

The Role of Lamb Producer Groups in the New Zealand Industry

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Executive summary

This report was undertaken to provide a greater understanding of the positive role lamb producer groups have in the New Zealand sheep meat industry, due to the repeated negative comments about the industry and its performance publically and in the media.

The majority of research used in the report was completed by qualitative interviews with all key stakeholders of a producer group, in this case the Waitrose Lamb Producer Group which involves a UK retailer, a processor and farmer suppliers from New Zealand.

The customer, processor and farmers were interviewed to reveal their views on strengths, weaknesses, opportunities and threats of being involved with a lamb producer group.

As a result of the valuable discussions that were had with each link of the value chain, this study has identified a number of key factors which determine the current strengths of a lamb producer group and the opportunities that are going to enable the producer group to meet future demands of the consumer.

The key strengths were identified as below:

- Transparency of information shared throughout the supply chain.
- Relationships throughout the producer group – It brings openness, frankness, trust and collaboration.
- Linking the farmer directly to the market provides valuable market intelligence and understanding of the customer and their expectations.
- Data gathering, sharing and benchmarking drives continuous performance from the farmers.
- There is certainty of supply for both the customer and processor at least 12 months in advance.

The key opportunities were identified as below:

- Further utilise existing research data to help improve on-farm performance through efficient production and cost savings.
- Benchmark more vigorously within the group.
- Reduce wastage throughout the supply chain to unlock additional margin.
- Better utilise producer group lambs for the existing programme or other key customers that have the same consumer requirements.
- Stay ahead by being involved with research & development projects that differentiate the processor by creating a point of difference.
- Provide more transparency of margin within the group to build more confidence and trust from all stakeholders.
- Develop longer term price contracts for the farmer.

The producer group model enables the value chain to better handle the peaks and troughs during the season, which in turn helps to reduce volatility in the schedule pricing. The farmer and processor need to be satisfied with their margins and this must continue to be shared on a fair basis. The customer will continually pay a premium if the farmers and the processor can consistently produce safe, high quality product that complies with the specific requirements including strict farm assurance and animal welfare standards.

Developing more lamb producer groups is not the only solution; however they go a long way in helping to improve the current state of the NZ sheep meat industry through collaboration and vertical alignment.

In summary, lamb producer groups in the New Zealand sheep meat industry have a role for the future development of value creation to increase not only overall returns, but most importantly profitability and stability for the farmers and processors.

1. Introduction

Over the last several years the NZ sheep meat industry has been staged in the limelight for many negative reasons, with common reference to the existing structure which comprises of excess capacity and a strong competitive environment in the livestock procurement arena. Aside from this there has not been a lot of focus on the positives coming from the sheep meat industry.

For this reason a decision was made to research and explore a more positive element of the industry. The first thought that came to my mind was 'lamb producer groups' and how valuable they are for the industry. Through my experience of working and being involved with 'pasture to plate' producer group programmes with one of New Zealand's major processor/exporters, the farmers involved in these exclusive producer clubs show confidence and satisfaction with the farm system they run. They are confident in the quality and premium returns of their livestock and most importantly their relationship throughout the supply chain to the customer. This is where there is unity and collaboration of the farmer, processor/exporter and customer all working together for a common purpose and result. This is where trust is a major driver for all stakeholders and thus far, existing producer groups have been proven to be successful for the NZ industry.

1.1. The research question

The objective of this report was to investigate the role of lamb producer groups within the NZ sheep meat industry, and to provide a deeper understanding of the key strengths, weaknesses, opportunities and threats throughout the value chain. Perceptions of value and alignment are also analysed.

The key questions can be summarised below:

- Why are lamb producer groups valuable to the NZ sheep meat industry?
- What is the future outlook for lamb producer groups?

In responding to these questions the report will identify a range of factors that have driven the successes of NZ lamb producer groups. It will also evaluate the key opportunities and threats to ensure lamb producer groups will continue to hold a valuable role within the sheep meat industry for the future.

1.2. Motivation behind the research

This research is motivated by the need to provide the industry, in particular farmers, a deeper understanding about lamb producer groups and the strengths / benefits they have to the industry as a whole. While not everyone can join a producer group, there are many opportunities for non-producer group farmers to adopt similar approaches that come out of a producer group that they could apply onto their own farm businesses.

1.3. Research method and coverage

There are already several established lamb producer group programmes in NZ and each slightly different in terms of structure. Some are market led while some are driven by the farmers themselves. For the purposes of this report only one group was chosen to be reviewed on a more and detailed level, that being Waitrose (UK retailer) – a market led programme.

The report looks into three parts of the supply chain; customer– processor/exporter – farmer, while exploring the perceptions and values of each link in the programme.

Qualitative research was chosen as the key research method to be used for this report due to most information being gathered by interviews and personal communication with various stakeholders of the producer group.

This type of research is characterised by its aims, which relate to understanding some aspect of social life, and its methods which generate words, rather than numbers, as data for analysis (Cochran, 2002).

Qualitative research can also be summarised as below,

*“Not everything that can be counted counts,
and not everything that counts can be counted” (Albert Einstein).*

Ten farmers were selected to be interviewed by a series of questions as shown in *Appendix 12.1.* and *12.2.* Five of these farmers were members of an exclusive lamb producer group and five farmers were not. The non-producer group farmers were a mix who supplied at least four different processors (namely Silver Fern Farms, Alliance, ANZCO and Te Kuiti Meats).

Also, to get a processor/exporter and customer view on lamb producer groups, each were requested to complete a SWOT analysis and provide their key values of being involved in a producer group.

1.4. Report structure

The report has eight main sections. Firstly it summarises an overview of the industry including the livestock situation, processing structure and key export markets, followed by the key functions of a producer group. It then leads into a SWOT analysis looking at the perceptions of a producer group from a customer and processor/exporter view. This is followed by a detailed analysis and comparison of both producer group and non-producer group farmer views on their farm systems. An outlook for the future of lamb producer groups is discussed before the report is concluded with key findings from each of the main sections, followed by recommendations.

2. Brief Industry Overview

Before leading into the main section of this report, it is necessary to understand where the sheep meat industry has come from. The following section summarises the key highlights of livestock, processing and key market trends from over the past five decades.

2.1. Livestock situation

During the last 50 years the structure of the NZ national sheep flock has changed significantly. The subsidy era during the early 1980s saw a swift rise in flock numbers, peaking at 70.3 million sheep in 1982. However from the late 1980s until 2002, the national flock steadily declined to a figure of just under 40 million (McDermott et al, 2008). The cause of this was due to a number of factors which include the removal of subsidies and land use change mainly into dairy farming and also horticulture. From 2002 until 2014 the flock numbers have further declined to total just under 30 million.

Since the early 1990s the total flock has reduced by up to 47% as illustrated in Figure 1 below.

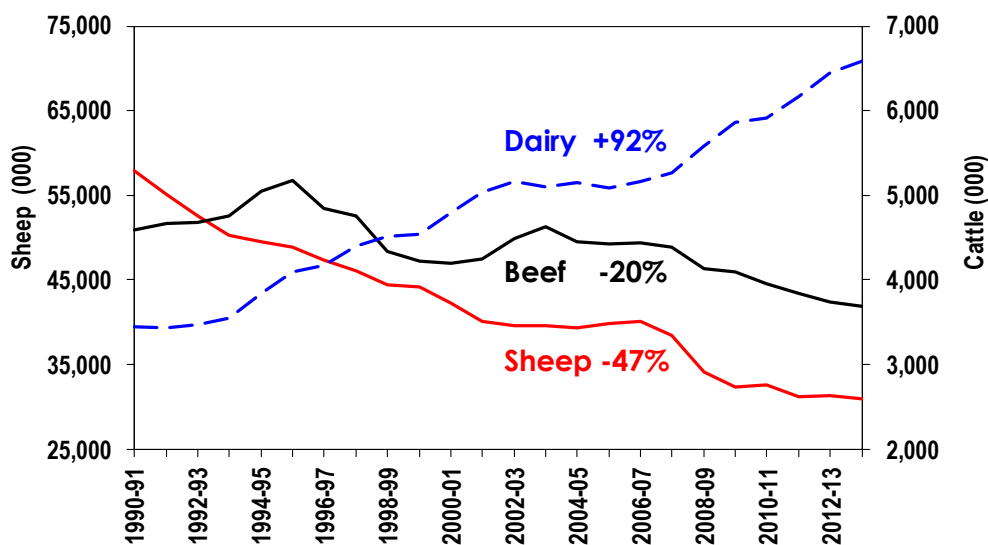


Figure 1: NZ Industry - Livestock Numbers (1990/91 - 2013/14 year)
Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

The current season (year to date 30 June 2014) has shown NZ sheep numbers to decrease by 3.2% on the previous season to deliver a total of 29.8 million head (B+LNZ, 2014). Much of this decline has been driven from continued drought conditions in the North Island, while land-use change continues to drive decline in the South Island. The situation can be summarised below in Figure 2.

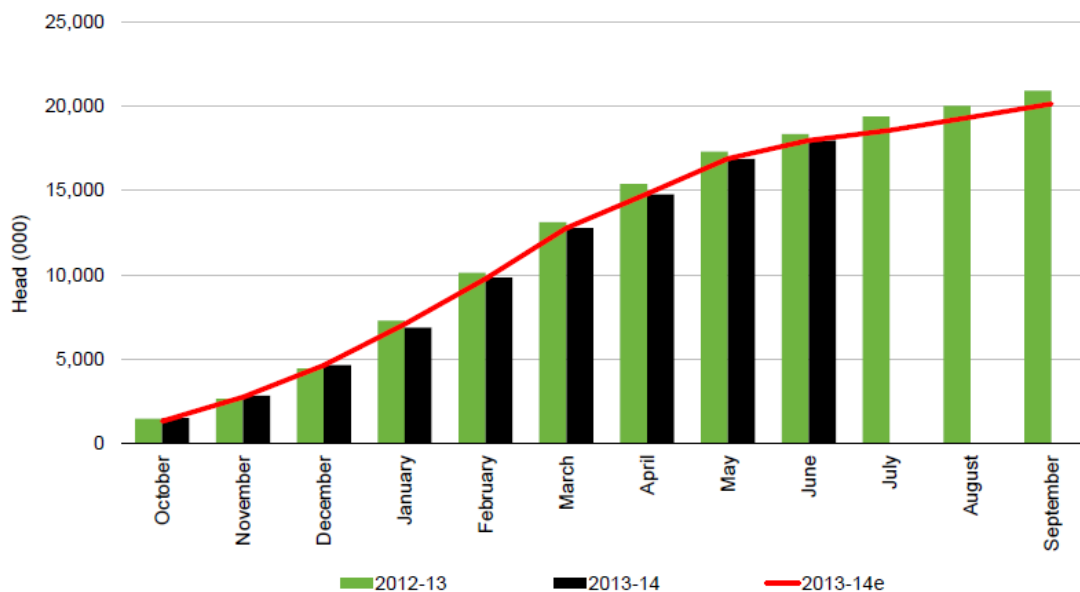


Figure 2: New Zealand Lamb Slaughter
Source: (B+LNZ, Industry Production Trends, 2014)

2.2. NZ processing structure

The New Zealand meat processing and exporting sector is currently dominated by four major companies: Alliance, Silver Fern Farms, AFFCO and ANZCO.

The first two are farmer cooperatives, whereas the last two are privately owned companies.

Together these four companies are responsible for processing and exporting approximately 75-80% of the national kill.

Over the past 30 years the industry as a whole has been subject to repeated restructuring.

Since the mid-1960s the additional costs incurred for the necessary plant upgrades to meet USA and EU hygiene requirements resulted in a number of plant closures and industry led attempts to streamline operations in the South Island. (McDermott et al, 2008)

The de-licensing of the industry in 1982 saw further changes in the structure as newer players entered the processing and marketing sectors. Changes in legislation also allowed for the development of newer, efficient and more technologically advanced plants. While these new plants helped address some of the inefficiencies in the industry, it was the change in labour relations that allowed plants to become more efficient (McDermott et al, 2008)

Shift work for the slaughter board was first introduced in 1987 in consultation with the Unions. The introduction of shift work dramatically improved capital investment and efficiencies for processors; however the industry today is still operating below full capacity for an extensive period of the season due to the seasonal nature of raw material supply and increased competition over less available stock (McDermott et al, 2008).

2.3. Brief history of NZ sheep meat export markets

Over the last 50 years, the industry has seen major changes in the way NZ lamb has been exported globally. Back in the 1970s, the majority of lamb was exported in the bone-in carcass form.

In 1979 the NZ Meat Industry, in conjunction with the NZ Meat Board, secured a four-year contract for 200,000 tonnes of lamb to Iran (Robinson, 2006). With a dominant Islamic population, Iranian officials insisted that all meat exported by New Zealand to Iran was to be slaughtered in accordance to Halal practices. This was a time when halal slaughter practices were defined and standardised throughout the NZ industry.

In the early 1980s, approximately 85% of the exported lamb volume was in carcass form, with the other 15% sold as cuts. By 1990, cuts and boneless product sales had exceeded 50% by volume. In 2006, only 3.9% of lamb was sold in carcass form with 81.5 % sold as primal or sub-primal cuts and a further 14.6% in bone-out and boneless form (McDermott et al, 2008).

A reason behind why the majority of lambs were packed in the carcass form before the 1990s was due to the restraints and inflexibility of the trade union movement. During the early 1980s when the industry was de-regulated, many of the processing companies were able to negotiate with the unions on the development of further processing cuts to add more value to the lamb carcass.

The UK has remained a major trading partner for NZ sheep meat exports; however its influence on the industry's direction has reduced significantly since its entry into the European Community in the 1960s. Emerging markets such as Asia, Middle East and North America have had to diversify in response to restricted access to NZ's sheep meat products (McDermott et al, 2008).

Lamb producer groups with key UK retailers such as Waitrose have only come about in the last 15 years due to a growing consumer demand for safe, high quality, fresh lamb to be available on the shelf 12 months of the year. During the UK summer Waitrose source their lamb locally from existing British and Welsh Waitrose producer farmers, however to continue fresh and 'best in season' supply throughout the UK winter, they source their lamb from over 250 NZ Waitrose farmer suppliers produced to the same high standards of welfare and care as UK lamb (Waitrose, 2014).

2.4. Current key lamb export markets

For the current 2013/2014 processing season the EU and North Asian markets were very much the dominate players. The EU accounted for 39% of total NZ lamb export volumes and 49% of lamb export receipts from Oct 2013 to June 2014. Shipments to the EU were down 5.9% year-on-year while receipts were up 7.7%.

North Asia accounted for 35% of lamb export volumes and 24% of lamb export receipts year-on-year. Shipments to North Asia increased by 5.8%, while lamb receipts increased by 20%. China was the major driver for both increased volume and receipts during the past 12 months. China alone accounted for 31% of the shipped lamb volume and 21% of receipts (B+LNZ, 2014).

As shown below in Figure 4, the past five years exhibits a softening of volume demand from the EU, while North Asia export volumes have doubled since 2010. The other markets remain relatively unchanged.

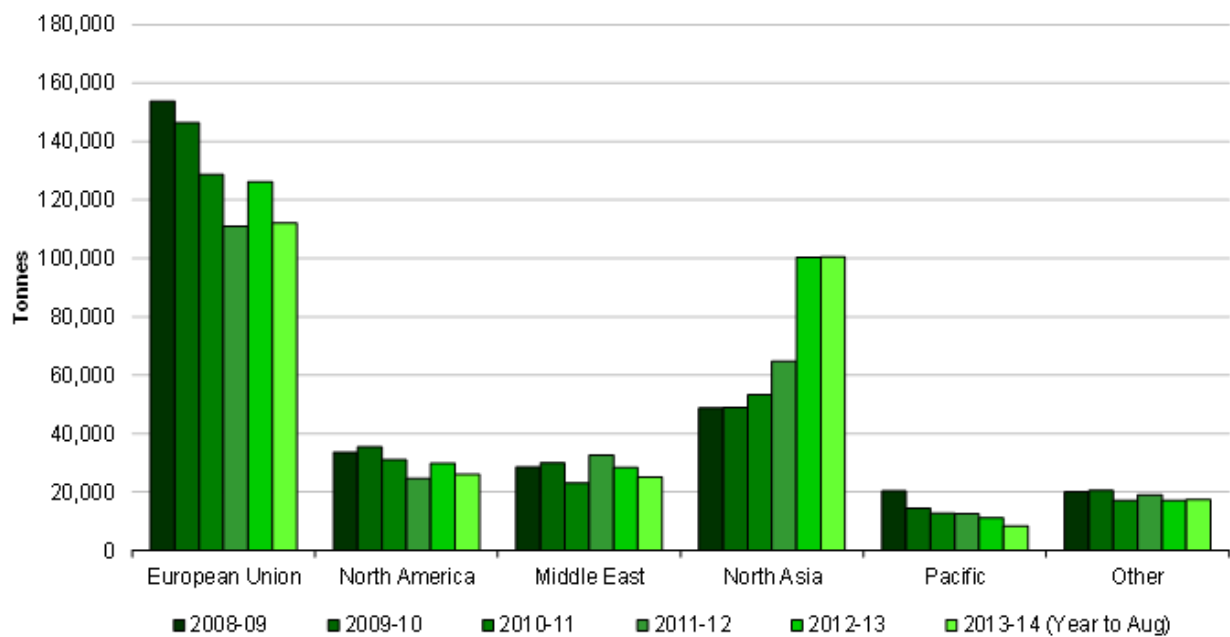


Figure 3: NZ Lamb Volume Exports by Region from 08/09 – 13/14 (year ending September).
Source: (Beef + Lamb New Zealand Economic Service, 2014)

3. Key functions of a lamb producer group

To understand what drives a lamb producer group, the following section will look at each producer group role in more detail. For continued success of a producer group, each role needs to work collaboratively with all stakeholders to provide key elements such as trust and confidence.

3.1. The Customer's role

- They have to sell the producers' lamb to their consumers consistently at premium market prices.
- Focus on continuous sales growth and opportunities for added value, while retaining (as well as attracting) new consumers to their stores.
- Communicate with the processor and farmer producers regularly covering the below:
 - o Consumer expectations
 - o Opportunities for continuous improvement
 - o Complaints
- Give the processor demand forecasts up to 24 months in advance to ensure the producer group will have enough lambs available each season to fulfil their requirements.
- Pay a 'premium above market' price for the lamb cuts they require as a reward for the effort made.
- They have a product development responsibility which includes taking more cuts from the carcass.
- Annual visits to meet the processor/exporter and farmers to continue strengthening the relationship. This would usually involve a series of visits to various farms in the producer group and meetings with the committee.

3.2. The Processor/Exporter's role

- Process each lamb efficiently and utilise maximum saleable items from the carcass, offal and co-products.
- Manage overall supply of livestock to meet the customer's desired seasonal demand.
- Maintain excellent relationships and communication with all farmers in the producer group, and also the customer, in particular their purchasing division.
- Hold regular producer group meetings including the customer and farmers (usually annually). The committee will consider the strategic threats and opportunities for the group, and continuously build strategies to take advantage of opportunities and to also mitigate risk.
- Maintain a competitive premium livestock price contract with the farmer and reward performance if specification met, while ensuring there is a linkage to external market prices and final product form. The more transparency given, the more trust will be built up among the farmer suppliers.
- Annual visits to meet with the customer in market to strengthen the relationship.
- Negotiate with the customer and manage supply chain logistics and volume.
- Take improvement opportunities to the farmers. Provide feedback and give additional information to help with their decision making. (An example of continuous improvement could be farm health and safety).
- Take innovative opportunities to the customer for further development. (An example could be a breed specific programme being supplied direct to a retailer in the UK).
- Manage quality assurance, food safety and compliance for the programme.

3.3. The Farmer/Producers' role

- To produce the best quality lamb possible within a specific weight, grade and period as per the customer's requirements.
- Be absolutely committed to the supply contract.
- Run farm systems that are sustainable, farm assured, and adhering to animal welfare standards set out in the programme manual.

- Continually be responsible and considering the implication of their own actions and practices on other farmers in the group, the processor and the customer.
- Have representation of key members in the producer group committee who will be the farmers' voice and have input in the decision making around the developments of the group's direction.
- To continuously look for improvement opportunities on farm. For example increasing both the productivity and quality of lambs.
- Communicate promptly with the processor when any challenges or issues arise.

4. Customer's perception of a lamb producer group

The customer of a producer group has a major influence on the programme when it comes to strategic decision making and looking ahead for the future of the programme.

To understand the customer's perceptions of a producer group, the following section will outline their key strengths, weaknesses, opportunities and threats of being involved in a producer group. The below points were determined after discussions with Heather Jenkins - Director of purchasing for meat, poultry, fish, frozen food and dairy for Waitrose retailer based in the UK.

4.1. Strengths

- Having a consistent supply of high quality lamb 12 months of the year.
- Being able to alleviate volatility in the market by having a direct link throughout the supply chain.
- Trust and collaboration throughout the supply chain. This has been carefully developed over the history of the programme and will remain one of their key values for the future.
- Being able to link farmers directly to the customer or marketplace is also one of the key strengths in a producer programme.

"One of the biggest criticisms from farmers over time is that they are not in touch with the market. Being closely in touch with the market will add value to their business for the longer term by better management, planning and strategy".

This is where Waitrose producer group farmers have had the advantage of having a direct link to the market and this will continually add value to their business. They are already one step ahead of many other farmers who are not a member of the group.

- Continuously gathering, reviewing and sharing on-farm data helps members within the group to make better informed decisions of their businesses. This not only helps farmers to become more efficient with their seasonal production and costs, but also provides the opportunity for farmers to build their profit margins. The customer wants to see continuous improvement from the producers with this data, and with improvements in production, animal health and welfare, this will basically give the farmers additional bargaining power to demand more of a premium from the customer.
- Benchmarking performance helps the farmers in the group to strive for excellent results and creates healthy competition among existing members.
- The farmers are still able to plan their own business and make strategic decisions.
- The customer provides certainty to the producer group for future demand. Waitrose wants to know that in 10 years the farmers will continue to supply a high quality product that meets the consumers' expectations.
- The continuous drive for improvement has benefited the group overtime with a higher consistency of lamb meat quality over other NZ competitor suppliers.

4.2. Weaknesses

- If the farmers are not committed or engaged with the group, the programme can be undermined. Farmers themselves are independent traders who can make their own decisions. However if they want to earn more money from their lambs, they have to think differently of how they go about doing this. In a producer group the farmers rely on the customer and processor for leadership to help them achieve their goal of increasing their returns and profit margins.
- Farmers being distracted by topical issues in greater industry can affect the way they run their business. (An example of this could be influences from other major sheep meat processors in the procurement arena).
- Preserving loyalty from the UK consumer is much the same situation as with the farmer in NZ. The customer has to continuously work hard to keep the consumer coming back to purchase lamb on a regular basis.

- If there is lack of leadership in the producer group it can be a major weakness to the programme.

4.3. Opportunities

- Using the group's existing research data and getting into the detail to see what further opportunities there are to improve on farm performance and cost efficiencies.
- A trusted place to go to meet with one another to share ideas.
- Continuous benchmarking will challenge the farmer to improve performance.
- Reducing wastage throughout the supply chain is a key opportunity for the programme going forward. Less wastage will provide the opportunity for increased profitability and reduced costs throughout the value chain.
 - o The farmer can reduce wastage by running high performing farm systems utilising existing pasture/crops for lamb production in the most efficient way. This will assist in the discovery of margin and add value to their businesses.
 - o The processor can then utilise and market all products from the lamb to the best paying markets to maximise carcass revenue.
 - o The customer can reduce wastage by utilising a higher percentage of the lamb cuts by their consumers before the lamb reaches the end of its shelf life.

4.4. Threats

- Not being engaged in understanding what the market wants exposes the group to volatility, as they would have no information to read the market signals.
- If the customer does not continuously add value to their product, they may lose their point of difference that secures demand from the consumer. Added value does not necessarily mean more money, however being part of a network that shares information and helps develop farmers businesses can be worth more. Much more money can be made from better management, strategy and planning.
- The producer group needs to constantly look at their costs.
- Not being collaborative will disestablish trust and confidence within the group.
- Overcapacity of retail in the UK and the flow-on effect of this. Much like the NZ procurement arena, there are retailers selling at uncompetitive prices to grow their market share.
- Land-use change for short-term gain remains an issue. Some farmers have allowed their emotions to make their decisions without looking ahead for the longer term.
- Overall cost of lamb is increasing, so the producer group needs to look at new ways to overcome this. (An example could be growing bigger lambs to increase returns from the market).
- Overcapacity of processing in the NZ industry remains a threat to the producer group in terms of schedule price fluctuations throughout the season.
- NZ brand damage from other sectors of NZ agriculture can ruin the overall image of NZ for the consumer. With the internet and social media in this day in age, information can travel very quickly all around the globe when there is an industry issue. (For example the recent Fonterra botulism scare and also the 'Horsegate' meat adulteration scare in Europe earlier in 2013).

5. Processor/Exporter's perception of a lamb producer group

The following section covers the views of a processor/exporter based on SWOT analysis. Alan McDermott (Agriculture Manager) and Simon Langley (Producer Group Manager) both of ANZCO Foods were interviewed about the Waitrose programme.

The key points are summarised as below.

5.1. Strengths

- Longevity of the programme with the end customer.
- People outside of the group are not sure what it is and want to be part of it. There is a degree of mystic around the industry.
- Farmers have done things differently on their farms to fit with what the customer wants.
- There is openness, frankness and transparency.
- The producer group committee provides insights and guidance on strategy and direction.
- The farmers get to hear directly from the customer.
- Alignment to the customer's required specification and understanding of the consumers requirements.
- Provides the processor with some certainty of supply and with fixed price contracts helps to remove those farmers from the competitive procurement arena.
- It is a genuine partnership between farmers, processor/exporter and customer.
- Provides a platform that allows the processor to differentiate by offering associated options to their total supply base.
- The producer group's relationship ensures the livestock reps are market facing and well informed.
- Provides the processor with a view of future market requirements, as producer group customers' are leaders in their respective markets.

5.2. Weaknesses

- Historically when farmers joined a producer group they had to change their farm systems considerably from the industry standard back then and therefore they expected to be rewarded for this. Over time the markets (especially UK and EU) have demanded higher standards of production from the farmers across all of the industry, so the bar has been raised for many non-producer group farmers as well. Today producer group farmers still expect a premium however Waitrose and ANZCO are happy with this situation as it is based on long term partnerships and the farmers' on-going delivery and commitment.
- The producer group already having sufficient supply, so there is little opportunity to grow the supply base and assist in procurement.
- Can add cost to the business, both in support functions and business developments.
- If the customer is not taking a reasonable percentage of the carcass, then it places more risk on the processor/exporter since they will need to manage the marketing of fall-out cuts at a price level other markets will pay on the day. Then the processor is still required to pay the producer farmer a premium as per the contract schedule.

5.3. Opportunities

- Seek continuous improvement on the producer group farms. For example health and safety, farm sustainability and farm productivity & profitability through production.
- Supply frozen lamb to the customer from existing producer group farmers whenever there may be increased demand or new product opportunities in the Waitrose stores.
- Develop signals that allow for improved performance around customer requirements and improved hit rates. Not just for current but for emerging markets and customers demands.
- To be involved in development projects that differentiates the processor. (For example selective breeding or sustainability programmes).
 - o It can help improve the processor/exporter's image with producers' encouraging farmers that supply other companies to join the processor's supply base.

- It can sometimes allow the processor to get recognition in national industry awards. (For example Waitrose farmers have won the past two Beef + Lamb NZ lamb suppliers of the year).
- Provides a forum of engaged producers to communicate with each other and share information.
- More transparency of margin within the group is required to ensure confidence and trust remains for all stakeholders going forward. Without trust the producer group cannot function.
- Make more dollars vs. pay more dollars, which means improved cost and production efficiencies on farm which can release more value and margin back to the farmer. This concept can also be applied with the processor in terms of product yield efficiencies.
- Better managing the fall-out product returns from the lamb, since the farmer is being paid a premium. (This is referring to the lamb cuts that the customer does not take and is on-sold by the processor to other customers based on standard terms and conditions with variable pricing, competing for sales with other exporters).

5.4. Threats

- It does create a target for other companies to focus their disruptive procurement behaviour against - suppliers to target, pricing to target.
- It can become a procurement tool therefore increasing the procurement cost of lambs that may not be required for the producer group market.
- Lack of commitment to the degree of difficulty – the business must deliver on the agreed values with the customer, ensuring producers are compliant and positions are defensible.
- Reducing the degree of difficulty while still paying premium prices to the farmer.
- *“Meat is only part of the equation. It must be recognised that wool is also a component of the sheep farmers business. Therefore there must be substantial work done to improve the viability of wool as meat will not do it alone. There used to be a time when 50% of farmers’ revenue from sheep was wool. Today it is more like 10%, so meat has done a relatively good job compared to wool.” (Geary, 2014)*

6. The farmers' perception of a lamb producer group and their business

The below section will review the views of both producer and non-producer group farmers.

6.1. Producer group farmers' perception of their farm system

From carrying out qualitative interviews with existing lamb producer group farmers, the findings can be summarised as below.

6.1.1. Reasons why these farmers decided to join a producer group

- To gain a premium return on their lambs that are grown to a high grade and have a point of difference.
- To have a direct linkage to the customer and marketplace.
- The producer group has a strong focus and strategic plan, which fits well with the farmers' values.
- It was an opportunity to try something new and innovative.
- They wanted to be more involved with marketing their lamb and telling the story to the customer.

6.1.2. Key benefits

- Being able to move or trade stock within the producer group for whatever reason. This helps to mitigate risk. An example could be during a drought or snow storm where the farm is very short on feed.
- Collaboration of farmers working together for a common purpose. This includes information sharing and benchmarking on performance.
- Having a geographic spread nationwide helps the processor to supply continuously during the period the customer requires.
- Knowing where their lambs are going and what the customer needs in terms of spec and quality.
- Relationship and alignment with the processor and marketplace. This gives the farmer more involvement in the decision making around pricing and supply. If there are any issues these can be solved quickly.
- Producers have a sense of ownership or partnership in the programme. This builds trust and confidence which is vital for success of the group.
- Preferential kill space with the processor throughout the season. This ensures the farmers get their lambs on the truck first before other suppliers. During an extreme climate event, this can be quite high on the farmer's priority list due to shortage of feed on the farm.
- Open discussions with the producer committee helps to gather new ideas, fix issues, and continuously plan ahead to future proof the group.
- The farmer is continually receiving a premium for their lamb over standard suppliers.

6.1.3. Key risks

- Managing a consistent supply to meet the customer demands for whichever period can be an issue especially during a severe climatic event such as a drought or a large flood.
- Vulnerability to offshore market conditions. For example fluctuating consumer demand, exchange rates, other competitor suppliers such as the British and Welsh, and also being tied to only one retailer.
- Products of the carcass that the main customer does not take, including co-products and offal, are handled by processor and marketed based on standard terms and conditions on the day.
- The industry schedule pricing structure has long been a major issue due to the intense competition from both processors and third party agents to hold their market share or 'piece of the pie'.

- Weather and climate will always be a major risk for any farm system which relies on the production of grass.
- Biosecurity threats to NZ industry, including diseases such as foot & mouth or BSE, would have major damaging effects on the NZ meat industry and NZ image.
- Politicians and media portraying the wrong message about the industry and farming practices can put the industry and NZ image at risk.
- The processor going bankrupt and having to change to another processor or supply group. Some of these existing programmes (such as Waitrose) have been around for more than 15 years. The relationship with the processor and customer is priceless once a producer has been involved for more than 5-10 years.
ANZCO provides farmers within the Waitrose group payment security on all lambs supplied, which mitigates this risk for the farmer (McDermott, 2014).
- One producer group farmer suggested,
“There are not too many risks being involved with Producer group because it is relationship driven, which builds the foundations of trust and confidence”.

6.1.4. Values

- Having good disciplines within the group is another key function for success. An example is when the farmers are focused on meeting their lamb supply targets and finishing weights to the customer’s set requirements.
- A producer group farmer mentioned,
“Not to stand still – you have to keep moving forward”.
- Producing the best quality lamb that they can, which in turn provides the expectation to receive a premium price from the market.
- The relationship, communication and transparency of information transfer between farmer - processor - retailer/consumer.
- Being a profitable and sustainable business.
- Knowing where the lamb goes in the market gives the farmers’ satisfaction for what they do.
- Having a longer term contract price allows farmer to budget ahead more confidently.

6.1.5. Alignment with the industry and marketplace

- Farmers interviewed from the lamb producer group were very aligned with what is happening in the industry and also the marketplace. All of the farmers that were interviewed were well informed of where their lamb is going and how the consumer uses it. They each received regular newsletters and updates from the processor and customer, and were also involved in regular producer committee meetings.

6.2. Non-Producer group farmers’ perception of their farm system

To understand the views of non-producer group farmers, the following section presents some of their perceptions around producer groups and their own farm businesses.

6.2.1. Knowledge about existing producer group programmes

- All of the farmers interviewed admitted to not knowing much at all about existing lamb producer groups. Many were happy to remain focused on their farm and the way they were already operating. This came across consistently among the older farmers; however it was interesting to note that two of the younger farmers interviewed would be interested to find out more about producer group opportunities.

6.2.2. Key benefits

- Flexibility is a major benefit for farmers who are not committed to (or belong in) an exclusive producer group programme. This means they can adapt during the season to supply the store market or processor and manage their system the best that they can.
- Many of these types of producers may also have a mixed farming system where they will not only run lambs, but also cropping, beef, dairy grazing or deer. Having this diverse range of

systems within a single farm business can spread the risk effectively to manage more consistent profit returns. This can be seen with producer group farm systems also.

- The farmers are able to pick and choose which lamb supply contract is the best among the processors – however this may contribute to farmers chopping and changing processors which they supply. This is one of the key drivers that contribute to a competitive livestock procurement environment within the industry.

6.2.3. Key risks

- They have no choice but to ride the schedule price throughout the season, whether it is good or bad. This can make it difficult to forecast an accurate budget for the season ahead.
- A non-producer group farmer answered with:
“You have to understand your farm well and need to know how many lambs you can take through to the end of the season. Then try not get caught out with too much stock and not enough feed.”
- Shortage of store lambs being available for finishing farmers. Many lamb finishing farms rely on the consistent flow of lambs being available each season from the store market.
- International consumer demand for lamb fluctuating. An example could be when lamb supplied to a processor outside of a producer group programme is traded on the spot market, which carries more risk in securing consistent profitable returns for the lamb carcass.
- A processor going bankrupt can affect a farmer in many ways. The most significant effect would be financially, especially if they are tied up with a lengthy supply contract and the processor owed payment for their lambs.
Secondly would be the years of relationship and trust lost, which would eventually be regained from scratch with another processor.
- On-farm regulations and legislation changes from the Government. This is a continuous battle for farmers who are constantly trying to maintain a clean image for the rest of the NZ population.
- Diseases such as Foot & Mouth or BSE would have major detrimental effects on the NZ meat industry and NZ image.

6.2.4. Values

- Business planning and strategy. This is vital for a successful and profitable business year in and year out.
- Key relationships with livestock and wool agents, other neighbouring farmers and employees.
- Good farm maintenance, animal health, soil fertility.
- Realistic schedule prices so they can strive to be profitable every season.
- Being loyal and supplying their lambs to only one processor.
- Sustainability of their farm and business for the future generations.

6.2.5. Alignment with the industry and marketplace

- Three out of the five farmers interviewed suggested they felt well aligned with the industry, marketplace and where their lamb was going. The only information they read or see is in the weekly farming magazines and occasionally from processor presentations at A&P shows or road-shows.
Many of these farmers would like to know more of what is going on in the industry and markets. It gives them satisfaction and reasoning for what they do for a living.

7. Outlook for lamb producer groups in New Zealand

The outlook for lamb producer groups in NZ remains positive based on a number of key strengths and opportunities that have been raised consistently from each part of the value chain in this report.

To keep up with the consumers growing demand and increasing focus on food safety, traceability, product quality and animal welfare concerns, the suppliers will need to respond by adapting their systems and adopting newer technologies to remain competitive, not only within the industry, but globally. Producer group farmers already have a competitive edge compared with conventional farmers as they have a direct link to the customer who will promptly communicate any significant changes in the marketplace that may affect the farmer or processor.

Fearne (1998) below summaries the future behaviours of retailers as they look to vertically integrate and work more closely with their suppliers. He names it the 'Paradox of Power'.

"As the power of food retailers increases along with their interest in own label products, so they become increasingly dependent on fewer and fewer suppliers who can deliver safe products of consistently high quality on a large scale at competitive prices and who have the potential (and desire) to innovate and add value to commodity orientated categories like fresh meat" (Fearne, 1998). This concept is also starting to develop in the food service industry where there is growing demand for high quality meat products including lamb, particularly in high-end white table cloth restaurants.

There is currently a limited space of how many farmers can join a producer group, however with the increasing global demand of animal protein and if the industry can create a solid unified platform, more producer groups can be developed and this can bring more value and certainty back to the farmers.

Other than the UK and Europe – Asia, Middle East and North America continue to be key and developing markets in the NZ sheep meat industry and there could well be many opportunities going forward in these particular markets. There is a premium to be found especially if the customer has a strong focus on food safety, traceability and consistent demand for high quality lamb.

8. Conclusions

Based on the findings above it appears lamb producer groups certainly have a key role to play in the NZ sheep meat industry, where they provide numerous strengths and opportunities that can ultimately flow on to the rest of the industry.

The producer group creates close relationships throughout the supply chain providing openness, confidence, trust and collaboration throughout. It also creates a direct linkage for the farmers to connect with and understand the customer and marketplace. It helps to provide the farmer with answers as to why the lambs they produce have specific requirements before they can be processed and shipped to the marketplace.

Lamb producer groups can help lift the bar for other farmers by benchmarking performance and increasing productivity. Finishers can learn the benefits of collaboration especially around various times of the supply season.

The producer group model enables the value chain to better handle the peaks and troughs during the season, ultimately reducing volatility in the schedule pricing. If the processor can be confident in their supply of lambs at least 12 months in advance, they can go to the market and negotiate competitive prices. This helps to reduce over and under supply in the marketplace and provides a more consistent return for the processor and farmer. The farmer and processor need to be satisfied with their margins and this must continue to be shared fairly. The processor has to manage the volatility of external market pressures and also the continued internal pressures of livestock procurement competition with third party livestock groups and also other processors. The customer needs to remain confident that they will continually receive safe, high quality product supplied from farmers that comply with the specific requirements including strict farm assurance and animal welfare standards.

Producer groups are not the only solution however they go a long way in helping to improve the current state of the NZ sheep meat industry.

What the rest of the industry can learn from a producer group is to continuously gather and use on-farm data and benchmark to drive overall performance. This can reduce wastage on farm and add value to their bottom line. The processor and customer are also obliged to reduce wastage of efficiencies and this can contribute to an overall increase of industry value creation.

Visibility and understanding of customers and consumers along with their expectations and perceptions in-market need to be communicated more often back to the farmers. The processors are in the best position to communicate this with their existing supplier base.

Longer term fixed price contracting can be used in the wider industry, same as used within producer groups, as it provides the farmer with a guaranteed margin to budget and help to manage their farm systems more effectively. It also provides the processor guaranteed supply enabling them to market the lamb more efficiently and create longer term supply programmes in the market with eager customers. It would help reduce volatility in livestock schedules and market prices, and also reduce volume peaks and troughs throughout the season. Lastly it would provide farmers with confidence to invest in customer relationships and market developments with their processor.

In summary the findings from this report will help to provide a better understanding of the role of lamb producer groups and will assist the industry to consider the key strengths and opportunities that these exclusive producer groups can provide to the wider industry. With global demand for protein expected to continue growing, along with an increasing middle-upper class society, these consumers will progressively demand that the lamb they purchase is safe, traceable, of high quality and raised with care on farms that are sustainable for the environment.

Producer groups are leading the industry down this path and they will continue to play a major role in the New Zealand sheep meat industry.

9. Recommendations

Though several processor and farmer producer groups have been developed over the past two decades, there continues to be a general lack of trust and confidence from many farmers towards the processors in the NZ sheep meat industry. In an effort to turn this around, the following recommendations can be made:

- Further utilise existing research data to help improve on-farm performance through benchmarking efficient production and cost savings throughout the processor's suppliers, not just the producer group.
- Reduce wastage throughout the supply chain to unlock additional margin.
- More effort can be made by both farmers and processors to grow and strengthen their relationship to mimic producer group relationships. This will create stronger partnerships to get through the good times and bad.
- The industry cannot continue to dwell on the past, together farmers and processors must look to the future and keep up with the marketplace and consumer demands. The industry must farm and operate like the customer is continually watching them, because ultimately they are.
- The industry should consider longer term contract pricing. This could be 6-12 month periods.
- Provide more transparency of costs and margins throughout the supply chain to build more confidence and trust from all stakeholders, whilst ensuring any detailed sensitive information is withheld.
- More contribution of funding by farmers and processors for research and development to keep up with the latest technologies and cost effective measures that become available.
- The industry needs to continually ask the following question,
"How can we be better together?"
The processors and farmers should all accept responsibility for bringing this challenge to life.

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12. Appendices

12.1. Interview summary from Producer Group farmers

<p>1</p>	<p>How long have you been a member of a producer group?</p> <p>What was it that persuaded you to join a producer group? And by who?</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - 4 years with the Kumanu producer group - A group of farmers who had a point of difference and wanted to market their own lamb into a niche high-end market for reap better returns. - Kumanu model is different to other processor run models: - Driven by a group of farmers (approx. 25) - Good science based background - Self-discipline in recording required scientific data <p>PG farmer 2:</p> <ul style="list-style-type: none"> - Approx. 15 years since Waitrose started - Opportunity of something new and innovative - Originality - Interaction from Waitrose (4-way partnership, farmer, ANZCO, Welsh farmers, Waitrose) - CMP handpicked him as he was already a high performing ANZCO supplier. <p>PG Farmer 3:</p> <ul style="list-style-type: none"> - 3 years with Kumanu group - Livestock price premium - The group of farmers had 12 years of records showing positive scientific data to support their point of difference for the marketplace. - Looking after animals and being more aware, wanting to be more involved in telling the story to the customer. <p>PG farmer 4:</p> <ul style="list-style-type: none"> - 14 years with Waitrose producer group - Processor targeted the best producers for the programme from its existing suppliers. - Concept looked right and after a couple of years the programme built momentum. <p>PG farmer 5:</p> <ul style="list-style-type: none"> - 3-4 years with Waitrose - Focused and strategic plan, farm to what the customer requires and demand a premium. Waitrose motto is <i>"best in market"</i> - ANZCO approached him to join the group
<p>2</p>	<p>What are the key benefits of your current business structure?</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - Being able to trade within the group. - Collaboration of farmers working together. - Having a geographic spread across NZ. - Flexibility with the brand. <p>PG farmer 2:</p> <ul style="list-style-type: none"> - To know and understand where their lamb is going and what they need (specs, timing of supply etc). - More alignment with the processor and marketplace which gives the farmer more involvement in the decision making around pricing and supply (eg Producer group committee). If there are issues among the producers, then they can get it sorted promptly. - Unity with everyone in the supply chain. - Preferential kill space with the processor throughout the season. <p>PG farmer 3:</p> <ul style="list-style-type: none"> - Consistency of quality and supply. - Knowing where it is going and what it is used for. <p>PG farmer 4:</p> <ul style="list-style-type: none"> - Open discussions within the producer committee. - Security of kill space with the processor, especially during a drought.

		<ul style="list-style-type: none"> - Being involved in a programme considered 'at the top' of all other contracts in the market. - Relationships throughout the supply chain and understanding of each other. (Eg having the head purchasing manager of Waitrose visiting his farm and helping tag some lambs before slaughter). - The programme continues to build momentum the older it gets. There is continued collection of performance data therefore the benchmark sits very high throughout the group. - The group has amazing prize giveaways for the best performing farmer. (Eg travel to UK to meet with the retailer and understand the marketplace of where their lamb is going). <p>PG farmer 5:</p> <ul style="list-style-type: none"> - Helps to meet their strategic plans. - Good consistent returns. - Producer programme allows them to mitigate risk.
3	<p>What are the key risks of your current business structure?</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - A lot of investment and capital outlay from the farmers to run the group. - Market / consumer could change. - As their brand requires lambs from within the producer programme then they are at risk of short supply at certain times of the season. The group has to manage their supply consistently. <p>PG farmer 2:</p> <ul style="list-style-type: none"> - The processor going broke. - Losing existing processor and then having to find another one after 15 years relationship. - Media portraying the wrong image of farming. - Biosecurity threats which could ruin the entire industry (F&M and BSE). <p>PG farmer 3:</p> <ul style="list-style-type: none"> - Vulnerable to the market. - Weather and climate conditions can change the farm plan dramatically. - Meat processors not being honest. <p>PG farmer 4:</p> <ul style="list-style-type: none"> - There are not too many risks being involved with Waitrose group, because it is relationship driven which builds the foundations of trust and confidence. - Being tied to only one supermarket group. - Not only one end-user for the lamb carcass, so the processor can manage best returns for the carcasses and hold a steady contract price for the farmer. (eg Flaps to China at very good returns compared to a more traditional market). - The schedule pricing structure may need to be reconsidered in future. <p>PG farmer 5:</p> <ul style="list-style-type: none"> - Weather and climate conditions. - Summer drought will affect them being able to produce to spec and on time. They need to mitigate this risk.
4	<p>What are your key values for your business to be successful each season?</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - Discipline within the group. - Preparation and homework. - Not standing still – keep moving forward. <p>PG farmer 2:</p> <ul style="list-style-type: none"> - Guaranteed payment. - Stock getting processed on time and have priority for kill space. - Contract allows budgeting for the season ahead. - Contacts throughout the whole Producer Group (including Processor, Waitrose and other producers).

		<p>PG farmer 3:</p> <ul style="list-style-type: none"> - Profitable. - Looking after their staff. - Producing a quality product. - Relationship with end-user. <p>PG farmer 4:</p> <ul style="list-style-type: none"> - Produce the best quality lamb that he can. This in turn provides the expectation to receive the premium price. - The communication, relationship & information transfer between whole supply chain. - Knowing where the lamb goes gives satisfaction. - <i>"The longer you are involved, the more you value the programme"</i>. <p>PG farmer 5:</p> <ul style="list-style-type: none"> - Communication within the producer group - From farmer to customer - Farmers need to know in advance of any changes in spec, also their performance which helps their short and long term planning. - Transparency
5	<p>Do you feel well aligned with the market and where your lamb is going?</p> <p>What are your key sources of information?</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - Yes, very much so due to the product going direct to foodservice in EU. - They need to be pushing a premium of more than 5%. - Regular newsletters, producer group meetings, customer visits to the farm. <p>PG farmer 2:</p> <ul style="list-style-type: none"> - Yes – very much so. - He is concerned that often the NZ lamb is devalued in the UK supermarkets against Welsh lamb. - Another concern is the slow steaming protocol with the shipping companies. - He gets regular updates / newsletters from ANZCO and Waitrose and also attends Producer group committee meetings and hosts Waitrose to his farm on occasions. <p>PG farmer 3:</p> <ul style="list-style-type: none"> - Yes – especially since being a part of a producer group. - ANZCO newsletters → they are a bit more detailed and honest compared with some farming magazines which voice one sided opinions. <p>PG farmer 4:</p> <ul style="list-style-type: none"> - Yes, but gets frustrated with all of the ‘time wasters’ in the industry that are holding it back. <i>"Together we must keep moving forward"</i>. <p>PG farmer 5:</p> <ul style="list-style-type: none"> - Yes - He receives updates in the form of a newsletter every 2 months from ANZCO / Waitrose - He also keeps up to date with farming magazines and articles in the newspapers.
6	<p>Other comments</p>	<p>PG farmer 1:</p> <ul style="list-style-type: none"> - The key is to spread the risk and not put all of the lambs in one contract - Is there room for more producer groups? - Need more collaboration - If a new producer group is formed, farmers need a sense of ownership / partnership. This will build trust and confidence for the farmer and processor. - Currently there is a sense of mistrust within the industry. - The stability of a farmer-led initiative. <p>PG farmer 2:</p> <ul style="list-style-type: none"> - Personal experience about Producer Groups: <ul style="list-style-type: none"> o Most farmers want to come back in to a contract after exiting o Community of farmers which gives them a sense of ownership.

- Farmers coming together – Unity

PG farmer 3:

- *“Honesty and transparency is vital for the processors to gain trust and respect from the farmers”.*

PG farmer 4:

- *“Schedule pricing is a distraction of the real issues within the industry. Many farmers are too fixated on price.”*
- Farmers attitudes need to change (from the old way of doing things).
- Certainty of price is good for the farmer so they can adapt for supply and timing and change their business to make it work.
- Each part (farmer, processor and market) needs to take the risk
- Industry:
 - Too many processors in the North Island
 - Sunday night ring-around in North Island remains an issue.
 - Silly behaviours need to be sorted out in the procurement arena.

PG farmer 5:

- Quick fixes for the industry:
 - Processors need to work together more
 - Price is too volatile.
 - More streamlining in the procurement sector
 - The Sunday night ring-around needs to stop.
 - Farmers need to work together more (eg sharing lamb finishing when there’s a drought).
 - Look at other benefits rather than just price on the day.

12.2. Interview summary from Non- Producer Group farmers

<p style="text-align: center;">1</p>	<p>What do you know about producer groups?</p> <p>Where did you get this information from?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Not much, has just stuck with the existing model. Doesn't look over the fence really. He feels his system works well. - Media, farming magazines (Farmers Weekly). <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - Not much really, used to follow SFF contracts. Currently just focusing on the farm. - He studied Agriculture at Lincoln so knew a little bit about producer groups from University, also Farming magazines and news articles online. <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Not too much - Only heard about it through farming magazines 'Farmers Weekly', sometimes from other farmers. - Looked up Ovation on a website and seen where they send their lambs so decided to send a load up there. <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - Not much (he's not very proactive in researching up on it) - Sometimes hears from other farmers. <p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - Not a lot - Articles in Country Wide magazine, livestock reps
<p style="text-align: center;">2</p>	<p>What are the key benefits of your current business structure?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Flexibility – he will commit a certain percentage of his lambs to his existing processor (not all), and this gives him options for the store market if the conditions change (eg drought). This means he is not locked in if there are additional lambs born. <i>"If it's a bad season you may need to send younger lambs to store, this is beneficial and sometimes will pay more than slaughter prices".</i> - Profitable system - Less stress, good lifestyle. <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - His land is free-draining so very versatile for different farm uses. Eg Dairy grazing during winter. - Being in low-lands they can target to finish their lambs at the height of the season in terms of schedule prices on the spot market. - Easy farm to maintain and control – only one person - Flexibility of choosing the best contract throughout the season. (Not tied down to one specific contract). <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Flexibility with the cropping system – having diversity within the business. - Controlled grass growth and rotation of crops, keeps soil in good condition. - Less risk. - Knowing in advance for profit margins (crops returns) to balance with lamb finishing. - Lifestyle and satisfaction – seeing crops and lambs finish is satisfying. He likes working with lambs. <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - ¾ of his lambs go into finishing, ¼ to store market. - Within the family, there are 3 farms available to move stock around. Good flexibility in the farm system. - Current supply contract with SFF is a minimum fixed price for 1 month – he is confident with the margins he will make. - Flexibility to send lambs to the store market if timing and price is right.

		<p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - Having the other family farm 7km away gives them flexibility to share feed etc. - Supplying one processor - Going along to local farmer group meetings to share information - Having the variety of beef, lamb, deer and crop systems on the one farm.
3	<p>What are the key risks of your current business structure?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Volatility within the industry - Consumers demand - Climatic factors - Exchange rates - <i>"You have got to understand your farm well. Need to know how many lambs you can take through to May/June. Have to try not get caught out with too much stock and not enough feed."</i> <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - Weather and climate conditions - Volatility in the markets. To mitigate this risk he will sign up half of the lambs on contract, and half on spot to try lock in a margin in advance. He needs to know in advance (at least 6 months) what margin his lambs will make as this will determine how to manage the costs involved. - Soil condition – this can affect his winter crops therefore affect his ability to finish lambs at the right time to ensure his margin is retained. <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Lamb schedules and fluctuations (biggest risk) - Weather and climate conditions (not too bad, used to it now). <i>"Farm to your conditions, and have plenty of feed on hand"</i>. - Supply of store lambs being available. - International markets – product image in the market (not too big of a risk, demand should remain). <i>"Assumes the processors / marketers are doing a good job in marketing our lambs". Providing a good image for the industry.</i> <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - Weather and climate conditions. - Offshore markets and demand - Inability to supply on time if there's a drought - <i>"Don't put all your eggs in one basket in terms of supply contracts – need to remain conservative"</i>. - Processor going bankrupt. - Limitations of on-farm regulation and legislation changes from Govt. (Politics). <p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - Weather and climate conditions (snow or drought) - Market prices going down - Environmental issues / politics (eg Green Party) for irrigation and leaching - Biological control in NZ (preventing F&M and BSE)
4	<p>What are your key values for your business to be successful each season?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - <i>"If you're standing still, you could be moving backward or forward. Need to keep moving forward."</i> - Business planning and strategy - Key relationships with livestock & wool agents, other farmers and employees. <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - Being able to rotate stock and crops each season. This is key to finish his lambs on time. - Soil – high fertility and condition - Good relationships with livestock reps and other local farmers – <i>"It's always good to bounce ideas around"</i> - Planning and strategy – he wants to know in advance what his returns will be.

		<p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Premium \$ returns (most important), everything else follows. - Passion farming and personal satisfaction for farming – reaching weight and supply targets. - Planning and strategy (especially with the use of irrigation). <i>“Have to look ahead all the time”</i> - <i>“Being open minded for change”</i> <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - <i>“Number 1 is backing your processor and dealing direct. No ring-a-rounds and playing games.”</i> - Relationships throughout – (livestock reps, staff, neighbouring farmers). - Strategy & planning - plan for weaning dates as a target each season. - <i>“Looking after your livestock, focusing on good health, weights etc. throughout the season”.</i> <p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - Being profitable - Keeping the farm tidy and presentable - Being sustainable - Being a part of the industry R&D with cropping - <i>“Never stand still”</i>
5	<p>Do you feel well aligned with the market and where your lamb is going?</p> <p>What are your key sources of information?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Yes – due to the contract basis with their existing processor, they feel well aligned. - Every year they get an update “road show” from the key managers of their processors. A lot of local farmers show up. - He also keeps up to date with farmer magazines to see what the industry is doing. <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - Yes – he follows the market and gets regular updates from his processor. - Also Farming magazines, articles, internet. - He mentioned “As a farmer, we need to make the effort ourselves to stay updated with what is happening in the industry and the markets.” <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Yes – he hears a bit of what is going on in the industry from farming magazines, radio, and other farmers. However he would like to know more! - Doesn’t hear much from livestock reps (uses independent livestock rep) – would love to know more. - <i>“Farmers would like to know more of what is going on in the industry and markets – it gives them satisfaction and reasoning of why they are farming in the first place”</i> <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - <i>“Not really, just what you see in the magazines and processor meetings, field days.”</i> - <i>“The processor remains tight-lipped on market information – they only tell you what they want you to know.”</i> - It is only at the supermarket or field days where farmers see their product or brand of processor, they would like to see and know more of where it goes internationally. <p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - No not really – would like more information to come from the processor (eg maybe a brief market update in the kill sheet). - He usually only reads the Agrifax report. - He believes communication is vital throughout the industry. Especially from processors so that they can build a deeper relationship based on trust and confidence.

6	<p>What would it take for you join a producer group?</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Attractive contract based on: <ul style="list-style-type: none"> o Price / premium o Conditions and requirements of the contract. o Locality of processing plant (if too far away it is a waste of efficiency). The existing processor is quite close, so if another processor approached him to join an exclusive contract, they would need to consider the carbon footprint. o People he would be dealing with (eg Agents / processor) – they would have to be good people to work with. - Relationship and trust when joining an exclusive producer group is key. <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - Price / premium of course. - It would have to suit the farm system (eg seasonality) - It would also depend on the type of service from the livestock reps (eg trust, relationship, and good people to deal with). If they weren't he wouldn't bother. <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - Best marketing and price offer for the lamb at the time. - If they were supporting a profitable company. - <i>"Best bang for buck!"</i> - Flexibility of kill timing <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - Obviously premium price - To be well informed about it. - Needs regular information and updates from the processor (not over the top though). - Doesn't like the breed-led programmes, as there is not much difference once they are cut up in a box to demand a premium. - An element of flexibility with supply timing, in case of dramatic weather conditions (eg drought). - He has had no involvement in an exclusive producer group previously. <p>N-PG farmer 5:</p> <ul style="list-style-type: none"> - Depends on what specs and supply timing is required - If it was realistic for their farming system - Commit only a certain % of their lambs (not 100%) to spread risk. - Premium would need to be worth it.
7	<p>Other comments</p>	<p>N-PG farmer 1:</p> <ul style="list-style-type: none"> - Comments on the Meat Industry: <ul style="list-style-type: none"> o <i>"Meat companies are not working well together, they are cutting each other's throats"</i> o <i>"Farmers need to make it happen themselves"</i> o <i>"United they stand, united they fall"</i> <p>N-PG farmer 2:</p> <ul style="list-style-type: none"> - <i>"New generation are more tech savvy, and have more information at their fingertips eg social media, internet."</i> - Sometimes he gets a little short-sighted by just focusing on the farm. - Maybe livestock reps could do more to build trust between the processor and farmer. <p>N-PG farmer 3:</p> <ul style="list-style-type: none"> - He would be interested in joining a producer group, and is keen to know more about what processors do and why/how we market their products. Having knowledge of this will give him more satisfaction. - Online feedback from customers for producers to see? <p>N-PG farmer 4:</p> <ul style="list-style-type: none"> - <i>"Maybe the processors could follow the Tegel chicken model where the processor takes ownership of the stock from a young age. This would take out a lot of uncertainty for the farmer."</i> - <i>"Processors need more collaboration in the markets, use each other's expertise to</i>

capitalize & leverage price to achieve best possible returns”.

- There is more information available these days with the internet and social media.
- Processors need to offer same day kill for a fair and realistic kill weight.
- *“3rd party livestock reps are not doing the industry any good”.*
- Culture change needs to happen
- The existing processors need more livestock reps to cover more ground.

N-PG farmer 5:

- Can finishing lambs on fodder beet demand a premium? Eg white fat colour.
- Industry needs to come together more.
- There is a lot of ego in the industry.