How we are helping farmers get more for their lamb

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A perspective of the New Zealand meat industry

A supply chain is the network of all the individuals, organisations, resources, activities and technology involved in the creation and sale of a product, from the delivery of source materials from the supplier to the manufacturer, through to its eventual delivery to the end user. For lamb the delivery of source materials is the farmer providing the live lamb and the end user is the person who purchases the meat from that lamb.

The end users determine the value of the product by the amount they are willing to pay. That value then passes back through the supply chain to compensate all the participants who should always be adding value to the end product.

The New Zealand meat industry has a slightly different version where the majority of farmers perceive the meat processing organisations set the value and there may be some producers who believe the processors are the end user.

Example: Tom Sturgess who owns Lone Star Farms (owns 50,000 hectares and 140,000 stock units throughout New Zealand) stated 'If they (processing companies) pay me $100 for a lamb and $5 bonus because a loin or leg yield hit the basket, it is a big difference. But if they pay me $70 for a lamb and $50 for yield they would get a big change in behaviour'.

This is typical and demonstrates the reluctance to accept it is the end users who decide the value. Are they really going to pay more for a lamb that has a higher meat yield?

Supply chains can only be effective when all the participants trust each other, understand each other’s businesses and can communicate. Our meat industry is built on mistrust between the producers and processors – a ‘them or us’ situation where each seems to blame the other.

Global market research clearly demonstrates that red meat, including lamb, has a 70% satisfaction rate with consumers. And the research clearly shows that meat yield is not one of their needs. It may be more than coincidental that approximately 70% of New Zealand export lambs have an optimum meat pH. Ultimate pH is the single most important factor influencing meat quality – tenderness, taste, texture, colour and shelf life.

Hence, to increase the value of our lamb there are some significant challenges at several levels within the supply chain. All those challenges relate to the important concept that we are producing a high quality food which we expect the end user to pay more for. Underpinning that is every player in the supply chain must be completely focused on understanding what the end user wants and is willing to pay more for.

The ultimate supply chain is one where there is a strong interface between the producer and the end user. In general our meat processors behave like a gateway so most farmers have no idea what happens to their lambs once they have been converted to a carcass. They are seldom aware of what the end users think of their product.
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Farmers need to start thinking like their end users

End users want to purchase, cook and eat lamb that will consistently give them a great experience. Eating experience is fundamental – the lamb must always be tender and juicy with excellent taste and if it isn’t the best branding in the world will be ineffective.

But farmers have a different focus. They use rams which have been genetically selected for weight gain and leanness yet research clearly demonstrates this is negatively correlated with tenderness. Ram and cryptorchid lambs make up a large proportion of our export lamb but about 99% of farmers say they would never eat one themselves!

Compared to the dairy industry, sheep farmers have a very small investment in their processing organisations and continue to be reluctant to invest. This is reflected by the common adage ‘show me the money before I’ll do that’ whenever an opportunity for added value is offered.

Kumanu – New Zealand’s first farmer initiated export lamb brand

With these challenges in mind, in 2008 about 30 farmers were invited to participate in discussions to get an idea of their attitudes towards the requirements for adding value to their product. These farmers had all been involved in the StockCARE programme for several years and were selected because they had reached a productivity ‘sweet spot’ where, for a range of reasons; further improvement may not be feasible.

Increasing the value of their product is an option for these farms. Outside experts were invited to talk about customer satisfaction, supply chain management and branding to ensure the group had a clear understanding that to be involved they had to start thinking they were in the high quality food production game which would include doing things differently on the farm. They had to be prepared to make a significant culture change – to stop thinking like farmers and think like their end users.

Over two years some farmers left the group with 24 making a commitment to create a company (Farm Quality Group Ltd) and pay $5,000 as startup capital to fund a staged development process:

1. Create a story by a group of ‘urban’ people who had very little understanding of farming but a huge understanding of customer needs and perceptions.
   - Kumanu is a farming philosophy grounded in science.
   - It began with a veterinarian.
   - It became an animal centered farming system.
   - It attracted a group of like-minded farming families with a shared belief that what is best for the lamb is also best for their land and their communities.
We discovered optimum animal welfare is the key driver of farm profitability.
If we raise our lambs with the utmost care everyone benefits.

2. Create the brand which is a single minded expression of culture.
Culture is harder to copy and will help stay ahead of the competition.

Our purposes:
- To raise the finest quality lamb in the world – while improving the welfare of our animals, the environment and the farmer’s way of life.
- Stop thinking about just raising lamb and start thinking about producing premium quality food.
- Get to know our market.

Our discovery:
- Consumers want strong evidence that there is a clear philosophy behind food and merchandising. They want to see the passion that makes the food stand for something and worthy of being bought and consumed.
- They want something that is handmade – the antithesis of mass produced.
- Food is about discovery – consumers are hungry for new flavours, new information and new philosophies and they want to feel like they have a relationship with the people responsible for bringing it to their tables.

Our proposition:
- Essentially we are offering the consumer a gestalt where the whole is greater than the sum of all the parts. Our gestalt is the combination of animal welfare, sustainability, eating quality, food safety and family farming.
- Ensure the proposition has genuine integrity by demonstrating that we are doing what we say we are doing. The StockCARE programme underpins the animal welfare component.

3. Find a partner who shared the same values.

In the end it was an easy decision to invite ANZCO Foods, as the other processing organisations clearly did not share the same values.

In 2011 ANZCO Foods accepted the invitation to become a partner. They were impressed that a group of farmers had made a considerable investment prior to the invitation. The Kumanu story and branding was a good fit with their own culture and philosophy.

4. Bring the brand to life.

From this stage on, the brand was owned jointly by Farm Quality Group and ANZCO Foods.

ANZCO Foods found a distribution partner in Holland who was prepared to pay an immediate premium for Kumanu.
Packaging, point of sale material, a website and a Facebook page were developed by the original branding team and funded jointly by Farm Quality Group and ANZCO Foods with assistance from Beef & Lamb NZ.

5. Consolidate our proposition.

Farm Quality Group, co-funded with Sustainable Farming Fund, a study to ensure it was possible and practical to manage lambs on the farm prior to slaughter to ensure a consistent hit rate for optimum meat pH. The study involved approximately 1,000 ewe, ram and cryptorchid lambs managed in groups of approximately 100 on six farms.

The average pH was 6.57 with 88% below the optimum 5.8. In a survey of 1,000 other lambs processed at the same plant at the same time the average pH was 5.8 with 64% below 5.8.

The results provided confidence that the three-week pre-slaughter programme was practical for the producers and had the potential to ensure a greater consistency for eating quality.

Four seasons later

Approximately 30,000 lambs have been supplied each year with 80–85% hit rate for Kumanu carcass specifications and 85–95% hit rate for pH. The feedback from Holland has been excellent and relates almost entirely to the benefits of a consistent optimum meat pH.

However, it has been a constant learning curve:

- It takes a long time to develop trust between producers and the ANZCO team.
- It is an on-going challenge for all partners to understand each other’s businesses and how the needs of one impact on another.
- It is extremely difficult to create a premium product with a premium value when large amounts of New Zealand lamb is sold in the same market at discounted prices.
- Despite an opportunity for a reasonable premium it has been difficult to find new suppliers prepared to change their culture towards producing a high quality food product.
- Not only farmers, but distributors, chefs and butchers are reluctant to commit to forward contracts.
- Distributors, chefs and butchers want consistent supply but it is not easy for producers to commit at the start of a season.