

Points of View

A forum for sharing perspectives from across the Canadian Sheep Industry



CANADIAN SHEEP FEDERATION

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Myth: Increasing my production or flock size will lead to a drop in prices

We're changing the format of Points of View slightly with this issue. From now on, we will address a myth, or common misconception, within the industry and then attempt to set it straight. I drafted my introduction to the myth and the bigger topic a short time ago, and sent it to a sampling of individuals from within various sectors of the sheep industry. I asked them to give us a few paragraphs with their thoughts on the topic, and we've assembled their comments here.

Now it's your turn. Let us know what you think about any or all of these commentaries, and we'll print them in the next issue of Points of View. In fact, one of the letters we received following the August issue is printed in "Letters to the Editor" on page 4 – and it deals specifically with the topic we're addressing now. I hope you enjoy the read and get motivated to join in the dialogue!

In a recent exchange with an industry colleague, I was on the receiving end of a mini-rant that went something like this:

"How to help those expanding? Unfortunately it is slower than most of us want to admit. When I'm really tired and most likely to be feeling hard-nosed, I often ask myself, 'Why is it that the producers wanting to expand, or who are already expanding, go ahead without any apparent research effort on their part as to what might work for them?' Why do they not build and follow a business plan? Why aren't they prepared for the changes they need to address with the expansion? Will their approach even be profitable for them? How will it affect their lifestyle and family life, or vice versa?"

This got me thinking about recent statistics that I'm sure you've all seen by now. Between 2004/05, sheep consumption rose by a meager 0.9%. Then in 2006, it took a significant leap, rising by 8%. Sounds like good news for us in the industry, right? Yet ironically, while Canadians were eating more lamb, the number of animals going to slaughter fell by 7%. It's not a stretch to conclude that Canadians wound up eating more imported lamb.

So what can we do about this? It's easy to suggest that producers should either increase their production with more lambs per ewe per year, or even increase their flock size. Yet it isn't happening. What's getting in the way? I think there's a common misconception that increasing production will lead to a drop in prices. I firmly believe it isn't that simple. The severe imbalance between domestic supply and demand within Canada would lead you to believe that there is significant room for production to expand and capitalize on this favourable market before we have a negative impact on price.

How do we target the producers who say they want to increase production, but don't, and help them? Are the extension resources not sufficient? Does it all come down to money? Some might suggest that now is a good time for producers to be investing in growth – but how do we make it happen? I wish I had answers to all of these questions, but I don't. I hope you have some thoughts on this matter. Please take a few minutes to give us your point of view from your perspective in the industry.

Jennifer Fleming
Executive Director
Canadian Sheep Federation

P.S. I heard that CBC will be airing an episode of Marketplace focusing on "Labelled Product of Canada" sometime this fall. I'll let you know when the date is firmed up so we can all tune in to see what they have to say about domestic food production.

Myth: Increasing my production or flock size will lead to a drop in prices

Sean Firth

Ruminant Specialist, AgraPoint

Growth occurs in a non-supply managed industry through increased consumption, domestic substitution of imports or through exports, ideally it would occur through a combination of these three. At the farm level growth occurs when producers feel there is sufficient market price to justify expansion. This process is predictable in that phases of expansion and contraction occur based on supply and demand and the resulting price signals.

A typical sheep cycle is 8 to 10 years long, from expansion to liquidation to beginning of expansion again.

This cycle is a function of the biology of sheep and the length of time it takes to respond to market signals with additional lamb – breed at 6 to 8 months, gestate for 5 months, feed a lamb to market at 8 to 10 months – before you know it you have spent 2 years to get more lamb to market because of higher price signals. When prices drop producers cull breeding animals to generate additional revenue, the supply tightens up and the price responds, when the price moves up producers want to sell more and expand. This cycle is apparent when you look at historical sheep numbers. **So in terms of the myth, increased production (expansion) does lead to normal price fluctuations.**

However, the sheep industry is somewhat unique in that its apparent means of expansion is through import substitution. The issue holding back the Canadian industry on this front is doing this substitution at a price where we can make money over time. In other words we need to expand within a production model that makes us competitive on price and enables us to maintain farms that can pay their bills.

On a commodity basis this becomes a relatively simple exercise of determining the industry cost of production and determining the available revenue – if the revenue does not cover the COP, expansion will not occur and in fact over time the industry will shrink. This is really the key to sustainable Canadian lamb industry expansion.

You either build markets that will support your COP or you structure your farm management to allow you to produce at a certain price – or you do a combination of these two.

This point assumes that farms want to break even or make money. Having looked at this for 20 years I am convinced that hobbies can't cost money year after year, they need to contribute to the overhead of owning and running a farm.

Finally, the myth talks about producers expanding based on a business plan and a life plan. Expansion to me is about maximizing use of resources. On a farm the resources are usually land and labour. We spend lots of time determining how many ewes a labour

unit can handle well and how much output a unit of land can produce and how to maximize these as efficiently as possible. Business plans are good at projecting what is possible based on a farm's resources and identifying areas that need attention or are perhaps not performing as well as they should. Expansion without a defined market and an awareness of where the market prices are going (e.g. where you are in the cycle) is dangerous as well.

So by all means expand based on reasonable projection of the farms ability to produce and the markets ability to provide revenue.

Myth: Increasing my production or flock size will lead to a drop in prices

Gord Schroeder

General Manager, Saskatchewan Sheep Development Board and General Manager, Canadian Prairie Lamb

You bring up a lot of issues. I've been in the sheep industry for 25 years. I am a producer as well as the Executive Director for the Saskatchewan Sheep Development Board. I see the industry from a lot of different perspectives. There are two thoughts on production I want to make:

1. Producers feel that increased production will drop lamb prices; well I disagree. The current situation is this: we do not have enough Canadian lambs to fill the demand. Consumer demand for lamb is up. When retailers are always short shipped they get frustrated so they find imported product to replace Canadian. Consumers and retailers would rather have Canadian product but they buy what is available. If we in Canada do not increase the supply of lambs we are going to see more retailers moving to imported product and then – yes – we will see a price drop. We need more production.
2. Another issue I run into on a regular basis is that producers don't know their cost of production. In some cases they don't bother to figure it out and in other cases they don't have the information or the proper tools to calculate costs efficiently. We – the industry leaders – need to provide them with the proper information and tools. Not enough work has been done in this area of costs of production. In Saskatchewan we have made this one of our priorities and are working hard to deliver assistance to our producers. Knowing your costs is essential to profitability and expansion of the industry.

B. Barczyk

New Brunswick Sheep Producer

Growth occurs in a non-supply managed industry through I myself have heard, "Why expand? The price will go down! And besides, I can sell everything I produce!" I am always dumbfounded by the fact that we live in an age of box stores and mega corporations with the ideology of "bigger is better", yet still we seem to be able to survive on the "small" family farm.

Here's a thought: let's jump ahead 5 to 7 years. Assume lamb consumption has continued to increase due to several factors:

1. Aggressive marketing of Canadian lamb (producer initiated)
2. Improved carcass quality (Lakeland Sire Project)
3. Improved carcass consistency (producer education)
4. Availability (year round production)

But as producers, we have continued to decrease in production and are not producing the desired carcass quality or consistency. Where are the lambs going to come from? My guess is from the south, by the 10s of thousands to be processed in Canada and sold as Canadian lambs. Boys will we (as producers) ever be angry with the government at that time for letting it happen. Let's be proactive not reactive!

Letters to the Editor

"Most impressive forum. Certainly liked Fred Baker's contribution. Andy Dagenais' comment "don't just comment - suggest a change" is a great recommendation for everyone. Let's add to that and say "Volunteer and Contribute". Most provincial associations have limited financial and human resources."

- Eugène Sabot

Bev Greenwell

Producer, Princeton British Columbia

What will it take to make me want to increase my flock size? MONEY. A steady stream of it.

If the economic law of supply and demand were allowed to prevail in Canada, I would be increasing my flock – yesterday. The demand for Canadian and BC lamb is higher than its supply, AND the price for it has risen substantially. Unfortunately we are in a global market where the price will likely end up to be equal to the cheapest lamb on the planet by season's end. As has happened in the past (last year particularly), as soon as the main supply comes to market, buyers will head south, import a large number of lambs and watch the Canadian price drop like a stone. Good for the buyer in the short term, NOT SO GOOD if they want to encourage more domestic production. Not so good if they are trying to tell consumers Canadian-produced lamb is better. Even worse if they are passing it off as Canadian produced.

I am a full-time farmer relying on farm income for a livelihood. We have had to seek out our own market for our own premium lamb in order to make the sheep pay. We need the premium price we receive for our product, AND we have worked very hard to gain customer loyalty, based on quality. All the national programs look great on paper – but for real farmers those nice things are going to have to be paid for by the sheep we produce.

"What will it take to increase my flock size? MONEY. A steady stream of it."

So long as it is more profitable to sell hay as hay than to run it through sheep, then hay will be our major source of income. When the tide turns, so will our mix of farm product.

Eugène Sabot

Chair, Manitoba Sheep Association Inc.

Most impressive forum. Certainly liked Fred Baker's contribution. Andy Dagenais' "don't just comment – suggest a change" comment is a great recommendation for everyone. Let's add to that and say "Volunteer and Contribute". Most provincial associations have limited financial and human resources.

The Manitoba Sheep Association Inc. is certainly not unique in the following situation. We have a working board. The directors run the board and try to implement different activities for its members through the association. There is no paid staff! The directors not only give of their time but also foot the bills for all their board activities from paying for their travel expenses to their telephone bills. As chair, it's sometimes difficult to ask these same people to take more time away from their families and travel more than two hours to meetings etc. Most of these directors also have off-farm jobs and at times feel burnt-out.

Producers must recognize that even the greatest leadership can only do so much with limited resources. Directors alone can't be expected to run an association, solicit government, administer programs, run seminars and shows, etc. without help.

Without volunteers, our associations will become even more stagnant because of burn-out of some very dedicated individuals. Also give your comments and accompany them with your suggestions and step-up, volunteer your time to your local association. Your contributions will surely be appreciated.

Letters to the Editor

"For the sheep and goat industry to continue in Canada, the slaughter facilities need to accommodate Canadian animals." - Lorna S. Wall

It is often taken for granted that everyone attending an auction knows what is going on and what the rules are. This is wrong on so many levels. Recently at a livestock auction there was a dispute about how the animals of a producer should be processed through the ring. From personal interaction, I know that there can be and are solutions. But first there are many ways that these disputes can be minimized by education of both the buyers and the sellers before the auction process even starts.

1. All sellers are responsible to the sort/receiving personnel to have the livestock adequately marked to identify them to the sort/receiving personnel. This means a little preparation on the part of the seller. Mark all animals in a group in a similar way. Mark each group in a different manner with livestock paint, crayon or a string/ribbon/collar. If you are delivering more than one producer's animals, have each group clearly marked before unloading and provide a paper to the receiving personnel with the description of the marking and the producers name and address including phone number.
2. Do this marking or the tagging of animals with the CSIP tags before you enter the alleyway to unload your livestock. All animals legally are to be tagged with corresponding CSIP tags before leaving home.
3. Providing a list with the breakdown of the corresponding groups for each mark will enable the auctioneer to market your animal appropriately. For example: blue painted "x" = 3 goats = meat, red "O" = 4 ewe lambs = Dorset, yellow "+" = 1 ram = 2 yr old Suffolk. Now the auctioneer knows what he is marketing when the ticket hits his desk.
4. Auctioneers are actually working for the seller and should be trying to get the best price for the seller possible. Unfortunately, this may not happen if the auctioneer is also a buyer himself or does not make the auction rules clear at the beginning of each sale. Having attended livestock sales across the prairie provinces, I know that very rarely do the bidding public know the rules unless they ask another bidder.
5. Bidders have rights. It needs to be clearly announced that the bidder has the right to ask that groups be divided for their needs.

Buyers and Sellers as well as Auction Marts have to start to realize that there is a market in Manitoba that needs

to be accessed. That is the ethnic market that wants to buy one or two animals each month for personnel use. There is nothing wrong with this process and it is TOTALLY LEGAL for them to buy and butcher at home for their own use.

Recently there have been rumors that the Virden Sale barn will not be holding sheep sales as they do not have enough buyers or sellers. This is a loss for all in this area. Winnipeg may lose out to Grunthal or producer self-marketing or producer group loads to Ontario if enough producers feel that they are not being treated fairly. Producers near the Saskatchewan border have the ability to market in either province. Alberta processors recently complained that they didn't want to pay the current price for lambs in Canada so they used the strong Canadian dollar and imported lambs for slaughter from the US. They didn't mind paying less for our lambs when BSE kept us at a disadvantage but don't appreciate that for the ability to supply the number of lambs for the domestic slaughter demand, shepherds need to get a decent price for their livestock to facilitate the growth of the sheep and goat industry in Canada.

For the sheep and goat industry to continue in Canada, the slaughter facilities need to accommodate Canadian animals. Auction and slaughter facilities need to realize that there is a new market in the ethnic community that wants FRESH lamb and chevron. Consumers have the right to ask for fresh Canadian product instead of imported mutton. The 100 mile diet and COOL labeling can be used to promote Canadian product. Saskatchewan Sheep Development Board is working hard to develop new consumer friendly pre-cooked lamb meals.

Our government agricultural departments need to understand that sheep and goats are not cows and that shepherds have suffered possibly more than cattle producers due to BSE. We really have limited access to slaughter facilities. Getting an inspected facility to have time to process your sheep or goat is almost impossible and not within a reasonable driving distance for most Manitoba shepherds.

Remember if you treat your customer with care and respect they will come back again...this works from all stages of the auction process.

Respectfully submitted,
Lorna S. Wall
Producer, Poplarfield Manitoba

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: Canada will always have a thriving sheep industry so long as I keep raising lambs the way I always have

We'll ask for thoughts on what it is going to take to ensure long-term sustainability of our industry. What can each part of the value chain do to make a difference? Who is ultimately responsible?

If you're interested in participating in this dialogue, let us know and we'll send you the editor's briefing comments which will get circulated early in October. Just as our contributors did in this issue, use this introduction to the topic to prepare a contribution that gives us your point of view.

Even if you aren't ready to contribute, watch for the next issue of Points of View to see what your industry colleagues have to say, and maybe you'll be motivated to get in the dialogue. We'd love to have your participation!