

# Points of View

A forum for sharing perspectives from across the Canadian Sheep Industry



CANADIAN SHEEP FEDERATION

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## Industry at a Crossroads – Creating Opportunities out of Challenges

### Special Edition – Reporting on CSF's 2007 AGM

The 2007 Annual General Meeting has come and gone; it was a busy week, and a productive one. My goal for the AGM was to have as many stakeholders as possible around the table take a good hard look at the reality facing our industry. We are at a crossroads – there are many challenges facing us, but out of those we can create opportunities. I think for the most part we all left feeling a sense of accomplishment in how far we've come, and renewed energy for moving us even further ahead in the future.

Even though the meeting is complete, I don't want us to put that energy, those ideas and priorities, etc. on the back burner until next year's meeting when we dust them off and start the whole process all over again. I want us to keep these things top of mind every day in the coming year. So for that reason, I've put together this "special edition" of Points of View to highlight some of the presentations that were made at the AGM and share them broadly with those of you who might not have been able to attend.

**"Each of these presenters came with a different perspective on the industry, and not surprisingly, you'll see that for each of them, the "customer" is not always the end-use consumer."**

*Funding provided by:*



The presentations summarized here share a common thread – I specifically asked our presenters to share their point of view on the importance of knowing the customer and meeting the customer's needs. It seems simple, but I really believe that this is the key to the future sustainability of Canada's sheep industry. You've all heard me go on about this before. Now I'd like to share with you how others in our value chain feel about it.

Each of these presenters came with a different perspective on the industry, and not surprisingly, you'll see that for each of them, the "customer" is not always the end-use consumer. In the summary of the Australian presentation you'll learn about how the association there recognized that producers themselves were a critical customer in turning the nation's sheep industry around. And closer to home, sheep producers Chris and Jennifer Cunningham recognize that their local processing partner is as much as customer as the consumer at the farmers' market who eventually buys their lamb.

I hope you enjoy this special edition of Points of View. I thank the presenters who gave their time at the AGM and for allowing us to spread their messages a little further here.

Jennifer Fleming  
Executive Director  
Canadian Sheep Federation

P.S. One of the initiatives I'm working on is a "Producer Toolkit"; the objective for this initiative is to turn information into useful resources for producers looking to meet the challenges and opportunities of their operations head on. Some of the presentations that were made at the AGM are going to provide good content for this Toolkit, so if you saw a presentation there, but don't see it highlighted here – stay tuned. There's a good chance it will wind up in the Toolkit.

# Presentation Highlights

## Lamb Production vs. Wool

### Matt Bishop

Business Development Manger for Meat & Livestock Australia

For more than 100 hundred years wool was the dominant agricultural industry in Australia. In 1950, the Aussie wool market skyrocketed, producing more than half of all agricultural goods in the country. Twenty years later, Australia was home to 180 million head of sheep. But by the early 1990s, market prices and demand for wool were shrinking. Flock numbers dropped significantly and because of this wool production decreased dramatically. The industry was in crisis and things needed to change for it to survive. So change it did. Stakeholders saw an opportunity to shift the industry from wool to lamb. It was a big risk, but they started focusing on a new market and a new product.

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Matt Bishop provided this background as the context for his presentation on three major initiatives that were implemented to steer the Australian wool industry down a new and more productive path. The initiatives included:

- Fresh Australian Range Lamb Program (preceded by the Fresh Australian Premium Lamb Program); both programs were developed to respond to the increasing demand for quality lamb, and aimed for higher weights and reduced fat cover
- LambPlan is a national genetic evaluation program that offers a performance recording system to sheep producers – similar to Ewe Byte in Canada. The program estimates breeding values related to wool, growth, carcass characteristics, reproduction and temperament and provides producers with valuable production information specific to their flock.

Despite the success of both of these initiatives, external factors such as constant drought made it difficult to meet the growing demand for consistent quality lamb. In light of this, industry leaders and stakeholders orchestrated a massive communication and educational initiative to promote best management practice (BMP) techniques.

**"...the key was obviously paying close attention to our customers' needs and establishing other markets."**

The program was called Prime Time and its goal was to increase the number of producers actively using BMP information and tools. Its three areas of concentration were improving genetics, nutrition and reproductive management based on new science and data. Prime Time utilized all available rural media channels to raise producers' awareness of the program. Dozens of field days were held across the country to showcase BMP techniques to producers, and provide a platform for industry stakeholders to network. Bishop says the Prime Time program is a great example of old fashion rural extension, a practice that was popular in the Canadian agriculture industry in the 1930s and 40s. Agricultural Extension Officers would recruit producers to discuss and learn about a new technology or program, with the end result being a more informed and connected industry. In the case of Prime Time, the field days were a triumph. Training programs were attended by more than 6,000 producers, with an additional 3,000 training packs sent out to those who could not be present. Follow-up surveys revealed that 86% of those who attended the field days felt satisfied with the event and 80% of participants stated that they would make changes on their farm as a result of the program.

Bishop explained how these three programs in particular have been seen as successes from the producers' perspective, and industry data supports that. Even when facing the worst drought in its history, the Australia lamb industry has been able to ride out adverse conditions to the point where the drought did not even register an impact on lamb production in the short to medium term.

The work that has been completed over the past 15 years is an inspiring example of how an industry can completely turn itself around and create a product that fully meets consumer demand, and turn a profit at the same time. Bishop emphasizes that "the key was obviously paying close attention to our customers' needs and establishing other markets."

For more information, please contact Matt Bishop at +1-202-521-2555, [mbishop@mlana.com](mailto:mbishop@mlana.com) or visit <http://www.australian-lamb.com>. Or for a copy of his full presentation please contact Jennifer Fleming at [jennifer@cansheep.ca](mailto:jennifer@cansheep.ca).

# Presentation Highlights

## What does Sunterra Meats want from Canada's sheep producers?

### Ray Price

President, Sunterra Meats

How long would you continue working with a feed supplier that brought a half load of a ration that you did not order, one week late and charged you a 30% premium because it was produced locally and was very good quality? Probably not very long. Although a bit of an exaggerated statement, Ray Price presented this illustration as an example of what some processing plants have to deal with when working with the Canadian sheep industry.

Located in Central Alberta, Sunterra Meats is a federally inspected, HAACP-recognized processing plant that supplies lamb to supermarket chains and foodservice distributors. It is an important link in the value chain that moves lamb from the producer's farm to the consumer's table and Price feels that this process needs to be changed to be more efficient and effective. So what is it that Sunterra Meats wants from Canadian sheep producers? It's simple. Sunterra Meats wants what its customers want – quality, value and availability.

When referring to quality, Sunterra Meats wants a product that is fresh, consistent, meets food safety requirements and comes with good service and support. Once in the hands of the supermarket or restaurant distributor, Sunterra Meats wants to be satisfied that it delivered a nicely packaged product, one with good shelf life that leads to a positive eating experience.

Like all businesses, Sunterra Meats wants value for its money. Competitive pricing is a reality and it is something Price says producers should be aware of. Excellent eating experiences are priced at a premium and customer expectations increase with price. Special occasions also have an impact on market prices and consumer demand. There is a different value proposition associated with the holiday shopper than there is with the frequent lamb purchaser. Holiday buyers are more willing to pay a higher price for lamb because they do not purchase the product on a regular basis. Those who buy lamb weekly, for instance, are more concerned about lower product prices.

**Availability. Availability. Availability.** Consumers are not going to buy something that is not there. The same goes for Sunterra Meats. The processing plant needs a consistent supply of Canadian lamb on hand every day of every week to meet the demands of its customers. Supermarket and food service markets

are demanding. They want more when demand increases for special occasions but less when their customers consume other proteins and reduce their lamb purchases. They want only the cuts that are in demand during certain times of year and other cuts during other parts of the year. All the while with emphasis being placed on size and cut specification. In order to service this market Sunterra must be able to manage supply to meet demand, shift cuts to alternative markets during parts of the year, and still have a consistent supply available throughout the year. Most importantly, Sunterra Meats wants to be ensured that its lamb is always the same premium quality, whether it is found in Newfoundland or British Columbia.

**"Sunterra Meats wants what its customers want – quality, value and availability."**

So although it may be easy to say that Sunterra Meats wants what its customers want, it may not be so easy to deliver. To address its customers' needs, the processor has put into motion a number of strategies and initiatives, including:

- A grading system to improve quality & consistency
- Contracts for producers to increase availability throughout the year
- Genetic evaluations to provide feedback on the best type of lamb for its specific markets
- A grain-fed program to enhance quality and the consumers' eating experience
- Operating its own feedlot to help spread lamb marketing throughout the year
- Moving to RFID tags to monitor production and carcass performance throughout the feedlot/plant
- Offering custom feeding opportunities to producers to utilize its feedlot while retaining ownership of the lamb
- Promoting lamb from coast to coast and making the best quality lamb possible available fresh every day to its supermarket and food service customers

Sunterra Meats is only one link in the value chain that eventually puts lamb on the Canadian dinner plate. From farm, to processor, to retailer, to consumer, each and everyone one of these links has something in common. At the end of the day, they all want the same thing – the best quality lamb product available fresh every day.

For a copy of Ray Price's full presentation please contact Jennifer Fleming at [jennifer@cansheep.ca](mailto:jennifer@cansheep.ca).

# Presentation Highlights

## How to Make Canadian Lamb Consistent: The Two Gs – Grades and Grids

### Sean Firth

President, AgraPoint

“Before you can solve a problem, you need information,” Sean Firth of AgraPoint told CSF delegates in his presentation on how to make Canadian lamb consistent. “The first thing you need to do is define the problem, or determine if in fact there even is a problem to define.” According to Firth, there is no question that the Canadian sheep industry is facing a problem. Currently, the industry cannot meet its consumers’ demand for a consistent supply of domestically produced lamb. Before going any further in solving this problem, the best place to start would be asking more questions. How inconsistent is Canadian lamb? Do we know what we want Canadian lamb to look like? Do we know carcass size, yields, GRs, seasonality, or data by region?

**“Supplied with information, Firth believes that the industry will be in a good position to improve its supply of lamb.”**

“Knowing your competition is also vital to improving your domestic product,” Firth stresses. More than half of all lamb consumed in Canada is from New Zealand – a statistic that has held steady for more than ten years. One of the biggest lamb producers in the world, New Zealand plays a major role in the Canadian sheep industry, representing approximately 60-65% of import volume. They are sixth in the world in sheep numbers, third in terms of production, and first in terms of export value. New Zealand has a smaller, grass-fed product that is consistent in quality and availability.

In Canada, some of this critical information has already been collected. Carcass data by region is available through Agriculture and Agri-Food Canada’s (AAFC) red meat market information. Lamb prices are reported out of Ontario and Quebec, and private databases are held by many processors nationwide. AAFC also calculates annual livestock statistics and reports these each year to the public.

Firth hypothesizes that every province most likely collects lamb price information, but for some reason does not seem to report it. He emphasizes that this should be changed. “Someone needs to common size the data, collect it and report it.”

Supplied with information, Firth believes that the industry will be in a good position to improve its supply of lamb. He affirms, and research has shown, that the next step would be to implement a national grading standard. “Grade standards drive production and grids are critical to steering change,” Firth says. “If we are going to define industry problems and strengths we must thoroughly understand grade standards.” Work has already been done on US and NZ grading, and this information can be used by Canada when determining our own data. Firth discussed the Canadian, U.S. and New Zealand grading standards, identifying similarities and differences and discussing how the lamb population fits within each system. He also provided examples of lamb payment grids, emphasizing the importance of grid signals in moving the industry to a consistent, high quality product.

So what does Canada need to do? Firth outlined two possible initiatives: 1) put together an education program on lamb standards for producers, and 2) collect lamb grade stats on a pooled basis and make them available to industry. After data is collected, it would be important to compare Canadian standards with those of its biggest competitor – New Zealand.

Firth concluded by suggesting answering a question with another series of questions may seem as though you are going in circles. But he reminded the audience to keep in mind that knowledge is power. Gathering information on both your competition and your consumer will only put you at an advantage in the long run.

For a full copy of Sean Firth’s presentation, please contact Jennifer Fleming at [jennifer@cansheep.ca](mailto:jennifer@cansheep.ca).

# Presentation Highlights

## Meeting Consumer Needs in the United States

### **Burdell Johnson**

President, American Sheep Industry Association

Burdell Johnson told delegates of the CSF's Annual General Meeting that the American Sheep Industry Association (ASI) recognizes the importance of meeting consumers' needs. In fact, it has prepared a new "to-do" list to help it achieve that goal. Take one look at the to-do list and it's clear that ASI also understands it has other "customers" with needs that require attention to make it all happen, including processors, the foodservice sector and producers.

The first item on the list is addressing the matter of interstate meat shipments. In the US, lambs currently inspected at the state level are prohibited from being shipped between states. This exclusion affects 28 states and more than 2,000 producers. Action item – the next US Farm Bill will most likely include language supported by ASI, which hopefully will create change in this area.

Second to-do on the list is developing and continuing advancements in the US processing sector. Although work in this area still needs to be done, many initiatives are already underway, including working with processors on newer methods of lowering bacteria loads and extending shelf-life; implementing HACCP throughout the processing industry; and working with USDA, processors and equipment manufacturers to develop performance standards for instrument grading systems.

The Sheep Safety and Quality Assurance program (SSQA) is ASI's third to-do item. The goal of the SSQA is "to maximize consumer confidence in, and acceptance of sheep products by using research and education to improve management during the production of safe, high-quality sheep products." As the program title implies, the focus of SSQA is safety and quality. Safety refers to recording that all laws and regulations are followed and ensuring that mitigation measures are in place when mistakes occur. Quality denotes operation-specific techniques for quality issues that are important to the individual operation. Audit procedures are in place to make certain that guidelines are being followed.

Priority number four is the promotional work being done by the American Lamb Board (ALB). ALB is marketing the versatility of American lamb, getting chefs to think beyond the rack.

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Strategies include media relations, culinary promotional events, development of culinary tools, and culinary education. ALB is also working to increase convenience for lamb retailers and consumers. Case-ready products make up the majority of US lamb at the retail level with few merchants maintaining a full-service meat counter. So, new quick and convenient products are being developed by suppliers, including pre-marinated and pre-cooked products. Responding to consumers' specific needs for healthy lifestyles, ALB is working with the Tri-Lamb Group to communicate the nutritional benefits of these lamb products, bringing on board nutritionists, dieticians, media and consumers. Finally, ALB is working to increase consumer awareness of American lamb through a year-round media campaign which involves media interviews, recipe releases and newspaper features, as well as participation at consumer food and wine shows.

The last area of attention on ASI's priority list focuses on wool. Price trends for wool saw a price lift in 2006 despite stagnation mid-year. A strong lift was seen in October 2006 with the greatest lift being for medium wool. 2006 also saw good demand for wool in the US responding to such factors as strong economic growth, favourable fashion trends that say 'wool is cool,' and high synthetic fiber prices. Over the past seven years ASI has developed new wool markets overseas, including China, India, Germany and United Kingdom. Exports of American wool have more than tripled during this period with two-thirds of production now being sold internationally. ASI is also working jointly with the military for the introduction of many new products, and the new Army, Navy and US Air Force dress uniforms are wool or wool blends.

All of these advancements have resulted in the best orders the wool textile industry has seen in the past five years. To keep the market strong, ALB is concentrating on new product development, lending ideas and technical support to mills, grabbing the international market and identifying needs and trends of the raw wool market.

For a copy of Burdell Johnson's full presentation, please contact [jennifer@cansheep.ca](mailto:jennifer@cansheep.ca).

# Presentation Highlights

## Meeting Consumer Demands

### Chris and Jennifer Cunningham

Jay Springs Ranch

As a commodity producer, the future doesn't look so bright. So say Chris and Jennifer Cunningham. A thorough analysis of direct and indirect production costs on their ranch made it clear to them that it didn't make financial sense to try to sustain the rural lifestyle they wanted in the way they were going about it. The Cunninghams say it's easy, and common, for many in the industry to use the word "lifestyle" to justify those things they are doing on the farm that make absolutely no economic or long term business sense. Layer on top of that the increasing regulatory and industry standards that add cost and time to an already busy operation, and it became clear to this farming family that something needed to change.

That's why they have taken great effort over the years to build a diversified agricultural business that gives them the greatest return for their work and mitigates the risk of an ever-fluctuating market. Together with their extended family they now operate a combined sheep farm and woodlot in the BC interior.

It hasn't happened over night. The Cunninghams have done their homework and experimented with several different business approaches before they found a path that best suited their needs. By banding the sheep production part of their business together with a handful of other producers and a trusted local processor, they provide a steady supply of high quality lamb to a niche market – the east Vancouver farmers' market.

**"...it's easy, and common, for many in the industry to use the word "lifestyle" to justify those things they are doing on the farm that make absolutely no economic or long-term business sense."**

Their advice for the sheep producer looking to get a greater handle on their business includes:

- Find a market the commodity seller cannot fit into
- Challenge yourself to be different – it's the only way to rise above ever-falling prices of the common-place
- The trade-off for volume is higher margins and that is the heart of niche marketing
- Commodity-based producers are insulated from the customer; owning access to a set of customers is the only way small-scale livestock producers have made a living
- Adopting this mindset includes knowing how to think like a consumer first and a producer second
- Don't forget who your customer is; the end-use customer is only one part; your processing partner is also a customer, so you need to show them the quality and value they are looking for too

Certainly the market holds challenges for those producers looking to make a steady income from their sheep operation, but according to the Cunninghams the opportunities are there too and the rewards make it worth the effort.

For a copy of Chris and Jennifer Cunningham's full presentation, please contact Jennifer Fleming at [jennifer@cansheep.ca](mailto:jennifer@cansheep.ca).

# Presentation Highlights

## Single Desk Marketing Agency for Heavy Lamb

### Sylvain Maher

Executive Director, Fédération des Producteurs d'Agneaux et Moutons du Québec

Sylvain Maher describes the switch to a single desk marketing agency as similar to the purchase of a new piece of expensive equipment. One can usually not afford to buy the deluxe model of their dreams, so they start with something smaller and more affordable. They make adjustments along the way, adding new accessories when they can, and eventually, what they wind up with is equal to or better than the extravagant model they first admired.

**"... the move to the marketing agency has been a good one for the industry, and with a few more refinements, it will become a model for others to emulate."**

Quebec's lamb producers are going through such an adjustment period with the introduction of a marketing agency for heavy lambs. It's still a relatively new system, and as such, there are many kinks to work out. But overall, according to Maher, the move to the marketing agency has been a good one for the industry, and with a few more refinements, it will become a model for others to emulate.

Quebec moved to a single desk marketing agency for heavy lambs with the overall goals to gradually improve the process for marketing of heavy lambs in the province, to develop consistent markets by securing supply for buyers and demand from producers, and to develop new markets for lamb to help sustain the sheep industry in the long term. In addition to that, the agency also made it a priority to provide access to those markets for every producer, ensure equity between producers and secure payments in a timely manner. Maher makes it clear that it is not a lamb purchasing agency, but rather a place to facilitate the transactions between producers and buyers.

A key part of the equation includes adopting a grading system. Producers and buyers worked together to develop a grid that determines the pricing structure for lamb; this grid is updated every six months to reflect market fluctuations, etc.

After the first five months of operation, the agency is pleasantly surprised that the actual volume of lambs moving through the system is higher than forecasted. More producers are getting involved every month, and more buyers are tapping into the new system on a regular basis as well. In addition to that, the grading system seems to be doing its part to compensate producers for consistent, sought-after lamb products.

There have certainly been challenges along the way. According to Maher, one of the most difficult has been communicating with producers and buyers about the new system. But typical start-up problems aside, the agency is a success. Quebec producers now enjoy more uniform market conditions, the majority receive a fair price for their lambs, there is greater equity in market access, and most importantly, they are meeting the demand for lamb among customers.

As the agency looks to the future, it will focus on further negotiation around pricing strategies, building more annual contracts, gaining greater regularity in the production of lambs, providing support for the grading system with training for those involved, continuing to develop new markets and collaborating with partners. Clearly there is a lot of work that remains, but the consensus seems to be that Quebec's lamb industry is headed in the right direction.