

Points of View

A forum for sharing perspectives from across the Canadian Sheep Industry



CANADIAN SHEEP FEDERATION

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Myth: Whatever gets produced will get sold.

It's interesting that we are positioning this statement as a myth, because in fact, it's probably a true statement. For now.

I would like to propose that as we collectively move Canada's sheep industry to a value chain model that embraces a market-driven mind set we can no longer rely on this attitude. Yes, our domestic supply of lamb is being sold in markets throughout the country. Yes, we need to import lamb from international sources to meet consumer demand in Canada. But does that mean that this is the way it should be? Isn't there an opportunity to do more? To improve? To make sure that every Canadian has access to high-quality, delicious Canadian-produced lamb? Because the other reality is that this isn't currently the case.

In this issue, we'll take a closer look at what consumers, and therefore retailers and foodservice and by extension packers (who supply them), want in lamb. It's the consumer demand that drives retail and foodservice demand. And it's the retail and foodservice demand that drives demand at the packer level. Hence, the term 'chain'. As a critical links in this chain, we should all be approaching our business and our product with a constant eye on understanding and meeting those customer needs. We need to stop thinking of ourselves of being in the business of raising sheep, and focus on what it means to produce lamb; to recognize the difference between selling what we have vs. what consumers want.

If we do that, we might be surprised to learn that there are opportunities to change our practices to make sure we really are delivering a product that the market demands.

Why is it that Canadian lamb can't be found in all major national retail chains? What is impacting the retailers' ability to deliver what consumers want? Are producers aware of what consumers are demanding from their lamb, and are they equipped to deliver on them? Does it even matter, if in fact producers can already sell everything they produce?

Jennifer Fleming
Executive Director
Canadian Sheep Federation

P.S. Take a look at the article on pages 8 and 9; you'll see we've adopted a slightly different format in this issue. We've prepared a profile on sheep producer and processor Frazer Hunter – we wanted to get his perspective on what consumers, retailers and packers are looking for today. And it's interesting to see what you learn when you ask, "What keeps you up at night?"

Myth: Whatever gets produced will get sold.

Basil Bactawar

Livestock Industry Development Specialist,
B.C. Ministry of Agriculture and Lands

I do not think whatever gets produced gets sold because consumers, in general, are looking for leaner lambs especially baby boomers. This is probably because of health reasons. They tend to buy lean cuts. Additionally, some of our new Canadians who come from tropical areas like Africa and the Caribbean have acquired tastes for lambs and prefer lambs that are lean. In general, lambs produced in these areas have less of a lanolin taste. We need to recognize this fact, and determine whether we are meeting this market.

"If we are going to compete with imported lambs we need to produce consistent and high-quality products throughout the year."

Some of these consumers tend to buy goats when they cannot find the type of lamb they want. Furthermore, I think some consumers prefer well packaged products that are available through the year and ready to cook like the imported products seen on grocery shelves and freezers. If we are going to compete with imported lambs we need to produce consistent and high-quality products throughout the year. Whatever gets produced now may be sold because of a demand for lambs, but it may not be true in future if our market gets run-over by our international competitors.

Dave Woods

Chef/Meat Cutting Instructor

I think your proposal to move to a value chain model that encompasses both quality and quantity is a very valid one. My thoughts here are that the Canadian Lamb industry could be doing a lot more than what it is. What does my industry, (Hotel, Restaurant, Institutional (HRI)) want? "Everything," is the answer. We must have a consistent quality product. We can't afford to put a meat product on our menus and then lose part of our customer base because they tried the product and were not satisfied with the final outcome. It's true. Most people don't complain. They just don't come back. The consistent quality has to be there. If it isn't we don't use it or only go for the safe center cuts which are more reliable. And believe me, they had better be reliable or we dump the whole thing and move on to something else. If anyone doubts the purchasing power of the HRI industry, take a look at beef. HRI sales comprise somewhere around 40% of total domestic consumption.

Next item on the list is price. I feel that this is where the lamb industry has to look at the Economics of Scale. When a more consistently high quality product is produced at a greater rate the more demand there will be for the product if it is cheaper. I don't mean dirt cheap here. But why should I take a chance on the uneven quality of Canadian lamb products at a higher price when I can buy a good consistent quality product from New Zealand at a cheaper price? This is reality. My customers don't complain and I have a chance of making a dollar. Please don't get me wrong. Canadian lamb is a great product but the consistency has to improve and the price has to come down. There is not a large place in the HRI, overall, for products like yearling sheep. They have to go to market at the right time and be handled properly. And the packaging. Don't laugh. It matters. Take a look at how far New Zealand has come over the years with their packaging. Once I get a meat product into my environment I need the means to keep it in good condition. Packaging counts in both HRI and retail.

Myth: Whatever gets produced will get sold.

Brian Shaw

Sheep Producer, Manitoba

Myth: Whatever gets produced will get sold. At this stage of the game, this appears to be the case. There does seem to be a market available for every kind of lamb out there.

Canada has an extremely diverse population. Each culture and nationality within our borders has a unique taste for lamb and their varieties of recipes are as broad. These groups of consumers have their own requirements for the end product. This can be based on age, carcass weight, condition, the ration that fed the lamb, as well as how the lamb was handled in its final preparation. But as our population is exposed to a different (or better) quality lamb, will their tastes eventually change and lean towards some types of lambs, at the expense of others?

Given that, each member of a successful Value Chain must know what the "next link along" and ideally all members of the chain require. In order to do that, there must be a considerable amount of communication and more importantly trust between the members. Information flows in both directions and eventually feedback will result in that Chain producing enough product (lamb) to fill its customers' needs. Lambs that fit the requirements best, will earn the premiums. The lambs that are off specs, for whatever reason, will be priced away from that point. If it is a diverse Value Chain that is well managed, then these lambs would be directed into another market. Eventually those types of lambs that were most discounted should by all likelihood not be raised, by that group of producers.

As long as the markets are diverse for Canadian lamb, there will be a home for all the lambs that our variety of breeds and management styles will produce, but we must look at ways to prepare our system for when these markets are not as varied.

Graham Reid

Nova Scotia Sheep Producer

Guidance with production for new participants is paramount and I think that we need extension personnel to do this work. The drug industry has one salesman/extension per five doctors and that industry has certainly benefited from its extensions services. The topic is pertinent and the solution to improving our lot will come from our individual efforts to meet the desires of others. We must promote our product unabashedly and the attitude of producers must change to positivity. I believe that we have an adequate price (N.S.) for our product, with the incentives built into the grading system to entice improvement. But in spite of this, some producers complain if their lambs are underweight/overweight, thin/fat and deducted for poor quality. I could ramble about the market potential in the Maritimes, but that would not answer the Myth.

John Haarman

Sheep Producer

The myth – whatever gets produced will be sold. This might be true with some sheep products, but restaurants and stores complain about consistency and that is why they sell imported lamb, because the consistency is not available in Canadian lamb.

As producers we should not be lulled into a sense of false security. Markets have up and down trends. As producers it should be our pride to produce the best quality lamb possible, so when there is a downward trend in the market we know that we have a good product. As producers we should be knowledgeable about the market and aim for the standards that the market demands. The demand for lamb might decrease if certain standards are not maintained and consumers switch to less expensive meat. On the average a consumer will not mind paying more if he knows it is high quality, traceable Canadian lamb he is served.

Myth: Whatever gets produced will get sold.

Dave Tiller

Ontario Independent Meat Processors

There are lots of opportunities. Consider that New Zealand Lamb is one of the most recognizable meat brands in stores. It is easy to spot in the counters and bunkers by virtue of the spiffy green packaging. The lamb industry in Canada has to move towards a way to provide the same kind of recognizable branding. Ontario lamb for example is hard to find in the stores. The major chains carry Ontario lamb but you really have to look to find it in the counters. People who buy New Zealand Lamb may not even realize that Ontario lamb is in the store. We need an image to project that Ontario lamb is the preferred choice.

Packers want consistency in quality and supply. Grain-fed Ontario lamb is superior to NZ lamb and should be able to go toe to toe with NZ lamb. One way to inject consistency into the product is to provide feedback to the producer. The best way to do that is to develop a grading system that on settlement rewards producers for desirable characteristics and penalizes them for undesirable characteristics. This will allow the packer to provide his customer with consistent quality product over the long term.

There are lamb value chains in existence in Ontario that are informal and exist because of long-term relationships. It would be worth while to work with one of these existing value chains to promote lamb in terms of brand recognition and quality control (grading). Since the value chain already exists the opportunity to measure successes and compare before and after results is available.

"Packers want consistency in quality and supply. One way to inject consistency into the product is to provide feedback to the producer. The best way to do that is to develop a grading system that on settlement rewards producers for desirable characteristics and penalizes them for undesirable characteristics."

I believe it is possible to displace a portion of NZ product with Canadian product but it will not happen overnight. It will take a lot of producer, packer and retailer cooperation, planning and dedication.

There are opportunities for major chain participation. Ontario has 5 federally registered abattoirs processing lamb. Quebec has 8 and there are 5 west of Ontario and one east of Quebec for a total of 19 federally inspected abattoirs processing lamb. The opportunities in the provincially licensed system in Ontario are many. This industry is huge and many niche and ethnic markets are available to support Ontario produced lamb.

Letters to the Editor

"The Canadian market is also one of the highest priced in the world and we are fortunate to produce lambs here." - Ian Clark

A discussion of national lamb grading standards was long overdue. Canada has had national standards since the late 1980s. Our system is one of the best in the world because it includes G.R. measurement (objective), which the E.U. does not, and conformation assessment (subjective), which Australia & N. Zealand do not. The measurement and assessment of a carcass does not necessarily entail all lambs being valued the same way.

"Classification" is perhaps a better system than "grading", where each carcass receives a tag with its G.R., conformation data and weight. The lambs are then assigned to a market sector, which requires lambs with these specifications. New Zealand does this and each carcass fits into a box in the grid, which fits a particular market. The specs for a U.K. export lamb are different than Italy or N. America or Saudi Arabia. In Canada we have various market sectors which require different types of lambs and if we classify carcasses accurately, we can better serve each market.

The Canadian market is also one of the highest priced in the world and we are fortunate to produce lambs here. My observations in S. America are that they can profitably produce a lamb at less than 25% of our price. If their industry learns to produce a carcass more similar to ours, we could be in a serious predicament since they could easily export to the U.S. & Canada. Chile currently has nine lamb processors certified to ship lamb to Europe under E.U. bio-security standards, which are superior to ours.

The reason we can sell lambs for \$150/head is that we have wealthy, but discriminating customers. It behooves us to be more diligent in improving the product we sell via grading/classification.

The letters to the CSF I have read concerning this issue, comprehensively demonstrate the knowledge and intelligence of some of our leading producers and advisers. In response to opinions raised in these letters, I have a few comments.

Standardization of products from smaller farms is feasible if the carcasses are "classified" for specific markets. The purchaser informs the processor of the desired type and those lambs that fit this category in the grid, are assigned to that market. I agree that we should not produce a "commodity" where an attempt is made to regiment all carcasses to fit a single market type. Our strength is that we have diverse markets. It is also not necessary to make grading mandatory, but it does need to be attractive. There is no doubt that better carcasses generate more profit for the processors and retailers. A transparent, premium-driven pricing structure is essential. Communication is vital and an excellent activity for the CSF to be involved in.

The establishment of clearly responsive links between producer, processor, retailer and consumer would be beneficial. There are pilot projects underway within which lambs are traceable throughout the system using RFID. If producers of both commercial lambs and replacement genetics receive individual carcass results, progress can accelerate significantly.

I applaud the CSF for tackling this issue as well as the thoughtful and progressive responses from those involved in our industry.

Respectfully Submitted,
Ian Clark

Letters to the Editor

"Grading done right, with the checks and balances to protect both the producer and retailer/consumer costs money. Graded carcasses can be a marketing tool." - Pat Barrott

To the Executive Director of the CSF,

I am probably not going to make many friends with these comments! If sheep in Canada were truly an industry, the question you ask about Grading would be mute. Years ago while working for producers, on many occasions I would debate with a lamb marketer, who could and did take Canadian lamb into the southwest of the US of A and sell it. He would argue that sheep were not an industry or even a niche but a micro niche. To try and convince myself he was not correct was a very difficult debate.

I attended the Canadian Meat Council Annual General meetings representing sheep and lambs for a few years. I got to see first hand what the other sectors were doing their job. I was able to get an understanding of how lamb producers were losing by selling live. How, in the end, the buyers were always coming out ahead when they bought live. The better carcasses always paid for the carcasses with too much finish or not enough finish.

An effort was made to develop a program and standards for grading sheep and lamb in Canada. Regulations and standards were published in the Federal Gazette. Until Canadian consumers are paying more than 7-12% of their gross income for food, it is hard for producers to pay for it all.

Grading done right, with checks and balances to protect both the producer and retailer/consumer, costs money. There is a payback to producers as the grading statement can be used to measure genetic improvement and feeding practices. Both of these can impact the bottom line of any operation, large or small.

Graded carcasses can be a marketing tool. When Canadian AAA lamb was first sold in Eastern Ontario it was a major success. Measured by sales volumes at three stores before and after the launch of AAA lamb. It was clear the program would work and would return a premium for quality carcasses. The producers on the Lamb Grading Agency (CLGA) were also aware it was going to take time to see that return work its way down to primary producers.

There are a large number of people out there making a good living buying lambs and sheep live. It will be a real tough fight trying to take away their income. It will be a tough fight trying to get the large number of producers to change; those who have no idea what the quality of the lamb carcass they are producing. It will be a real learning curve for those to start to have genetics sold by objective measurements and not "it looks so good".

I don't have an answer as to how it should be done. And, I think I would rather pay for grading than a tag reader; for every place sheep and lambs are moved through. But, that's not my decision.

Pat Barrott

Frazer Hunter

Frazer Hunter wears many hats. Together with his wife, Angela, they run a mid-sized sheep and dairy operation. He's past-president of the Nova Scotia Federation of Agriculture. And he recently added 'processor' to his list of job titles when he became part-owner of Antigonish Abbatoir Ltd. – the only federally inspected processing facility in the Maritimes that accepts lambs.

Hunter's various roles within in the sheep value chain mean he sees things from many vantage points. A recent conversation with him revealed some interesting perspectives on the state of Canada's sheep industry today – including the importance of adopting a consumer- and market-driven approach to business.

Tell us about how you came to be part-owner of a federally inspected processing plant.

Two years ago we saw Antigonish Abbatoir as a primary conduit for getting product to market. I was president of the Nova Scotia Federation of Agriculture at the time; I had a conversation with the leader of the hog producers' association about the risk we faced in having only one federally inspected kill facility available to producers in the Maritimes that would accept more than one species of animal. If we were to lose that we'd be in trouble – we needed that conduit to get access to the large retail chains; they didn't require federal inspection for meat at the time, but we knew that might not always be the case. So a group of 15 producers got together, approached the then-owners of Antigonish Abbatoir which wasn't for sale, and made them an offer. After some significant business evaluation and negotiating we came to terms that were acceptable to all of us – and we closed the deal in August 2007.

From your perspective as a processor, what do your customers – the retailers – want from Canada's sheep producers today?

We try to ask retailers what they want, and give them that. They usually ask for a certain number of lambs that they'll move through select stores. But it's changing. Right now, in Nova Scotia, we're fortunate that the consumers want, and are willing to pay for, the traditional high quality cuts of lamb – the legs and loins. They recognize the quality of fresh local Nova Scotia lamb. But it means the retailers let a lot go to waste, because they are buying whole carcasses, much of which they can't sell. If they aren't getting a good margin on the product at the end of the day, that's bad for all of us in the industry. It means they'll start to bring in more product from other sources, like New Zealand, which really is a different product all together, and consumers can tell the difference.

So we recognize that something has to change. We need to get to a point where we're only selling retailers the specific cuts they want – that their customers want. But then we're faced with the challenge of what to do with the remainder? It means that as an industry we need to get creative about how to bring different cuts and products to market that are desirable to the consumer. Find other uses for the lesser cuts of meat. There's a lot of good work already being done in that area, especially by other processors like Northumberland Lamb Marketing Co-op, located in Truro, Nova Scotia.

Frazer Hunter continued

What do you see as the greatest opportunity facing the industry today?

I think that producers need to decide which business they want to be in. We essentially have two choices – we can either continue to sell what we produce to niche markets that are willing to pay top dollar for a limited and inconsistent supply, or we can focus on meeting a broader consumer demand, and getting creative about how to do that. When you can add value to the product – for example in making lamb sausages or pepperoni, or selling lesser cuts that are well prepared in restaurants – there is opportunity to make good margin.

What keeps you up at night?

Getting producers to understand the importance of being market and product driven versus production oriented. It was my primary concern as head of the federation, and it still drives a lot of what I'm doing today. It doesn't make sense any more to focus on our own specific needs; the whole agriculture industry is changing in that regard. People still want to carry on doing the same thing they've been doing for years and getting paid to do it. But it just isn't realistic.

The reality is that it can be very profitable to raise lambs today if you're doing it right. But the challenge lies in that good margins aren't available to everyone in the value chain. Can we expect consumers or the rest of the value chain to support inefficiencies in the system just because it's working for us? Every part of the chain has to be profitable to survive in the long term. And the key to that is getting a good understanding of what consumers really want, and finding smart ways to get it to them.

Your feedback is essential!

The dialogue has started, but we need to hear more about what you think in order to keep this forum going. Its success depends how much everyone in the sheep industry weighs in with their own perspectives and suggestions for change.

Tell us:

- What you think about “Points of View”
- If you had a strong reaction – either good or bad – to the contributions or letters in this issue
- If you want to contribute to an upcoming issue
- If you have a topic you’d like to see addressed
- If you have a story that would make a good case study for others to learn from

Few people get the opportunity to have their opinions heard. This is yours.

Send your comments, suggestions and questions to pointsofview@cansheep.ca or call CSF at 519-824-6018 or 1-888-684-7739.

In the next issue...

Myth – Association and government reps are doing everything they can to adequately meet the needs of the industry.

What do we want and need from these groups? What value do they provide? What could they be doing better to serve the interests of the industry? What’s the opportunity?

If you think there’s room for improvement, be prepared to tell us how you think things could be better. It’s important that any critique gets delivered with an equal focus on solutions.

Tell us what you think. Whether you’re a producer who looks to government extension and industry associations for guidance, or even if you work for one of these organizations directly, let us know how you feel about this sector of the industry. Send us your contribution by email to pointsofview@cansheep.ca or call Jennifer Fleming at 1-888-684-7739.