

SHEEP MEAT MARKET REQUIREMENTS AND IMPLICATIONS FOR THE PROCESSING INDUSTRY AND FARMER SUPPLIERS

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Abstract

Expanding chilled lamb markets are increasingly looking to NZ as an all year round supplier of product. To achieve this in increasing quantities, changes to traditional lamb production patterns are required.

It is up to the meat exporting companies to provide the monetary incentives to farmers for change. While on-farm changes may result in less total physical product, they will achieve for some farmers in climatically suited areas a higher net return; i.e. less production but a higher price for the type and timing of the product to satisfy market requirements.

THE TYPE OF PRODUCT

- a) Large lamb carcasses are most efficient to process.
- b) They provide adequate muscle sizes for desired market specifications.
- c) Fat is not desired and is expensive to trim off.

Phillips and Murdoch (in this volume) have indicated that half of our annual lamb crop is presently unsuitable. They agree that best cutting carcasses are those between 14 to 22.5 kg with less than 9 mm g.r.

Strenuous breeding efforts have been initiated by sheepbreeders and industry to increase the supply of these animals. Ultimately New Zealand farmers will be best rewarded for animals which genetically are capable of remaining lean through all desired weight ranges. The only choice for the farmer is then at which weight you draft animals. The eventual outcome could be farmers drafting using weighing scales only.

YEAR ROUND SUPPLY

That the industry should move to an all-year-round working operation is a debated topic.

Advantages include:

- a) Fewer works or fewer chains with greater throughput per chain thereby generating greater use of capital plant and better spread of fixed costs.
- b) Greater stability' in the work force working year round.
- c) The ability to adequately service those markets requiring continuity of supply. The disadvantages would be:
 - a) Fewer jobs, and large redundancy payments unless processors redeployed.
 - b) Increased transport of stock from farm to works.
 - c) Changes in farming patterns to spread the kill which may be costly in production terms.

Increased farm costs will need to be compensated for by way of out-of-season premiums payable by meat companies. The initiative must therefore come from the companies to provide premiums to try and spread the kill. Out-of-season payments will be attached predominantly to grades of lamb used for chilled processing.

REQUIREMENTS OF FARMERS AND COMPANIES

An example of a seasonal schedule to encourage out-of-season supply is Waitaki's WX Schedule. However experience has shown that a seasonal schedule

alone providing incentives that endeavour to smooth out supply patterns is in itself not enough.

If we look at our WX supply pattern we have seen either feast or famine situations, In January/February despite high prices, we were unable to get enough **WXs**. During that period the fastest leaning animals were drafted, leaving behind for March, April, May predominantly **overfat WXs**. They remained fat until June. With the advent of cold weather and a physiological growth change they then lost fat quickly. That created a glut of lambs ready for slaughter. A glut that marketing was unable to profitably handle.

A greater degree of control on intake patterns is desirable. The only way to accurately predict and control procurement is with a contract to supply system. A contract to supply, which is legally binding and does not allow the producer the opportunity to sell animals to a competing meat company, is required. Meat marketing personnel must know what they **are** going to have to sell. This information is even more important when dealing with a perishable chilled product where you don't have a buffer of product in store.

MARKET REQUIREMENTS FOR 1986187

Farmers who are able to provide WX lambs early in January/February in sufficient numbers (drafts of **50-60**) will have little difficulty in securing a WX contract at good seasonal prices. Farmers who are only able or only prepared to provide animals during the June/July glut will have difficulty.

Contractual arrangements are ideal only if market requirements are static and ongoing. This season with the strike, **Devco** difficulties and other influences, it has been a logistical nightmare matching up supply with requirements. Approximately one-third of **WXs** supplied in 1985/86 have had to be frozen down. If schedules are to be market related we can only pay high prices for lambs actually used in the chilled trade.

There are other important lessons we have learnt from our WX programme.

We have had examples of some extremely optimistic farmers, attempting to get 70.80% of ram lambs into the WX grade. A target of 1530% would be realistic. Overall last year we had too many WX producers supplying in insufficient numbers. It is not economic to have drafts of 6-20 **WXs**. The average draft for March-June period at the Islington works was 18. Estimated cost per lamb was 88 cents (22 cents travel, 66 cents **labour**). This season we will have fewer but larger suppliers.

FUTURE MANAGEMENT STRATEGIES

Late Lambing

After 1 October under Meat Board Regulations, a young animal cannot be marketed as lamb if it has its 2 teeth in wear. Teeth eruption occurs during October/November for August born lambs. However big differences between teeth eruption dates do occur even within the same flock. Teeth eruption to teeth in wear takes about 3 weeks. With our present lambing pattern too many ram lamb **hoggets** have their teeth in wear by October/November (Aitken & Meyer 1982).

Very late lambing is a viable option to overcome this problem. Lambs born in November/December would not have 2 teeth in wear by October/November of the next **year**. Such a lambing date is possible on warm irrigated areas such as Taihape with lambs being finished by cropping farmers on green feed over the winter for supply in October/November.

Early lambing

Any carcass designated as a lamb from 1 January onwards must be new seasons born lambs. There are opportunities for farmers to lamb early, naturally or with the

use of progesterone and P.M.S. 17,000 North Island ewes were drug induced to lamb early at a cost of \$5-6/ewe in December 1985. This number is predicted to climb to 200,000 ewes for December 1986. Because the North Island has sites where as much grass grows in autumn/winter as spring/summer, we expect early lambing to be predominantly North Island based.

The seasonal premium to encourage out-of-season supply will be up to \$12/lamb extra.

CONCLUSION

The survival of the industry is dependent on introducing changes which conform with market requirements.

I have outlined the WX innovation as an attempt to increase farmer and national sheep meat returns. It is an example of a new era in lamb production and marketing.

With an organised concerted cooperative effort we can achieve a successful and viable sheep meat industry.

References

Aitken M.W., Meyer H.H. 1982. Tooth eruption patterns in New Zealand sheep breeds. *Proceedings NZ Society of Animal Production* 42: 59-60.