

Sheep breeds deliver what customers want

By JACQUELINE ROWARTH – National Business Review | Friday, 10 August 2007



Consistency of product; consistency of supply. It's Marketing 101.

You can't build a brand on a variable product, nor a market on fluctuating supply.

In primary production, variability (due to genetic differences in animals and plants) and fluctuations (due to seasons and climate) are the name of the game. This has put New Zealand in a position of vulnerability in the past – the country has been a price taker for commodity products. Land prices and input costs (labour and fertiliser, for instance) have been rising more rapidly than product value, and many farmers have been feeling the pinch.

Even the increased pay out associated with Fonterra is not the 'white gold' some are portraying. Andrew Ferrier, CEO of Fonterra, has pointed out that the previous payout was below a sustainable level.

Professor David Hughes, Imperial College London, talking at the Rissington Breedline Conference in Napier last month, suggested that successful food producers aim not at commodities, but at "what people want and for which they are prepared to pay a premium".

Rissington Breedline (RBL) is a stock breeding company that focuses on value creation. The RBL vision, articulated by Jeremy Absolom, CEO, is to deliver to the consumer a consistently high quality eating experience in the most efficient and profitable manner possible in partnership with dedicated farmers.

With a breeding programme for Highlander® and Primera® sheep, supported by extensive research and development, RBL is providing farmers with the genes they need to produce a consistent product.

Dr Gerard Davis, CEO of Catapult Genetics, terms it "Breeding for the value chain." He has shown that with two copies of the MyoMAX® gene (present in the Highlander® and Primera®), which is responsible for additional muscling and dressing percentage, carcasses are worth \$7.20 more than average carcasses.

New Zealand lamb is already selling in Munich at €42.99 a kilogram, but with the NZ Inc. approach – farmers working together - the price back to them could be increased dramatically through improved efficiency (less wastage), coordination and a happy customer.

Marks and Spencers (M&S), for instance, want half a million lambs between December and June. They want the same product through the rest of the year, too, but from UK where RBL sheep will again be producing them.

No farmer can supply that number of lambs alone, nor can the farmers provide a consistent product alone. Working together with the same gene stock, they can.

For RBL, the M&S stamp of approval is huge. It shows that the focus of adding value inside the farm gate through improved genes is working. Working with M&S at one end, and their genetics at the other, RBL believes it can deliver and add value all along the value chain.

According to Professor Hughes, ideal value chains are short, fast, transparent, seamless and collaborative. He articulated three points towards success:

- *suppliers who work closely with customers are more successful in terms of profit than those who don't;*
- *large suppliers/groups get more out of partnerships with their customers than smaller-scale as they have more resources to apply;*
- *suppliers producing value-add products and/or services are more successful than commodity providers.*

In the UK, the gap between farmer and processor has been described as 'The Missing Link' in a report released earlier this year by the English Farming and Food Partnerships (EFFP). Quality of product was ranked more highly than price by 99% of processors surveyed in the report. Two thirds of food processors indicated the view that farmers would strengthen their position as suppliers if they formed themselves in to collaborative groups, and most wanted to work more closely with suppliers. Closer contact was expected to bring benefits for supply chain competitiveness through improved communications, and provide greater confidence in the consistency of supply and reduced costs.

The report concluded that there are opportunities for food processors and manufacturers to work more collaboratively with farmers to add value.

Over the next year, EFFP will be providing help and guidance to businesses which want to build improved collaborative trading relationships and secure and increase the market for home-grown British food.

It is difficult to imagine that increased UK collaboration will be good for New Zealand's lamb sales, unless changes occur here.

The focus on quality, however, could be extremely good.

"We can produce something that is substantially better than anyone else, then package it and price it accordingly", says Alan McRae, agricultural consultant and RBL Director. He is convinced that New Zealand can improve strategy. "You've got to be prepared to change – you're either in that game of doing it better and getting richer or you're not."

