17. Selecting a Target Market and Meeting Specifications for Sheepmeat

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Learning objectives

On completion of this topic students will:

- gain an understanding of the importance of selecting a target market
- recognize how to meet market specifications in terms of carcase traits

Key terms and concepts

- market specifications
- supply alliance
- choosing a market specification

17.1 Introduction

Domestic and export sheep meat markets demand a product consistent in quality and supply. A successful lamb or sheep meat producing enterprise must have a clear series of production objectives, planned marketing strategies and contingency plans to maximise enterprise profitability.

Marketing principles require producers to identify client needs or requirements, target a client base that want and are willing to buy your product, convince the client of the value of the product and build relationships with clients through having a sound marketing strategy (Cook 2006). While industry product development and promotion has been driven by national bodies such as Meat and Livestock Australia, producers have had to clearly identify their target market in terms of carcase specification to be able to cater for market (consumer) requirements.

Throughout this paper reference will be made to the development and relative success of the Crystal Spring lamb alliance in terms of targeting and meeting specifications by cooperating producers on an individual and collective basis. Many of the considerations for sheep meat producers when deciding on a target market are covered in the accompanying Crystal Spring case study with additional considerations faced by industry also outlined.

17.2 Marketing – what is it?

In popular usage, the term "marketing" refers to the promotion of products, especially advertising and branding. However, in professional usage the term has a wider meaning. It can be divided into four sections, often called the "four Ps," only one of which is promotion. These are: product, pricing, promotion and place or distribution of the product (Anon 2006).

Producers individually have little control in terms of pricing, promotion or distribution of their product and rely heavily on the product meeting market specifications to maximise returns. They can however collectively minimise the impact and likelihood of price variability through development of group supply cooperatives or alliances. An example of each would be the Tooraweenah (NSW) Prime Lamb Marketing Cooperative and the Crystal Spring Prime Lamb Alliance based in southern NSW.
In simple terms an alliance is an agreement between two parties to achieve a common objective or undertake a common strategy where the key issue is that price is not the driver of the relationship. Consumer requirements come first and the alliance works towards meeting their needs (Thatcher 1995) with product differentiation instrumental in achieving success in the market place (Carson 1995).

### 17.3 Know your market

Prior to selecting a target market producers should:

- Know what they produce - carcase weight, fat scores, numbers for sale and timing of sale
- Decide on a target market specification suited to their pastures, breed and market conditions
- Plan breeding, nutrition and management systems with the target specification in mind
- Market lambs rather than sell them preferably with a system that provides feedback and
- Be prepared to ‘fine-tune’ their production system

In doing so you must consider:

- Are you able to produce lambs to specifications and market these during historically or seasonally high price periods?
- Have you the necessary skills to accurately assess lambs to determine carcase weight, fatness and suitability for your target market?
- Nutrition – do you have the pasture base, environment and necessary skills to best utilise feed on hand?
- Genetics – are your sires and dams capable of producing for the market you target

### 17.4 Market specifications and meeting them

#### Market specifications for lamb

When assessing sheep and lambs for sale the aim should be to select those animals within the required carcase weight and fat score specifications for the market segment targeted. Accuracy can be improved by experience and regular abattoir feedback and is greatly aided by the use of live weight scales and a good fat scoring technique (McLeod 2006a). Market segments based on carcase specification has been covered by McLeod (2006a, 2006b) and should be referred to during the following paper. Specifications for the various lamb market sectors are shown in Figure 17.1.

#### What and when to market

While there are numerous markets for lamb and sheepmeat products producers should have a clear series of production objectives, planned marketing strategies and contingency plans to maximise enterprise profitability. An understanding of market segments and requirements is essential in terms of a producer being able to develop a sound production objective. For example, production systems aimed at producing traditional ‘side’ lamb (14-17kg, 3-10mm fat at GR) may not be as profitable as targeting trade lamb (18-22kg, 7-12mm) systems that historically return higher prices per kilogram when cost of production is taken into account.
Lamb returns usually experience highs and lows throughout any 12 month period as illustrated in Figure 17.2. Returns are generally greater during the traditional spring or sucker lamb supply period (August to September) and again prior to Easter (February to March) when lamb demand domestically and abroad is high. If producing trade lambs (18-22kg) marketing lambs during these periods have traditionally improved returns.

Export lamb category prices (traditionally 24.0kg and heavier) generally follow a similar price curve but may return from 20-30c/kg less than trade weight counterparts. This may be due, in part, to a traditionally greater domestic demand for trade lamb categories and an emphasis on heavier carcases destined for export markets. Export lamb prices generally peak prior to Easter when processors are attempting to fill overseas orders and in May-July when lamb numbers are traditionally at their lowest.

In recent years there has been an increasing improvement in returns for lambs dressing 22.0 to 24.0kg. This traditionally has been an area where carcase weights were not well suited to either domestic or export markets. Improved competition from both sectors has seen profitability of producing lambs meeting these weight specifications improve and allow the producer to effectively target both a domestic and export market segment.
Live lamb assessment
When estimating carcase weight it is critical that producers accurately weigh and fat score individual animals. They must also consider the influence several factors may have on dressing percent and carcase weight assessment accuracy. Factors affecting dressing percent include time off feed and water, skin weight, sex, breed or genotype, weaning status, carcase trim and feed conditions as discussed by McLeod (2006a).

Producers have control over most of these factors with the exception of carcase trim. Degree of trim can vary depending on processor with export abattoirs likely to have a greater loss through heavier trimming of carcasses. Trim loss can however be estimated through knowing a consignments ultimate destination (domestic versus export abattoir). Previous feedback and past experience can also be used when estimating carcase loss through trimming.

Nutrition
It is critical that adequate pasture and or supplements in terms of quality and quantity be available for a lamb to reach its full genetic growth potential. Growth rates are determined by how much a lamb eats which in turn is influenced by feed availability and digestibility. Quality pasture remains the most cost effective means of producing and finishing lambs to specification and producers must ensure feed needs are met at all stages of the production cycle.

To do so producers are urged to consider the benefits of completing a PROGRAZE workshop. Such workshops help participants to develop the necessary pasture and animals assessment skills to develop pasture and livestock management plans.

Genetics
There is a growing opportunity for producers to utilise genetic information within all terminal and maternal sire breeds currently available in Australia. LAMBPLAN and Sheep Genetics Australia currently provide information on many objectively measured traits including growth rate, leanness, eye muscle area, wool quality and quantity parameters and maternal traits from which producers can select sires that suit their production system needs.

Many of these traits have been validated throughout Australia over the past 10 years in industry trials such as the recently completed Maternal Central Sire Progeny Test (MCPT). MCPT results clearly demonstrated significant differences between the maternal sire breeds in performance of their progeny and, interestingly, that variation among individual sires within the breeds was far greater for most production traits than between genotypes. For example the range among the 18 Border Leicester sires tested was over $40 gross margin / ewe / year in the profitability of their 1stX daughters. This means a $20,000 higher annual profit for a 1000 ewe enterprise by having 1stX ewes sired by top rather than average maternal genetics (Fogarty et al 2005).

Commercial progeny trials across a number of lamb production areas have also consistently shown that HIGH Genetic Merit sires or those with superior LAMBPLAN EBVs consistently breed faster growing lambs that more consistently meet market specifications with an average return for each 1 kg extra EBV for Weight of up to $185 per sire lifetime (Gaunt and Banks 1999).

17.5 Meeting market specifications – case study

The Crystal Spring lamb alliance
The Crystal Spring branded lamb alliance was established in August 2003. The alliance differs from many previous producer based alliances due to the program being initiated from a retail/wholesale base. The program has been a phenomenal success with producers receiving 53c/kg more ($11.40) than saleyard lambs and comprehensive slaughter (percentages in specification, health issues etc) feedback (Duddy, McLeod and Sullivan, 2005)
Weekly consignments of prime lamb from cooperating Cowra, NSW based producers are supplied on a grid base contractual agreement with initial premiums for 18-22kg, 2 and 3 score carcases. This was expanded to include 22.1 to 24.0kg carcases following an increase in demand from cooperating retail outlets. Premium grid price is based on an agreed 10% premium above the Wagga Wagga saleyard lamb average with price negotiated on a weekly to fortnightly base. Penalties vary between 40c/kg to $1.25/kg depending on weight and fat measurements as shown in Table 17.1.

Table 17.1. Grid Price Penalties for Crystal Spring consigned lambs.
Source: Duddy, McLeod and Sullivan (2005).

<table>
<thead>
<tr>
<th>HSCW</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>&lt;16kg</td>
<td>-125</td>
<td>-60</td>
<td>-60</td>
<td>-80</td>
<td>-100</td>
</tr>
<tr>
<td>16.1-18.0kg</td>
<td>-125</td>
<td>-40</td>
<td>-40</td>
<td>-60</td>
<td>-100</td>
</tr>
<tr>
<td>18.1-22.0kg</td>
<td>-125</td>
<td>0</td>
<td>0</td>
<td>-40</td>
<td>-100</td>
</tr>
<tr>
<td>22.1-24.0kg</td>
<td>-125</td>
<td>0</td>
<td>0</td>
<td>-60</td>
<td>-100</td>
</tr>
<tr>
<td>&gt;24.1kg</td>
<td>-125</td>
<td>-60</td>
<td>-60</td>
<td>-80</td>
<td>-100</td>
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Quality Assured protocols for production, transport and slaughter of lambs consigned include:

- All lambs to be weighed and fat scored 3 hours off feed
- Lambs to be clean, crutched and off feed and water for a minimum of 12 hours prior to transport
- Lambs to graze on a rising plane of nutrition at least 4 weeks prior to consignment
- All chemical use withholding periods to be adhered to
- Minimum of 50% terminal sire genes, 2ndX lambs preferred
- Minimal dog use, muzzled if used. No electric prodders allowed
- Product to be aged a minimum of 3 days prior to retailing

Feedback on carcase weight, fat score, conformational issues and management related and offal health issues are provided to cooperating producers and agent(s). Feedback has been instrumental in driving change and or modifications to on-farm management and assessment practices.

Note that points 1, 3 and 5 relate to lamb assessment, genetics and nutritional management as discussed previously. Remaining protocols relate to best bet management practices currently implemented industry wide for maximising sheep meat eating quality (SMEQ).

**Issues related to meeting target market specifications**

There has been a consistent improvement in consignments meeting grid specifications since the start of the alliance. Major issues to date have been in carcases with excessive fat score and having weights in excess of retail preferred categories. On several occasions percentages in specification were significantly lower than the long term average due to several producer assessed consignments and two (2) saleyard consignments due to difficulties with alliance supply. The latter were responsible for only 56% of lambs meeting grid requirements during the week of consignment. Low percentages meeting specifications have impacted on the overall numbers meeting specifications as shown in Figure 17.3.
Issues found within the first 2 years of the alliance operating have included:

- excessive tail length (influenced carcase trim), crutching,
- bruising (dog bites and handling),
- pleurisy/pneumonia, tendonitis/arthritis,
- measles and worm issues,
- conformation issues, poor carcase dress (processor issue),
- excessive fat, meat taints and accuracy of GR site measurements within the abattoir.

Each was dealt with in an effort to further improve numbers meeting specifications and lamb returns. All are, to varying degrees, also issues that must be considered when deciding on a producing for a target market particularly if selling via an established alliance where full feedback is operational. The aforementioned producer assessed and saleyard supplied lambs were consigned during weeks 12 to 17 as shown in Figure 17.4. (Note the dramatic drop off between grid premium value and carcase average in c/kg during this period).

**Figure 17.4 Crystal Spring vs Saleyards Averages (8/10/2003 -1/7/2005)**

Source: Duddy, McLeod and Sullivan (2005).
Despite the occasional drop in acceptable numbers meeting specifications an average premium of 13.5% (lambs meeting specifications) and 16% (grid price premium) have been received for lambs consigned. These are significantly higher premiums compared to the initial agreement for a 10% premium over saleyard prices for similar grade lambs. This has seen alliance lambs consistently returning more than saleyard averages.

**Lessons learnt when attempting to meet target market specifications**

McLeod (2006a) suggests that accuracy can be improved by experience, regular abattoir feedback, the use of live weight scales and a good fat scoring technique. Producers involved in the *Crystal Spring* case study have learnt many valuable lessons in terms of these and other issues that impact on profitability when attempting to meet a target market. These include:

- Poor percentages in specification from producer assessed consignments proved to be a powerful and steep learning curve for the producer involved with carcase values dropping to that of similar saleyard lamb returns. Efforts have since been made to improve their fat scoring skills. They have also returned to allowing group coordinator and cooperating livestock agent assess lambs prior to consigning
- Saleyard purchased lambs not surprisingly also had lower numbers meeting specifications. 22 and 34% of carcases in the consignments in question fell in excess fat score and weight categories respectively with lambs ranging form 19.2 to 30.0kg and from 6 to 24mm at the GR site. Only 56% met grid specifications
- Issues with carcase conformation has seen several producers modify sire selection and at least two (2) producers seek to improve the maternal side of their operations through modifying dam breed selection
- All producers have sought to improve nutritional management of ewes prior to joining to increase ovulation rates and lambing percentages and have implemented structured pasture supplementation and feedlotting principles into their management systems to ensure lambs produced are suitable in terms of fat score and (potential) eating quality
- Many have purchased live weight scales and draft on weight prior to assessing, all lambs now assessed by a cooperating agent
- Feedback has seen many implement changes to on-farm practices to reduce the likelihood of dog bites, bruising, health issues (pleurisy, arthritis, measles and worms)
- Several producers have modified lambing times in an effort to fill a supply gap during May to July each year. Base Grid Premiums have been set higher by cooperating retailer/wholesaler to ensure producers are not penalised by changing such management practices.

**Readings**

The following reading is provided on CD.


**Activities**

Available on WebCT

**Multi-Choice Questions**

Submit answers via WebCT

**Useful Web Links**

Available on WebCT

**Assignment Questions**

Choose ONE question from ONE of the topics as your assignment. Short answer questions appear on WebCT. Submit your answer via WebCT

**References**

Anon, 2006. Marketing in *Bamboo Web Dictionary Open Content Encyclopaedia.* Available at: [http://www.bambooweb.com/articles/m/a/Marketing.html](http://www.bambooweb.com/articles/m/a/Marketing.html)
Acidosis | a term used to describe the drop in pH within the rumen following ingestion of starch rich grains and pellets

Commercial feedlots | Commercial systems are generally established to supply a particular market specification

Effective Fibre | Fibre that physically stimulates the rumen. It forms a rumen mat that traps incoming feed, slowing the rate of passage and reducing the risk of acidosis.

Feedlotting | An on-farm system where sheep and/or lambs are kept within a controlled space and environment and where all feed, health, water and animal welfare requirements are met for the purpose of increasing carcase weight and/or quality

Ionophore | a type of antibiotic that actively alters rumen fermentation and ultimate volatile fatty acid (VFA) patterns, reduces energy losses, reduces the risk of coccidiosis (blood parasite) and improves feed conversion efficiencies

Lick Feeders | Lick Feeder effectively restrict intake to short 'licking' bursts after which the lamb will tire, seek water and rest. This process minimises engorgement and reduces acidosis risk.

Opportunistic feedlots | Opportunistic feedlots are usually short-term feeding programs carried out when prices are low for both store lambs and grain

Virginiamycin | an antibiotic that prevents the excessive production of lactic acid within the rumen