union des producteurs agricoles (UPA) as it organizes and implements the Agency. Producers and buyers who wish to market or purchase heavy lambs must contact the Federation by phone at (450) 679-0540, extension 8484 or by email at agenceagneaux@upa.qc.ca . For more information on lamb production and marketing you can also visit the Federation's internet site at: www.agneauduquebec.com.

Contacts:

Ms. Mireille Martin, communication agent, FPAMQ, 450 679-0540 ext. 8332

Ms. Ndeye Marie Diallo, Marketing Agency Coordinator, 450 679-0540 ext. 8320

INTERNATIONAL NEWS

UK: RULING NEARS ON DOUBLE-TAGGING OF SHEEP

The clock is ticking as the European Commission moves closer to a decision on whether the UK can continue with its current sheep identification regime, based on a simple batch system. For the past two years the UK has enjoyed a derogation that means farmers need to tag sheep only when they leave the farm for market. Traceability is the name of the game and the UK view, supported by the Department of the Environment, Food and Rural Affairs (Defra), with the agreement of the devolved administrations, is that there is no need to move towards a double tagging regime and individual recording of every sheep movement.

This year the UK regime has been subject to a rigorous inspection by officials from Brussels. The findings were mixed, especially in Northern Ireland where one assembly point was closed down with immediate effect.

A ruling from Brussels is expected on Monday. Peter Morris, chief executive of the National Sheep Association, told The Scotsman yesterday: "It's not looking good - we have been getting a lot of negative vibrations. The big problem is that there is a serious lack of understanding of the size and scope of the UK sheep industry. We have a far larger average flock size than the rest of the EU, with sheep running in some very remote areas where it will be physically impossible to ear tag and record every movement."

The cost of moving to double tagging is unlikely to be less than £15 million a year over the UK. Morris said: "It is clearly recognised what damage a move to double tagging will do to a very fragile UK sheep sector. The onus is now very much on our officials to win over the commission and persuade them to leave things as they are. We at the NSA are working hard to encourage farmers to comply fully with the current tagging requirements and to improve their paperwork so that we can retain this vital derogation." Should the derogation be annulled at the end of June, there is likely to be a considerable delay before the new rules become operational. Legislation would be required to be put on the statute book, not just at Westminster, but also in Edinburgh, Cardiff and Belfast. Morris reckons there would be "considerable digging in of heels" on all fronts.

What few in officialdom have considered is the cost to farmers of replacing lost tags. This could be more than £3 per sheep, but worse still is the fact that farmers would have to upgrade their records within 28 days of any tag loss. This again is regarded as being impossible in remote situations. Morris said: "Both Defra and the EU recognise that the system we have in the UK is capable of delivering more than adequate traceability in the event of a disease outbreak. Indeed many will admit privately it gives us better traceability than the double tagging system."

Electronic identification (EID) is viewed by many as the ultimate solution, but its merits are doubtful, according to Morris. He said: "Introducing EID will only add an extra burden on top of our current system. EID is not an alternative to double tagging, it is merely the means by which the individual number of every sheep will be gathered and recorded every time it moves. The recording of individual numbers is the totally unnecessary scenario which all sheep farmers dread, but that is what EID is intended to deliver."

The proponents of EID have recently been extremely bullish, staging demonstrations around the country, but they have been reticent in calculating what it would cost the industry. Based on a UK national breeding flock of just short of 15 million ewes and a cost of £4 per animal, the likely bill would be in the region of £60m a year. With lamb prices currently down by £10 per head on a year ago, the industry is not in a position to bear this charge.

Source: <http://business.scotsman.com/index.cfm?id=847862007>

The Victorian State government has thrown a spanner in the sheep NLIS works. It wants an electronic option for sheep National Livestock Identification Scheme as soon as possible and farming groups have not reacted kindly to the push.

"The Victorian government's policy is that we would like to provide the option of using electronic tagging if that is the farmers choice and it is not an option under the present NLIS arrangements as there are no Meat and Livestock Australia accredited electronic NLIS sheep tags," Victorian Department of Primary Industries manager of animal standards, Tony Britt said.

Electronic or radio frequency tags are available for between \$2 and \$2.50 each and those wanting to use electronic tags must also purchase a standard NLIS endorsed visual tag. It is understood Victoria would like to position itself as the centre for prime lamb research and parts of the growing lamb finishing industry are looking for standardized NLIS electronic tags to allow for more effective information management of animals, not only in the finishing industry but also in the stud sheep and goat sector. The move has not pleased the SheepMeat Council, or the NSW Farmers Association.

"We don't want to see the sheep and goat industries locked into a specific technology platform that could cost \$107 million to introduce to the NSW flock for the cost of the tags alone without add on costs of sale yard reading down a single file.

"This could cost 20 per cent of the average sale price for sheep and make many sheep unsaleable," NSW Farmers' sheepmeat's committee chair Andrew Martel said. He has added that his organisation wants to see an identifiable need and a cost benefit analysis of such technology before it is recommended. However Mr Britt believes the benefit is clearly there already and elite wool producers, stud breeders and lamb finishers are all looking for the electronic option.

"The cattle industry and dairy industry commonly use and enjoy the benefits of this technology already for herd records and management and major abattoirs are also now looking to use it as part of their own quality control and tracing systems."

However Mr Martel has warned the Victorian government of going ahead without the total support of the overall industry. "I would encourage the Victorian DPI to work collaboratively with other states and the national sheep industry to ensure a consistent national approach to the research and development of any electronic tagging and tracking of sheep," he added.

Mr Britt told Rural Press this week that although digital technology is advancing quickly it is the software and the integration from different sources of information such as scales that is changing, rather than the tags themselves.

NSW Farmers is clearly not convinced, with Mr Martel sending out a final caution to Victoria. "If the Victorian Government does subsidise electronic devices and readers associated with a specific technology platform, Victorian producers, saleyards and processors must be aware that this technology is not approved under the NLIS program for its electronic capabilities, and that any participation is entirely voluntary. Naturally, the electronic technology must meet at least the current visual tag requirements."

SOURCE: Rural Press national sheep and wool news, updated daily on FarmOnline.

Sheep farmers in the UK have had enough - they've been protesting about "cheap NZ lamb" and now believe it's time to talk turkey with the competition - the New Zealand sheepfarmer. Lamb prices have dropped to an unprofitable level with the majority of UK farmers failing miserably in their quest to make a profit.

In the past neither the UK or NZ sheep farmer has been particularly sympathetic towards the plight of the other but it seems this may be about to change. Several farmer organisations in the UK have said they are interested in making contact with the NZ lamb producer. They believe that it's time sheep farmers worked together. National Sheep Association Chief Executive Officer Peter Morris said "we all know the part that imports of NZ lamb played in the recent price crashes seen in our industry. As a result it would be easy to focus our wrath on NZ producers."

But Mr Morris said the NSA should be doing the opposite and seeking to improve dialogue with fellow lamb producers on the other side of the world. "We believe now is the time to do just that." In the past, when NZ lamb has caused a decline in the market price, the NZ sheep farmer had been making money as a result.

"This time it is different and that is why we have to find common cause. Farmers in NZ are having equally as tough a time financially ... one of the main causes of their pain is something that we are all too familiar with retailer power." Mr Morris said the escalating interest that the UK big multiple retailers, in particular Tesco and Sainsbury, have shown in chilled NZ lamb has led to increasing amounts of lamb in that format coming into the UK and being sold in direct competition to the UK product.

"The retailer is dictating to the supply chain and forcing competition out of the system by using their offer of volume to tempt processors into price cutting wars. The upshot of this is that those retailers are able to turn the screw in NZ as tightly as they continue to turn it in the UK. Even though the product has a higher price than the traditional frozen lamb at retail level, the producer still gets less.

"This is a ridiculous situation. UK and NZ producers, between us have around 90% of consumption in the UK and yet we allow ourselves to be played off against one another by those whose sole intention is to take as much short term profit out of the chain as they can." He also questioned why sheep farmers were in this position.

"Why are we both losing money? Are we that weak, fragmented and naive that we cannot see the power of each other's situation? Is it beyond the wit of us all to work for each other's benefit? "Just how much pain will we all have to suffer before we see the light? If we are to have any chance of survival, we must start talking to each other directly - producer to producer by whatever channels are open. We must build on our common themes and identify our common strengths."

Mr Morris was adamant that it was necessary to do more than just "trade compliments and speak of our desires to share research and perhaps do a little generic marketing." "It is no longer enough ... those charged with representing the interests of those producers have a duty to deliver on this point and if we (NSA) don't we will have let you down. Those words are equally as true for those who are tasked with vocalising the interests of our counterparts in NZ."

Meanwhile, NSA Northern Region Chairman Hans Porksen said farmers were getting appalling prices for their lamb because it is being sold for what was offered. He, too, was keen to work with other players within the industry. At present we do not cooperate with one another and we do not cooperate with our competitors, the slaughterers or the processors. "We must learn to treat each other as colleagues and co-operate to demand a fair price." And, we must meet with the New Zealand farmers, he said.

"They are our main competitors regarding lamb and should be our biggest allies. Recently they have been selling their lamb at 25% below the cost of production. It is an absolute disaster for them too. "They, too, are stuffed by the people who set the price."

Continued on next page...

Continued from previous page ...

Mr Porksen said that those in the industry must not be afraid to talk price and more importantly must not be afraid to set the price. He used his own farm to illustrate the predicament of UK farmers.

"On my farm without the SFP (Single Farm Payment) the minimum I would need (to break even) is £70 for an April-born 20kg prime lamb, finished on grass - this is £3.50 per kg deadweight. "The Meat and Livestock Commission recently published a paper which stated £4.00 per kg deadweight was required. "The real amount is probably somewhere in between." "Currently there is not a single livestock farmer around who can make commercial farming pay without the SFP."

Meanwhile, in Ireland recently, farmers staged a "lamb giveaway" to an effort to get their message to the public. Irish Cattle and Sheepfarmers' Association National Sheep Chairman Mervyn Sunderland said: "We are giving away our lamb free to the public, as we are practically giving it away free to the factories and retailers anyway."

ICSA President Malcolm Thompson said members of the public were genuinely shocked to hear that farmers were getting about £66 for their lambs, which would retail in the supermarkets for between £240 and £278. And, Irish farmers are getting the same price for lamb as they did 25 years ago. "Tell me any other industry that could survive under that kind of pressure."

Note: This season in New Zealand, sheep farmers would have been lucky to average more than \$52 for a \$17kg lamb - also below the point of break even for many farmers.

NLIS TAG PRICES ON WAY DOWN IN QUEENSLAND

Queensland Primary Industries and Fisheries Minister, Tim Mulherin, said the grants were a major factor in bringing new players, new efficiencies and new technologies into the manufacturing sector producing NLIS devices. "One manufacturer has been assisted to enter the market as a result of the Innovation Grant scheme and other existing companies are developing new systems that should enhance production efficiencies and result in tag price reductions in the coming months," Mr Mulherin said.

Speaking in State Parliament, Mr Mulherin said one company had already reduced the price of NLIS tags by 10 cents and another had indicated it would be announcing a 60c drop in the price of their tags in coming weeks. Mr Mulherin said the grants would enable the price of tags to move closer to the \$3 mark. "One new tag to be released will have additional benefits of combining a numbered management tag that allows easier visual identification plus electronic reading capabilities. This will save producers the extra costs of having to apply additional visual management tag.

"In the future a new generation of NLIS tags with read/write capability will allow producers to further integrate NLIS into their routine on-farm management practices. "Read/write tags will be capable of storing data that could include information on vaccinations, worm drench history, supplements fed, and genetic history."

The Innovation Grants are part of a \$6.79 million funding plan developed by the Queensland NLIS Implementation Committee and the Department of Primary Industries and Fisheries. The funding plan also covers producer rebates for NLIS readers, saleyard infrastructure rebates and livestock agent rebates which have already been released.

The grant recipients included:

- Drover's Ay-one - \$975,000 to set up an automated production system for the manufacturing of NLIS ear tags with a read/write capability.
- Rumitag Australasia - \$300,000 to set up an automated production facility in south east Queensland for the production of bolus and ear tags.
- Zee Tags - \$575,000 to set up automated production at it's facility in south east Queensland for the production of NLIS ear tags.
- Leader Products - \$200,000 to set up a recycling process for the removal and reuse of transponders from used ear tags. The recycled transponders are presently used in non NLIS devices for sheep and goats.
- Allflex Australia - \$500,000 to automate and integrate their Capalaba tag production facility.

More information on NLIS is available from the DPI&F Web site www.dpi.qld.gov.au/NLIS

PPCS MOVES TO IMPROVE LAMB MARKETING

21 June 2007 -- PPCS is consolidating its North American lamb marketing into the New Zealand Lamb Group of Companies, a consortium of leading New Zealand meat exporters. PPCS Chairman Reese Hart said that the company's decision to merge its existing USA marketing operations into the consortium will benefit New Zealand and PPCS.

"We see this as a positive step for PPCS, the New Zealand Lamb Companies and New Zealand farmers. Through greater co-ordination in the international marketplace, we can maximize returns for New Zealand lamb exports into the USA and Canada.

"The initiative delivers on PPCS' commitment to greater co-operation in international lamb marketing for the benefit of New Zealand farmers," he said. PPCS has a 31.5 percent shareholding in the consortium alongside Alliance and ANZCO Foods (CMP). The consortium markets lamb and mutton in the USA and Canada under the New Zealand Lamb and New Zealand Spring Lamb brands.

Under the planned consolidation, PPCS will market 100 percent of its lamb and mutton supply into the USA and Canada via the New Zealand Lamb Companies. Previously, PPCS marketed lamb into the USA and Canada through an independent office, PPCS USA, based in New Jersey, under both its own brands and via the New Zealand Lamb Companies.

Mr Hart said that the move will strengthen New Zealand's lamb exports into North America and may well form the basis of a marketing model for other markets.

"The planned consolidation will further strengthen New Zealand's lamb marketing investment in North America, and leverage the consortium's marketing and distribution infrastructure. "PPCS aims to increase its supply of lamb and mutton into North America through the New Zealand Lamb Companies in line with its 31.5 percent shareholding — increasing PPCS total exports into the North American market.

"Additional supply from PPCS will also enhance continuity of year-round supply for the New Zealand Lamb Companies' large retail and food service customers," he said.



130 Malcolm Road
Guelph, Ontario
N1K 1B1

Tel: (519) 824-6018

Toll Free: 1-800-684-7739

Fax: 1-866-909-5360

Email:

admin@cansheep.ca

Website:

www.cansheep.ca