



MANITOBA SHEEP
ASSOCIATION INC.

Expanding the Flock



A Strategic Plan for the Development of the Manitoba Sheep Industry

February 2002

Prepared for the Manitoba Sheep Association Inc

By

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In collaboration with the

Manitoba Sheep Initiative Steering Committee



Manitoba Rural Adaptation Council Inc.
FACILITATING AGRICULTURAL INNOVATION AND DIVERSIFICATION



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Financial support is gratefully acknowledged from:

Manitoba Rural Adaptation Council, (CARD Funding)

Canada/Manitoba Farm Business Management Council

Manitoba Sheep Association

We also wish to acknowledge the continued support throughout this program from Manitoba Agriculture and Food, (Minister, Hon. Rosann Wowchuk).

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1.0 EXECUTIVE SUMMARY

The Manitoba Sheep Association Inc. (MSA) through the Manitoba Sheep Industry Initiative (MSII) has conducted an integrated project that has involved an extensive series of education and extension projects, two producer surveys, a Cost of Production Study, a generic Business Plan and a Comparative Advantage Study. A Strategic Planning Workshop was held in November 2001 that led to the development of this Strategic Plan.

The project has enjoyed financial and in-kind support from the Manitoba Rural Adaptation Council (MRAC), the Canadian/Manitoba Farm Business Management Council (CMFBMC), Manitoba Agriculture and Food (MAF), and the Manitoba Sheep Association Inc. (MSA)

This summary contains a brief overview of the Cost of Production study and Business Plan, a short review of the highlights of the Comparative Advantage Study and most importantly a summary of the Recommended Strategic Action Plans along with an implementation plan and a budget.

The **Cost of Production Study and Business Plan** document provided a number of significant insights into the current state of the Manitoba sheep industry. Small flocks (50 to 100 ewes) form a significant portion of Manitoba's sheep production. They have the advantages of requiring low capital investment. While these operations, on average are not capable of covering total costs, they can provide a positive contribution to overhead and increase total farm profits for an existing farm.

The medium flock (250 to 500 ewes) are less numerous in Manitoba. These operations have the potential to achieve some economies of scale (compared to the small flocks) and to be reasonably profitable with good management. Large intensive and extensive operations (1,000 ewes or more) are few in number in Manitoba. The extensive operations rely heavily on the grazing of forages using breeds that are well suited to that type of regime and minimal investment in facilities. The intensive operations use mechanically harvested forages and grains and attempt to maximize the use of their specialized facilities and the reproductive potential of prolific breeds of sheep. Both operations hold the potential to achieve significant economies of scale and to be quite profitable with good management.

Sheep dairy operations hold the potential to be profitable, however, marketing of the product is critical to success for sheep dairy operations. Lamb feedlots also hold the potential to achieve good levels of profitability. Developing long-term relationships with customers is critical for the success of lamb feedlots.

The Manitoba Sheep Flock has more than doubled in size in the five years from 1996 to 2001 from 37,500 to 78,800 head. In fact, Manitoba's breeding flock increased by 20% from July/00 to July/01 while the total Canadian breeding flock increased by 6%. If Manitoba's sheep numbers continue to double every six years, by 2020 Manitoba could have 282,000 ewes and could produce 348,000 lambs per year (a total of 630,000 head). Manitoba has certain advantages for sheep production, which include low cost land (45% of the cost in Alberta, 17% of the cost in Southern Ontario); low cost of production for alfalfa hay and pasture; competitive labour costs; and the location of Canada's largest lamb feedlot. Disadvantages include the small average size of production units; small population of sheep; lack of uniform supply & consistent quality of product; inefficient logistics system; lack of efficient slaughter & processing

infrastructure; limited profitable markets for trim, offal, etc.; lack of effective product marketing; and lack of a strong, well-funded industry association.

Manitoba's Comparative Advantages (low cost land, forage and grain and competitive labour costs) cannot be easily duplicated by others. Manitoba's low cost of production may give it the opportunity to achieve a larger share of the consumer market. By addressing several of the industry weak points through the application of this Strategic Plan the Manitoba Sheep Industry should be able to capitalize on the advantages.

The Vision for the Manitoba sheep industry ten years into the future developed by participants at the workshop included a sheep flock of between 65,000 to 100,000 ewes, with some views that there might be as many as 250,000 to 500,000 ewes (compared to the current 33,800 ewes). Participants anticipated an average flock size of between 90 and 500 ewes, perhaps with some operations as large as 5,000 ewes (please see Appendix 3 for details of the Vision).

Expansion is expected to occur in the southwest (spurge control), in mixed farming operations (beef and grain operations), and from some large intensive and extensive operations. A small increase in sheep dairy operations is expected to occur.

The workshop identified the changes required to bridge the Gap and to achieve the Vision. These included a more effective provincial sheep organization with a sustainable increased level of funding. Other changes included higher levels of producer education (especially for new entrants), quality breeding stock of known disease and performance status, development of an organized marketing system with a branded product and consistent high quality specifications. The possibility of a prairie provinces marketing and promotion agency and a promotion/extension program designed to attract experienced sheep producers to move to Manitoba were also discussed. Support and encouragement of several additional feedlot operators within Manitoba, who might be part of new generation cooperative(s) through which producers would form alliances with processors, distributors and retailers in coordinated supply chains, would be beneficial. Other changes discussed, included a strong marketing thrust for niche markets and producer control of the processing function (contract with a slaughter/processing plant, rather than owned "bricks and mortar"). The development of production protocols to suit different market niches were also discussed, as well as retail market / consumer requirement surveys, a marketing study to determine what needs are in the areas of consumer education, product promotion, what groups (market sectors) to target.

The options available to the Manitoba sheep industry include maintenance of the status quo; getting a processor to locate in Manitoba; development of niche markets; and development of a coordinated and planned approach to each market segment that exists and provide extension/education services on production and marketing.

The development of Niche markets will no doubt be pursued to a limited degree, however the coordinated and planned approach to production and marketing was felt to be the most satisfactory option to be pursued at the industry level. Strategies to achieve these goals include the development of a strong and well-funded industry organisation having an appropriate mission and goals; recognition by producers that to achieve the goals outlined in this plan will be expensive both financially and in terms of the human resources needed; and that it cannot be undertaken solely on a volunteer basis. Strategic alliances will need to be developed both within the Province with Manitoba Agriculture and Food, with other provincial organisations, and nationally with the Canadian Sheep Federation and the Canadian Food Inspection Agency.

Priorities will need to be established in respect to producer education and extension, which will be coordinated and delivered by MAF staff. Attention will need to be paid to flock health, quality assurance, production management, and the continued training of professionals including veterinarians and livestock specialists. Extension activities should include the cost-effective production and use of forages, extension activities aimed at new entrants, the development of advanced training in sheep production, the establishment of local producer clubs, and seminars and fact sheets aimed at the agricultural representatives of lending agencies.

Recommended Actions

- 1 The MSA should review its constitution and bylaws to ensure that the mission of the Association is clearly enunciated and is appropriate to the current state of the sheep industry. In particular, the role of the Association in the development of industry policy and its role in lobbying the Provincial government on behalf of the industry should be clearly indicated. The MSA should amend its constitution so that when, in the opinion of the MSA Board, a regional association ceases to function or to appoint directors to the MSA Board, the Board may appoint such directors from the region to serve until a general meeting of regional members can be held to a maximum term of one year (4.1.1).
- 2 The MSA should review its structure and regional organization to ensure that all sheep producers have an adequate opportunity to express their views to the provincial organization and to ensure that regional meetings are held on a regular basis (4.1.1).
- 3 Producers must recognize that the implementation of this strategic plan cannot be sustained solely on a volunteer basis. Therefore, the MSA should take steps to ensure that it has adequate funding and staffing to implement this strategic plan. Specifically it should immediately develop a proposal to request the provincial government through the Agricultural Producers' Organization Certification Agency to hold a vote of registered sheep producers to implement a check-off on sheep and lamb produced in Manitoba. (4.1.2).
- 4 The MSA should maintain its membership of the Canadian Sheep Federation to ensure that Manitoba's input into national issues affecting the sheep industry is provided at the national level. The MSA should continue to stress the importance of maintaining an open border for exports to the US on which the continued viability of the sheep industry in Manitoba depends. (4.1.3)
- 5 The MSA should seek to maintain close links with MAF and ensure where possible, that programs established by MAF benefit Manitoba sheep producers. Priorities and policies established by MSA, where appropriate, should be communicated to the Minister of Agriculture and Food and senior officials, so that the voice of Manitoba sheep producers is heard by MAF as it establishes agricultural policies and programs within the Province. (4.1.4).
- 6 The MSA should establish its priorities in respect to producer education and extension, and should ensure that the MAF provincial sheep specialist is aware of these priorities and provides a coordinating role for such activities within the Province. The extension activities will largely be coordinated by the MAF provincial sheep specialist and delivered by the MAF regional extension staff (agricultural representatives, regional forage, livestock and farm management specialists). (4.2).

- 7 The MSA, together with the MAF provincial sheep specialist, should ensure that flock health programs such as the Western Canadian Flock Health Program and the Scrapie Voluntary Flock Certification Program and other quality assurance programs are available for those sheep producers who wish to enrol. Auditors, veterinarians and others necessary for the delivery of such programs should be appropriately trained and evaluated. Where possible such programs should be coordinated so that the paperwork and expense to producers is kept to a minimum. Priority should be given to the training of professionals, including veterinarians, livestock specialists and agricultural representatives regarding sheep. MSA should seek to develop an alliance with the Manitoba Veterinary Medical Association regarding the continuing education of veterinarians, and with MAF, and the feed industry regarding other professionals and with the Canadian Food Inspection Agency (CFIA) regarding federally delivered programs. (4.2.1).
- 8 The MSA together with MAF, AAFC, the University of Manitoba and the private sector should develop a project to demonstrate the value and environmental sustainability of composting or other environmentally sound methodology for the disposal sheep waste products. (4.2.1)
- 9 Extension and education will be provided to sheep producers with information on increased use of forages and crop by-products as a low cost feed alternative to traditional feeds for sheep. In addition, information will be provided on the improved management of forage, multi-species grazing (together or sequentially with other livestock), weed and brush control (e.g. leafy spurge) and other topics that will lower the cost per pound of lamb produced. (4.2.2).
- 10 Producer education and extension should be structured to take into account new producers entering this field of agriculture as well as those producers requiring more extensive and advanced opportunities. Contact should be made with the University of Manitoba and the Community Colleges regarding research requirements and more advanced training. A revised sheep distance education course and establishment of 4-H sheep clubs may also help to educate new entrants to the sheep industry and a new generation of sheep producers. (4.2.3).
- 11 To assist new producers the MSA should proceed to develop and publish a list of experienced producers who are willing to volunteer as “mentors” to new producers entering the field. (4.2.3).
- 12 The MSA, its regional affiliates, and the Manitoba sheep specialist should facilitate the organization of local sheep clubs where a group of producers so desires. The main function of such clubs should be the exchange of information, extension, producer education, and the mentoring of new producers. If feasible, the first one or two producer clubs will be established with the assistance from MAF agricultural representatives who have a good record of success with producer clubs. If these are successful, they should be used as models for further development. (4.2.4).
- 13 To assist new entrants and expanding sheep producers to obtain a fact based response from their lender, specific information will be sent to the agricultural specialists within each of the lending organizations (charter banks, credit unions, MACC, FCC, etc.) explaining the growth in the industry and the profitability of various sheep enterprises. The MSA will initiate direct contact with bankers to profile successful sheep farms and highlight sheep production in

Manitoba. The MAF/MSA sheep website will also be used as a source of information for new and expanding producers. (4.2.5).

- 14 The MSA should immediately seek to establish strategic alliances both within Manitoba and between Manitoba and neighbouring provincial organizations to benefit Manitoba producers in the production and marketing of sheep and the education of Manitoba sheep producers. Where appropriate, MSA should seek membership in other provincial Agricultural organizations and agencies to ensure that the needs of Manitoba sheep producers are known. (4.2.6).
- 15 As a first step towards inter-provincial cooperation a joint meeting between the Boards of the MSA and the SSDB should be held to discuss matters of mutual interest and concern and to determine areas where cooperation and joint ventures might be possible and mutually advantageous to producers. (4.3.6).

Market Research and Development

Improved market knowledge will help producers to decide what type of lamb to produce (genetics, lambing time, grass-fed or grain-fed, etc.) and what customer to sell to (feeder lambs to a feedlot, finished lamb through a lamb buyer or auction mart, etc.) in order to maximize their individual and collective profitability. MSA should gather this information and establish the proposed producer clubs and, eventually, facilitate producers to develop coordinated marketing systems, thus assisting Manitoba producers to find the premium markets for their product. Producers will change their management practices as necessary to access some of these premium markets that are undersupplied at certain times. Activities that will enhance the improved marketing of lambs include market intelligence seminars, research on market segments and customers, grading seminars, logistics coordination, brand development, and development of target markets with a coordinated supply chain.

Market intelligence seminars will assist Manitoba producers determine what type of lamb is wanted by the various markets/customers and what type of lamb will be the most profitable for them to produce in their operation. As each individual producer makes decisions that benefit his/her operation, there will be a collective benefit that will accrue to all Manitoba producers as Manitoba lamb gains a reputation for being of a consistent high quality.

Prior to these seminars preliminary market research will identify the various categories of market segments (types of lambs), and which market segments hold the greatest potential for Manitoba to become more competitive quickly. After the first few "Market Intelligence Seminars", and supplemental interviews/market research with some of the key marketers in the Canadian sheep industry, the top ranked market segments will be identified and those will be the focus of any market development projects.

Grading seminars will be conducted, with the objective of providing information to producers on what animal is most valuable among the potential buyers of Manitoba lambs and the most profitable for Manitoba lamb producers. In these seminars live animals are "graded" then slaughtered and the carcasses graded so that producers can learn how their livestock production practices fit the market specifications.

The MSA should undertake a study to determine who might provide a set of logistics services and coordination, (i.e. organize the coordination of full liner-loads for smaller producers to ship to their markets). Information will be sought from a variety of sources including the Saskatchewan Sheep Development Board

Further information will be gathered during the market intelligence seminars, grading seminars and the study of logistics coordination opportunities. After the information is available from the above seminars and market research, decisions will be made whether there is a role for the MSA to assist one or more marketing group(s) to pursue one or two top priority and perhaps several lower priority market segments.

After the completion of a number of the strategic actions listed above, it may be time for an informal strategic alliance with other participants in the supply chain (e.g. a processor and/or a marketer such as a specialty meat retailer). If a formal organization is needed, it might be a New Generation Cooperative. Whether the group is informal or formal it would coordinate all participants in the supply chain for specific market segments.

The initial steps would involve working with distributors/retailers who are familiar with each of the target market segments, to identify actions needed to improve the value of the lamb products supplied to the target markets.

Recommended Actions

- 16 The MSA in conjunction with MAF should ensure that as extension and education programs are developed these include information relating to the marketing and promotion of lamb products, including market intelligence and grading seminars. (4.3).
- 17 The MSA should research the development of the standards required to develop a “Manitoba Natural lamb” brand. If this proves to be feasible, the standards associated and the name should be trademarked and made available to producers wishing and able to meet the standards set. (4.3.5).
- 18 The MSA should investigate the possibility of, either directly or through a contracted agent, providing logistic coordination of lamb marketing in Manitoba. Discussions with the SSDB should examine the possibility of a joint effort in this respect. (4.3.4).
- 19 At an appropriate time, the MSA should seek to facilitate the development of marketing initiatives that may allow producers and other participants in the supply chain to add value to their products (4.3.6).

The Strategic Plan outlined above builds on the strengths identified, deals with each of the weaknesses, seizes the opportunities, and mitigates the threats identified by the participants in the workshop. These actions are expected to result in a number of benefits to the Manitoba sheep industry. These will include an improved comparative position; increased long-term profits for Manitoba producers; lower production costs; production practices that will provide a more consistent supply of lambs to processors/consumers to meet ongoing consumer demand. A better-educated, efficient and effective group of producers, processors and marketers will result from all of these extension and educational activities by the MSA and the provincial government. A stronger and better-funded provincial sheep producers association will serve producers’ needs utilizing strategic alliances with other provinces sheep associations, processors, marketers and government.

Implementation

The implementation of this plan (Sections 5 and 6) will require significant resources, both financial and in terms of human resources and while there will continue to be a significant need for volunteer efforts, the implementation of these proposals cannot be undertaken on a volunteer basis only. The MSA will need to work closely with the MAF sheep specialist to coordinate and prioritize the initial extension/education activities. The MSA will need to be the Champion of some of the market research and development initiatives, at least in the early stages. Some amount of “pre-competitive development” will need to be led by the MSA before a group of producers will likely be in a position to take over the development of some of the more complex options.

The extension/education, market research and early stage pre-competitive development should proceed as soon as funding can be arranged. One of the potential sources of funding will be a producer funded check-off. Other sources may include funding of specific projects by the MRAC, CMFBMC, MAF and other government supported programs. The implementation plans set out in Section 5 and the budget in section 6 are meant as guidelines only and the MSA will need to develop a detailed business plan for the implementation of this report over the next three to five years.

Recommended Action

- 20 A detailed three to five year business plan will be developed for the prioritizing and implementation of the recommendations contained in this report.

2.0 INTRODUCTION AND BACKGROUND

The Manitoba Sheep Association Inc (MSA) is the provincial sheep organization representing sheep producers in Manitoba and is incorporated under Manitoba Law. The Association represents both commercial and purebred producers and is a member of the Canadian Sheep Federation, the Canadian Sheep Breeders Association (Purebred sector) appointing directors to the Boards of both of these organizations. The Manitoba director for the Canadian Cooperative Woolgrowers (CCWG) is elected by shareholders in the CCWG and is a full member of the MSA board. The MSA has a producer elected board with Directors elected at each annual meeting and directors appointed by regional affiliates. There are currently six regional affiliates each appointing two directors. Currently three of those regional affiliates are not active. The Association is funded through a handling fee on wool shipped through its depots to the CCWG, and an annual membership fee. In 2001 there were approximately 150 members of the Association. The annual income of the Association is between five and ten thousand dollars. The constitution and mandate of the Association, last reviewed in 1988-89 may be found at <http://www.gov.mb.ca/agriculture/livestock/sheep/bsa01s20.html> . The Association has one part-time paid secretary; otherwise volunteers undertake all the work of the Association.

The **Manitoba Sheep Industry Initiative (MSII)** is an integrated project of the Manitoba sheep Association that has involved an extensive series of education and extension projects; two producer surveys; and the completion of a Cost of Production Study, a generic Business Plan and a Comparative Advantage Study. A Strategic Planning Workshop was held in November 2001 that led to the development of this Strategic Plan.

The project has enjoyed financial and in-kind support from MRAC, CMFBMC, MAF, and the MSA.

The Cost of Production Study and Business Plan components were completed by Medicine Ridge Agricultural Services (MRAS). The principal of MRAS, Ian Clark, compiled cost of production (COP) data and developed several enterprise models. The COP data, combined with Ian Clark's knowledge of the industry, were used to prepare the Business Plan. The CMFBMC support allowed for the testing and production of the Business Plan Models.

Prior to the Strategic Planning Workshop, Ian Clark tested the details of the COP and Business Plan with about forty-five producers and industry people. Emphasis was placed on discussion of the strategic issues that are keys to profitable production, especially on the comparison of the economic viability (i.e. profitability, return to labour/management, etc.) of the various size and types of operations as described in the six enterprise models.

Cost of Production Study and Business Plan Highlights (<http://www.gov.mb.ca/agriculture/livestock/sheep/bsa01s46.html>)

- Small flocks (50 to 100 ewes) form a significant portion of Manitoba's sheep production volumes. They have the advantages of requiring low capital investment, often using existing facilities. While these operations, on average are not capable of covering total costs, they can provide a positive contribution to overhead and thus increase total farm profits as an additional enterprise for an existing farm. They also offer the opportunity for less experienced operators to develop their management skills before building up to larger sheep

numbers. They also may be suitable for those operators that are able to supply profitable niche markets.

- Medium flocks (250 to 500 ewes) are not as numerous in Manitoba as the small flocks and are often part of mixed farming operations. They have the potential to have relatively low capital investment, also using existing facilities. These operations have the potential to achieve some relative economy of scale efficiencies (compared to the small flocks) and to be reasonably profitable with good management.
- Large intensive and extensive operations (1,000 ewes or more) are few in number in Manitoba. The extensive operations rely heavily on grazing of forages using breeds that are well suited to that type of regime and minimal investment in facilities. The intensive operations use harvested forages and grains and attempt to maximize the use of their specialized facilities and the reproductive potential of prolific breeds of sheep. Both types of operations require high levels of management experience and expertise. Both operations hold the potential to achieve significant economy of scale efficiencies and to be quite profitable with good management.
- Sheep dairy operations hold the potential to be profitable. However, marketing of the product is a critical success factor for sheep dairy operations. There are very few processors of sheep milk – so this is a very significant challenge. High levels of management experience and expertise are required to successfully operate a sheep dairy.
- Lamb feedlots also hold the potential to achieve good levels of profitability. Developing long-term relationships with customers is critical for the success of lamb feedlots – it may take several years to develop the industry contacts that are necessary to be successful in a large-scale feedlot operation. High levels of management experience and expertise are required to successfully operate large-scale lamb feedlots.

The Comparative Advantage Study included research and analysis of the Manitoba industry's comparative advantage position. It emphasized the successful practices that have been developed by other provinces and countries to create profitable sheep industries by filling consumers' needs. It also identified opportunities to improve Manitoba's comparative advantages. The Comparative Advantage Study highlights are included in Appendix 1. The full document can be obtained on the web (<http://www.gov.mb.ca/agriculture/livestock/sheep/pdf/bsa01s46i.pdf>). In summary compared to other Provinces and jurisdictions, Manitoba is currently in a relatively weak position. However, Manitoba's advantages (low cost land, forage and grain and competitive labour costs) are not easily duplicated by others. Manitoba's low cost of production may give it the opportunity to achieve a larger share of the consumer market.

The strategic planning workshop was held in November 2001 as a preliminary step to the development of this strategic plan. The workshop involved plenary sessions, panel discussions and breakout groups. The first breakout group focussed the participants attention on the strengths and weaknesses of the Manitoba sheep industry; the opportunities available to the industry; and the threats that the industry faces now and in the future.

The Manitoba sheep industry's **strengths** that were identified by participants included low cost and ample land; high quality low cost feed; good geographic location; and favourable climate.

The **weaknesses** included the lack of funding for an industry organization; lack of a Manitoba processing plant; consumer resistance; lack of extension and support for new producers; lack of coordinated supply chain; and poor financial returns.

The **opportunities** included addition of sheep to existing farms; strategic alliances with other livestock groups and other provinces; consumer and producer education; diversification (wool and milk); and development of coordinated supply chains.

The **threats** included more government support for sheep producers in competing provinces or states; Scrapie and other diseases; PETA and other similar groups; loss of niche markets to foreign competitors; and unfavourable government regulations.

Highlights of the first breakout session are included in Appendix 2 of this document.

During the second breakout session, participants were asked to describe what the industry might look like in ten years and what changes would be required to get from the current situation to that Vision.

The **Vision for the Manitoba sheep industry ten years into the future** included a sheep flock of between 65,000 to 100,000 ewes, with some views that there might be between 250,000 and 500,000 ewes (compared to the current 33,800 ewes). Average flock sizes of between 90 and 500 ewes were predicted, perhaps with some operations as large as 5,000 ewes (Appendix 3).

Expansion is expected to occur in the southwest (spurge control), in mixed farming operations (beef and grain operations), and from some large intensive and extensive operations. A small increase in sheep dairy operations is expected to occur.

Producer involvement in the future might include one or more New Generation Cooperative(s); regional development projects; product promotion and consumer education; increased funding to the sheep association (check-off); and alliances with other provincial agencies.

Changes required to bridge the Gap to achieve the Vision are summarized in Appendix 3.

3.0 IDENTIFICATION AND DESCRIPTION OF THE FUNDAMENTAL STRATEGIC OPTIONS FOR DEVELOPMENT OF THE MANITOBA SHEEP INDUSTRY

The Vision for the future of the Manitoba sheep industry and the analysis of the Gaps between the Vision and the current situation, as described above, set the stage for identifying and describing the fundamental strategic options that the industry could use to move forward.

The strategic options, in very basic terms, that were developed from discussions at the MSII Strategic Planning Workshop, the MSA Annual General Meeting and other research include:

1. Status Quo;
2. Get a processor/marketer to locate in Manitoba;
3. Develop niche markets such as the numerous ethnic, natural, organic and other market segments, each of which serves the wants/needs of a specific set of consumers;
4. Develop a coordinated and planned approach for each of the market segments that exist or are developing, in which the Manitoba industry can create a competitive advantage; and
5. Provide extension/education services on production and quality related topics that Manitoba sheep producers need.

These Fundamental Strategic Options are described in the above manner to clarify a variety of different views about how the industry can be developed. Each of the options summarizes a number of aspects of a relatively comprehensive strategic option that goes beyond just the single item in the statement. Each of the options, except the Status Quo, has, or had during discussions, a number of people that supported the option, and therefore warrants discussion.

3.1 “Status Quo”

The discussion that occurred showed that no one expressed support for the Status Quo Option. Also, it was noted that the doubling of the size of the Manitoba total sheep flock in the last four years made it clear the sheep producers of Manitoba have already rejected a Status Quo Option and are rapidly expanding the industry.

It was also noted that the enterprise budgets developed by MRAS during this MSII project showed that the large intensive and large extensive operations were profitable; the medium size operations can be profitable; and that, while the small operations (50 – 100 ewes) were not covering total costs, they can provide a contribution to overhead and thus increase total farm profits. Therefore, the level of profit, while not high, appears sufficient to encourage the growth in the size of the industry that has been occurring. The feedlot budget also showed profitability with good management. The sheep dairy budget showed profitability, if a processor and markets can be found.

Given that a strategic plan that supports sustainable, profitable growth in the industry is what received the support of the attendees at the MSII Strategic Planning Workshop and at the MSA Annual General Meeting, the Status Quo Option is not considered to be an option that will be supported by the Manitoba sheep industry participants.

3.2 “Get a processor/marketer to locate in Manitoba”

During the initial stages of the MSII Strategic Planning Workshop, there were a few comments in support of this as a strategic option. However, as the workshop progressed, the presentations and the related reports from a number of speakers, as well as discussion in the breakout session, addressed the complexity of the issues related to processing and marketing.

Richard Parry noted that their business custom slaughters and processes their lamb to specific standards (including cutting, packaging, and other criteria) that meet the desires of his customers. Jim Holmes noted that the capacity to slaughter and process exists, but that the challenge is to find profitable markets, given the lack of continuity of supply.

Discussions and questions about Canada West Foods and its low volume of lamb slaughter, relative to the plant capacity, led to detailed comment at the MSA Annual Meeting showing that the key limitation is the ability to find profitable markets. It was noted repeatedly that there are markets that are available if:

1. A consistent supply of lamb products is available for delivery to the market 365 days of the year, and
2. The lamb products are what the specific market/customer wants (e.g. weight of carcass, degree of finish, grass finished or grain finished, cutting of product is “right” for that market, etc., etc.)

The existence of many different market segments that need to be served was also clearly noted. This is because not all animals will ever be the same. Therefore, markets that want lambs with varying degrees of finish are needed. It was also clarified that the high-value, high-quality cuts are only some of the lamb products that are created from every animal slaughtered, and markets must be expanded for the low-value cuts every time there is an expansion in sales of high-value, high-quality cuts into any market segment. For example, there may be potential to expand the market for low-value cuts into the dog food ingredients market when also expanding sales of high-value high-quality cuts into niche markets.

By the end of the MSII Strategic Planning Workshop, and even more clearly by the end of the MSA Annual General Meeting, a number of people noted that just getting a lamb processor into Manitoba would not actually solve any of the significant problems. It would still leave un-addressed the question of “How to serve the profitable markets for the slaughtered lambs (lamb products).”

3.3 “Develop niche markets including ethnic, natural and organic niche markets and other developing niche markets for upscale consumers”

This discussion identified a number of existing and growing niche markets for lamb products. Richard Parry’s presentations on the “Natural” lamb market segment, as well as Fred Baker’s information on what Ontario lamb producers are doing to expand and serve this Natural market segment showed what is possible, now and in the future.

However, it was clearly identified by a number of knowledgeable people in the industry that the anticipated future niche markets will not be of sufficient size to allow all, or even a majority, of

lamb products to sell into niche markets. This was made especially clear during discussions of the expected on-going expansion of the Manitoba sheep industry.

These comments were based on the experience of participants' knowledge of:

- Canada West Foods;
- Producers who have marketed locally; and
- Producers and feedlot operators who have marketed lambs directly into Ontario, the US and elsewhere.

Because sales of lamb meat into niche markets are expected to be limited volumes, this strategic option is not as satisfactory as the following strategic option.

3.4 “Develop a coordinated and planned approach for each of the market segments that exist, or are developing, in which the Manitoba industry can create a competitive advantage” and the “Provide extension/education services on production and quality related topics that Manitoba sheep producers need”

These two strategic options are shown together as one option, because there are a number of the producers that hold the view, supported by the research of competitors' practices during the Comparative Advantage Study, that changes in production are a key part of successful marketing. Marketing is not just the selling of the lamb products that are produced. It is producing what the market wants by taking a broader view of the supply chain, including right from the breeding stock, through the production, slaughter, processing, wholesale/distribution, and retailing activities. Only if all these are viewed as a system will it even be possible to achieve the Vision of the Industry. Specifically, market information, on specific market segments is needed to identify which genetics, degree of finish, etc. is most appropriate for that market.

Then, when the numerous characteristics are identified for a specific market, the producer can know which production practices will result in the highest percentage of animals meeting the desired specifications. The slaughter and processing must then be conducted in the “correct” manner for that market. A fundamental requirement that is very challenging for the Manitoba industry is to provide a consistent supply, year round.

For some markets it is not possible to sell any product unless a supply 365 days of the year can be assured. In some cases, a year round supply may be possible, if imported product “fills in” at times when local product is not available. However, this means that the market/customers must be willing to switch between imported and local product (i.e. accept the quality standards of the imported product). If consumers are willing to switch between the two (or more) sources of supply, no price premium will be available for the higher quality of the locally produced product in these markets.

In other cases, it may be possible to provide year round supply to market segments willing to pay a premium, with significantly changed production practices (e.g. the Ontario “Natural” lamb program, Appendix 5). In many instances, based on the experience of Canada West Foods and

others, it is not possible, now or in the near future, to serve a number of market segments because of the lack of year round supply.

A number of knowledgeable producers and industry participants expressed a fear that the strategic plan will call for a plunge into major undertakings such as a New Generation Cooperative in the short term, without the necessary understanding of the marketing challenges. They are concerned that there will be major challenges in getting producers to agree to make the changes in the "SYSTEM" that are needed to allow them to provide the consistent supply of consistent quality live lambs that are needed to be able to develop and retain the necessary markets.

Thus, given the extensive and required linkage of production and marketing, the attendees at the MSII Strategic Planning Workshop and at the MSA Annual General Meeting clearly displayed support for:

- Strategic activities that will develop market segments needed to sell the increased number of lambs produced. This will include niche markets, but these markets are not estimated to be of sufficient size to purchase all Manitoba lamb. Therefore, the large market segments, including more commodity lamb, must also be expanded. Producer education was repeatedly identified as an essential component in market development strategies;
- Strategic activities that will support the increased production of more consistent, year-round supply and a more consistent high quality (as defined by the customer) lamb at the lowest possible cost.

These two types of strategic activities are closely related because many of the production related activities must be dictated by the needs of the marketplace, if they are to be truly effective. For example, the breed to use, the degree of finish to put on animals, the weight of finished lamb, and many other aspects are all determined by what the end customer wants. Thus, the approach to the strategic activities must look at markets, identify what they need/want, and then use that information to create information for producers that will assist them in knowing what is the best lamb (end-product) for that market.

As well as information, producers need a motivation through prices to produce the most valuable lamb, rather than one that is less valuable. This type of information and price incentive is best developed when lambs from each producer are rail graded as carcasses, and are priced based on incentives and discounts for carcass specifications. Major challenges exist in achieving the system needed to provide this information and pricing incentive on the majority of the lambs that are marketed through a supply chain with a number of intermediaries.

The intermediaries, especially the major feedlot in Manitoba, appear to create significant value in the supply chain. This is achieved by:

- Taking lambs from a large number of sheep producers, (with many different breeds, weights, degrees of finish, etc.);
- Bringing them all together, feeding them to suit the needs of the specific market into which they will be marketed; and
- Providing a coordination function by allocating the lambs to each market segment for which they are most suited (i.e. the highest value market for that type of lamb), providing the degree of finish, timing of marketing, etc. maximizes the value of each lamb.

This coordination function is an extremely complex process. Without it, the average value of all lambs would be less, as it would be extremely difficult for each of the many producers (most of whom market relatively small volumes of lambs) to determine which market is best for their particular lambs (breed, weight, degree of finish, etc.) Therefore, the coordination of the supply chain for the lambs that go through the large feedlot is mostly provided by the feedlot, and the information from the end-markets that passes on to producers is only what the feedlot can supply.

The present structure of the Manitoba lamb supply chain makes it difficult to maintain the identity of the individual lambs from a producer, through the feedlot and to the end customer, which will then have the lambs slaughtered. Thus, it will be a challenge to create a system to provide information and price incentives to the producers of the lambs to produce the optimal lambs for specific markets, and still maintain the value created in the supply chain by the coordination function provided by large feedlots.

4.0 RECOMMENDED STRATEGIC DEVELOPMENT PLAN

The strategic actions needed to develop the Manitoba sheep industry fall into three categories:

- Obtaining adequate resources for the industry association to conduct essential activities;
- Producer extension/education on production practices that will make producers competitive and will provide the end products that the market requires; and
- Producer extension/education on the marketing of lambs, plus some market development activities.

The specific strategic actions that fall under each of these three categories are described below.

4.1 Strategic Action Plans – Obtaining the Resources

The strategic activities that are more focussed on **obtaining the resources needed to implement the above strategic actions** include the following:

4.1.1 Review the Manitoba Sheep Association's Structure

In order to carry out the strategic actions as shown in this report, it is essential for the MSA to ensure that it has a structure that will allow producers to feel that they have input into the decision making process. The MSA constitution and bylaws, which were last revised in 1988, should be reviewed to ensure that the mission of the Association is appropriate to the current state of the sheep industry in Manitoba and to the actions that will be needed as the result of this strategic plan. The current constitution may be found at

<http://www.gov.mb.ca/agriculture/livestock/sheep/bsa01s20.html>

Recommended Action

- 1 The MSA should review its constitution and bylaws to ensure that the mission of the Association is clearly enunciated and is appropriate to the current state of the sheep industry. In particular, the role of the Association in the development of industry policy and its role in lobbying the Provincial government on behalf of the industry should be clearly indicated. The MSA should amend its constitution so that when, in the opinion of the MSA Board, a regional association ceases to function or to appoint directors to the MSA Board, the Board may appoint such directors from the region to serve until a general meeting of regional members can be held to a maximum term of one year.
- 2 The MSA should review its structure and regional organization to ensure that all sheep producers have an adequate opportunity to express their views to the provincial organization and to ensure that regional meetings are held on a regular basis.

4.1.2 Generating Financial Support for the Manitoba Sheep Association & Its Programs

Generating financial support from Manitoba sheep producers, through a check-off system on Manitoba lamb sales, will be researched and undertaken. Producers need to be clearly informed that the implementation of this strategic plan will require adequate infrastructure and funding. This level of effort cannot be sustained solely by a volunteer board with no staff.

Provincial legislation and regulations outline the requirements and restrictions for any producer check-off in Manitoba. A vote of all Manitoba sheep producers is required with at least two-thirds approval to implement a check-off. In addition, once implemented, the funds will only be able to be utilized for the purposes that were stated in advance of the vote. Furthermore, even if approved, the legislation requires that any producer that wishes to have the funds refunded can apply in writing for their return.

A number of public meetings and a lengthy process will be required to get the provincial regulator (the Agricultural Producers Organization Certification Agency) to authorize a vote. Before a vote takes place, all sheep producers will need to see what activities will be authorized for funding by the check-off.

Recommended Action

- 3 Producers must recognize that the implementation of this strategic plan cannot be sustained solely on a volunteer basis. Therefore, the MSA should take steps to ensure that it has adequate funding and staffing to implement this strategic plan. Specifically it should immediately develop a proposal to request the provincial government through the Agricultural Producers' Organization Certification Agency to hold a vote of registered sheep producers to implement a check-off on sheep and lamb produced in Manitoba.

4.1.3 Strategic Alliances for National Issues (e.g. keeping the US border open, national Scrapie control initiative, national identification, national check-off)

Support will be given and liaison maintained with the Canadian Sheep Federation to ensure that Manitoba's input regarding national issues is provided at the national level. Utilizing flock health programs, mandatory identification programs and other quality assurance programs on a national basis that are compatible with the US programs should ensure that Canadian lambs continue to have access to the US market.

Strategic alliances will be investigated and if appropriate, formed with other provincial associations to pursue mutually beneficial objectives.

At some time in the future, the possibility might exist to establish a national check-off whereby imported product would contribute to expansion of the lamb market and perhaps to the conducting of research. While this would "level the playing field" by having importers pay a share of the market promotion and other programs, it would also give the importers representation on the board that would determine how the funds would be spent.

Recommended action

- 4 The MSA should maintain its membership of the Canadian Sheep Federation to ensure that Manitoba's input into national issues affecting the sheep industry is provided at the national level. The MSA should continue to stress the importance of an open border for exports to the USA on which the continued viability of the sheep industry in Manitoba depends.

4.1.4 Strategic Alliance between the Manitoba Sheep Association and Manitoba Agriculture and Food

The MSA will continue to work closely with MAF to ensure a strategic alliance approach is used, to maximize the benefits of the resources allocated to the Provincial Sheep Specialist. Close coordination with MAF will ensure that the Provincial Sheep Specialist undertakes all possible strategic activities that can best be performed by that office. Those strategic activities that can best be undertaken by the MSA should be done by the MSA. Where it is appropriate the MSA should work closely with the Provincial Sheep Specialist.

Recommended Action

- 5 The MSA should seek to maintain close links with MAF and ensure, where possible, that programs established by MAF benefit Manitoba sheep producers. Priorities and policies established by MSA, where appropriate, should be communicated to the Minister of Agriculture and Food and senior officials, so that the voice of Manitoba sheep producers is heard by MAF as it establishes agricultural policies and programs within the province.

4.2 Strategic Action Plans – Production Oriented Extension and Education

The strategic activities that provide producer extension/education on production practises are outlined in the following section. The extension activities outlined below will largely be undertaken and coordinated by MAF staff with input/prioritisation from the MSA.

Recommended Action

- 6 The MSA should establish its priorities in respect to producer education and extension, and should ensure that the MAF provincial sheep specialist is aware of these priorities and provides a coordinating role for such activities within the Province. The extension activities will largely be coordinated by the MAF provincial sheep specialist and delivered by the MAF regional extension staff (agricultural representatives, regional forage, livestock and farm management specialists).

4.2.1 Extension - Flock Health and Production Management Including Seminars for Veterinarians

Extension training and support to producers on flock health, predation control, and other production management topics will be provided. MSII has already developed “fact sheets” on critical production related issues, a sheep producers reference manual and an extensive web site. In addition to the above, information on topics related to food safety, as defined by consumers, is needed. Information on what was successful in similar programs in other provinces will be obtained.

Priority should be given to the training of professionals, including veterinarians, livestock specialists, and Agricultural representatives. MSA should seek to develop an alliance with the Manitoba Veterinary Medical Association in respect to the continuing education of veterinarians, and with MAF, and the feed industry in regard to other professionals.

Seminars should be held with veterinarians and related professional staff to familiarize them with sheep physiology, diseases, reproduction, nutrition, etc. Concern about the disposal of sheep offal, particularly heads, at abattoirs has resulted in fewer provincially inspected abattoirs being willing to slaughter sheep. On farm disposal of deadstock in an environmentally sound manner is also of some concern and producers need to be aware of the provincial regulations and requirements.

Recommended Actions

- 7 The MSA, together with the MAF provincial sheep specialist, should ensure that flock health programs such as the Western Canadian Flock Health Program and the Scrapie Voluntary Flock Certification Program and other quality assurance programs are available for those sheep producers who wish to enrol. Auditors, veterinarians and others necessary for the delivery of such programs should be appropriately trained and evaluated. Where possible such programs should be coordinated so that the paperwork and expense to producers is kept to a minimum. Priority should be given to the training of professionals, including veterinarians, livestock specialists and agricultural representatives regarding sheep. MSA should seek to develop an alliance with the Manitoba Veterinary Medical Association regarding the continuing education of veterinarians, and with MAF, and the feed industry regarding other professionals and with the CFIA regarding federally delivered programs.
- 8 The MSA, together with MAF, AAFC, the University of Manitoba, and the private sector, should develop a project to demonstrate the value and environmental sustainability of composting or other environmentally sound methodology for the disposal sheep waste products.

4.2.2 Extension – Forages and Other Feeds

Extension and education will be provided to sheep producers with information on increased use of forages and crop by-products as a low cost feed option to traditional feeds for sheep. In addition, information will be provided on the improved management of forage, multi-species grazing (together or sequentially with other livestock), weed and brush control (e.g. leafy spurge) and other topics that will lower the cost per pound of lamb products produced.

Recommended Action

- 9 Extension and education will be provided to sheep producers with information on increased use of forages and crop by-products as a low cost feed alternative to traditional feeds for sheep. In addition, information will be provided on the improved management of forage, multi-species grazing (together or sequentially with other livestock), weed and brush control (e.g. leafy spurge) and other topics that will lower the cost per pound of lamb produced.

4.2.3 Extension for New Entrants

This strategic action plan will ensure that someone is available throughout the province (the MAF Sheep Specialist or others) to answer questions from producers and to refer producers to information sources. This information will assist in the production of lambs and other related products that meet the demands of the marketplace and generate the greatest profit for the producer.

Recommended Actions

- 14 Producer education and extension should be structured to take into account new producers entering this field of agriculture as well as those producers requiring more extensive and advanced opportunities. Contact should be made with the University of Manitoba and the Community Colleges regarding research requirements and more advanced training. A revised sheep distance education course and establishment of 4-H sheep clubs may also help to educate new entrants to the sheep industry and a new generation of sheep producers.
- 15 To assist new producers the MSA should proceed to develop and publish a list of experienced producers who are willing to volunteer as “mentors” to new producers entering the field.

4.2.4 Producer Clubs

Producer clubs have had success in many locations and in other types of commodities (e.g. grain marketing clubs). These will be researched to determine their use as part of the overall information/extension program for sheep producers and discussions with sheep producers will be undertaken to see if they will work in Manitoba. 4-H clubs will also be examined as a way to involve young people in the sheep industry.

Recommended Action

- 16 The MSA, its regional affiliates, and the Manitoba sheep specialist should facilitate the organization of local sheep clubs where a group of producers so desires. The main function of such clubs should be the exchange of information, extension, producer education, and the mentoring of new producers. If feasible, the first one or two producer clubs will be established with the assistance from MAF agricultural representatives who have a good record of success with producer clubs. If these are successful, they should be used as models for further development.

4.2.5 Seminars for Lenders to Encourage Adequate Access to Financing

To assist new entrants and expanding sheep producers to obtain a fact based response from their lender, specific information will be sent to the agricultural specialists within each of the lending organizations (Charter Banks, Credit Unions, MACC, FCC, etc.) explaining the growth in the industry and the profitability of various sheep enterprises. MSII has already commenced some of these activities with the budgets that have been developed for a number of different sizes and types of sheep enterprises from the COP survey and consensus budget development. These budgets will assist new and existing entrants in managing and planning their sheep enterprise, and in presenting information to their lenders to obtain financing.

In addition, members of the media will be contacted with a specific message about the rapid growth in the Manitoba sheep industry over the past number of years and expected future growth, with some examples of sheep producers that have grown in size, are considered profitable and are good representatives of the industry.

These articles, if generated frequently will influence many people, including lenders, to think in terms of this as a growing and profitable industry. The MAF website will be promoted as a source of information for both producers and lenders. This will make it easier for sheep

producers to get a fair hearing from their lender, which in many cases currently either has a negative view of the sheep industry, or has no information at all.

Recommended Action

- 13 To assist new entrants and expanding sheep producers to obtain a fact based response from their lender, specific information will be sent to the agricultural specialists within each of the lending organizations (charter banks, credit unions, MACC, FCC, etc.) explaining the growth in the industry and the profitability of various sheep enterprises. The MSA will initiate direct contact with bankers to profile successful sheep farms and highlight sheep production in Manitoba. The MAF/MSA sheep website will also be used as a source of information for new and expanding producers.

4.2.6 Strategic Alliances With Other Provincial Associations

Alliances and cooperation between sheep organizations in the Prairies and perhaps Ontario are important in the development of the Canadian sheep industry and may provide efficiencies and economies of scale not available to a single provincial organization, particularly in the area of marketing and the development of a Value Chain/coordinated supply chain as outlined in 4.3.6. The Manitoba Sheep Association should begin discussions with other provincial organizations to determine the level of interest in such a cooperative venture. Within the province the MSA should ensure that the concerns of sheep producers are raised with other agricultural organizations and agencies when appropriate.

Recommended Actions

- 14 The MSA should immediately seek to establish strategic alliances both within Manitoba and between Manitoba and neighbouring provincial organizations to benefit Manitoba producers in the production and marketing of sheep and the education of Manitoba sheep producers. Where appropriate, MSA should seek membership in other provincial agricultural organizations and agencies to ensure the need of Manitoba sheep producers are known.
- 15 As a first step towards inter-provincial cooperation a joint meeting between the Boards of the MSA and the SSDB should be held to discuss matters of mutual interest and concern and to determine areas where cooperation and joint ventures might be possible and mutually advantageous to producers.

4.3 Strategic Action Plans – Markets & Market Development Education/Extension

The purpose of conducting the activities outlined in this section is to improve the market information that Manitoba producers possess. This improved market knowledge will help producers to decide what type of lamb to produce (genetics, lambing time, grass-fed or grain-fed, etc.) and where to sell (feeder lambs to a feedlot, finished lamb through a lamb buyer or auction mart, etc.) in order to maximize their individual and collective profitability.

Realistically, for a long time to come, most Manitoba lambs will continue to move into feedlots to be finished. Coordinated movement of live lambs off Manitoba farms, whether as feeders or finished lambs, to the most profitable available market would benefit all lamb producers and feeders. This is a multi-faceted undertaking dealing with a host of variables. Some of these

include time of year, weight, breed, and number. Other factors include existing and potential markets, transportation options, competitors for those markets, and the dynamics and flexibilities required by feedlots/buyers. Annual cycles, changes in these cycles from year to year and the potential for premium prices into different marketing systems also need to be considered.

Producers need to know what individual customers need, when, and how much these customers will be willing to pay. If MSA can gather this information and establish the proposed producer clubs and, eventually, coordinated marketing systems, Manitoba producers will be in a position to find the premium markets for their product. Producers will change their management practices as necessary to access some of the premium markets that are undersupplied at certain times.

These strategic activities will provide extension / education to producers on what each market segment wants so that producers can know what breeds, production practices and marketing systems to use, plus provide market development activities.

4.3.1 Market Intelligence Seminars

These will be conducted utilizing several speakers and extensive discussion, captured on video, so that the videos can be replayed repeatedly by future groups of producers. Some of the potential speakers/panel members might include lamb producers, feedlot operators, processors, marketers and others. Future seminars might include speakers from the Saskatchewan Sheep Development Board (SSDB) and Sobeys/IGA to describe their strategic alliance to market lamb.

These seminars will provide information that will help producers to determine the type of lamb required by the various markets. The seminars will provide insight into the carcass quality and the processing differences required for key market segments, (e.g. carcass weight; grass or grain finished; degree of finish required; method of cutting/trimming). Food safety issues, and the marketing opportunities related to providing lamb products that have a higher standard of food safety associated with them will also be covered.

In addition to the need for a consistent quality of animals specific to each different target market, the major challenge will be to find markets that will accept a seasonal supply of Manitoba lambs and fill in the rest of the year with imports, or, which will pay a sufficient premium to allow producers to change lambing times, production practices, etc. to attempt to supply year round or nearly year round lamb products. While it is not clear that it is possible to adequately supply markets that will not accept seasonally imported product, there is certainty that, with the strategic set of activities as laid out in this Strategic Plan, improvements can be made in the ability to serve markets with Manitoba lamb, and thus, over time, increase the sales volume and prices. The selection of appropriate target market segments will be a key area of research.

4.3.2 Market Research on Market Segments & Customers

Prior to conducting the first “Market Intelligence Seminar” some market research will be conducted with the potential speakers, to identify, in general terms, the various categories of market segments (types of lambs), and to identify, on a very preliminary basis which market segments hold the most potential for Manitoba.

For example, a major international grocery chain is unlikely to be a top priority because they will demand a continuous supply of consistent quality in relatively large volumes, 365 days of the year, and will be focussed on the lower price portion of the market segments. Market research

will determine what attributes create value for consumers in various market segments, including both the retail category and the hotel/restaurant/institution (HRI) category.

After the first few “Market Intelligence Seminars”, and supplemental interviews/market research with some of the key marketers in the Canadian sheep industry, the top ranked market segments will be identified and those will be the focus of any market development projects.

4.3.3 Extension - Grading Seminars

Seminars will be conducted where live finished animals are “graded” and then the carcasses are graded for the specifications that are relevant in the market. The objective is to provide information to producers on what animal is most valuable in the marketplace. Currently, the benefits of better quality are often not reflected in the price that a lamb producer receives for feeder lambs. In the future this should change as information flows back to the producer regarding the quality required by the feedlot.

These carcass grading seminars for producers could be modelled on the work done by the SSDB in Saskatchewan and previous programs conducted in Manitoba of looking at live lambs, producers estimating the relevant specifications, e.g. carcass weight, degree of finish, body condition, etc., and then having the lambs slaughtered and rail graded, with the information provided to the producers.

Also included in the seminar would be information on breeding, flock health, production practices, nutrition, etc., as well as food safety issues, to produce an animal with the optimal set of characteristics that would be most profitable to the producer.

The standards required may vary depending on the market being targeted. (Appendix 5 shows the system that is used by some Ontario producers of “Natural Lamb”). The current Canadian grading standards and regulations for all species of livestock and poultry are available on the web. (<http://laws.justice.gc.ca/en/C-0.4/SOR-92-541/text.html>). A summary of the lamb standards is shown in Appendix 7

4.3.4 Logistics Coordination

Further study will be undertaken to determine who might provide a set of logistics services and coordination, (i.e. organize the coordination of full liner-loads for smaller producers to ship to their markets.) SSDB will be asked how they organized their programs and to advise on their successes.

4.3.5 Gather Information to Determine How, When (or if) Standards Could Be Set for Lamb Product Promotion / Brand Development In Target Market Segments

Further information will be gathered during the market intelligence seminars, grading seminars and the study of logistics coordination opportunities. After the information is available from the above seminars and market research, decisions will be made whether there is a role for the

Manitoba Sheep Association to assist one or more marketing group(s) to pursue one or two top priority and perhaps several lower priority market segments.¹

Promotion of Manitoban (and perhaps regional or Canadian) lamb products will be researched and analyzed, for developing new market segments and for expanding sales of Manitoba lamb in existing market segments. Before any promotional activities are undertaken, discussions will occur with other provincial organizations, and the Canadian Sheep Federation, to draw on promotional materials and experiences of the others.

Promotional activities will be undertaken only in conjunction with one or more marketing groups and after completing the research and analysis based on the following:

1. The “Market Intelligence Seminars”;
2. Related market research to select the top target market segments;
3. One or two appropriate market segments have been selected as the top priorities (all as described earlier).

Further guidelines are provided in Appendix 4 of how the marketing and promotional approach might evolve.

Recommended Actions

- 16 The MSA in conjunction with MAF should ensure that as extension and education programs are developed these include information relating to the marketing and promotion of lamb products, including market intelligence and grading seminars.
- 17 The MSA should research the development of the standards required to develop a “Manitoba Natural lamb” brand. If this proves to be feasible, the standards associated and the name should be trademarked and made available to producers wishing and able to meet the standards set.
- 18 The MSA should investigate the possibility of, either directly or through a contracted agent, providing logistic coordination of lamb marketing in Manitoba. Discussions with the SSDB should examine the possibility of a joint effort in this respect.

4.3.6 Development of Target Markets with a Coordinated Supply Chain/Value Chain

After the completion of a number of the Strategic Action Plans listed above (at least several years in the future), it may be timely to form significant marketing initiatives, such as an informal strategic alliance with other participants in the supply chain (e.g. processor or a marketer such as a specialty meat retailer). It also may be that if a formal organization is needed, it could be a New Generation Coop.

The initial steps will involve working with the distributors/retailers that are familiar with each of the target market segments, to identify what will need to be undertaken to improve the value of the lamb products supplied to the target market segment(s) by:

¹ For example, SSDB chose IGA {working with Sobey’s representatives} while Ontario Sheep Marketing Association chose to pursue a “Natural” branded product and work with appropriate marketers.

1. Identifying what producers need to do (including feedlot operators if they form a link in the supply chain for this particular market segment {i.e. not on-farm finishing of the lambs}); and
2. Identifying what the MSA needs to do.

What is needed will vary for every market segment being served. (e.g. SSDB's activities with IGA are very different from OSMA's activities on "Natural" lamb.) An appropriate priority target market or two will have been selected in Strategic Action Plans described above. For these market segments it may be appropriate to undertake a program to gain some market share of a growing market segment. Before proceeding with any activity, research will be conducted with provincial associations including AB, SK, ON, and PQ, plus perhaps others.

Traceability of lambs from the farm where they were produced, through the feedlot and processor, to the retail store in which the meat is sold may become an important part of the Value Chain. The National Identification Program, when implemented, may be useful in assisting to provide this traceability.

Formation of any "major" initiative, such as a New Generation Cooperative or a similar concept, whether a corporation or an informal joint venture (all of these forms referred to below as Target Market Supply Chain Coordination (TMSCC)), should be undertaken with the following criteria in mind:

1. The TMSCC will be directly funded and owned by sheep producers who choose to participate, not the MSA;
2. MSA will facilitate the formation of producer driven TMSCC's that meet these criteria, but not directly control, own or fund (beyond minor amounts at the early formation stage);
3. The TMSCC will recognize the role of all existing supply chain participants in any market segment that the TMSCC considers pursuing, and will recognize the value of the existing supply chain participants, especially feedlots and marketers. The TMSCC should focus on developing new market segments, or on working with existing supply chain participants (e.g. feedlot and marketers) to expand the total sales of Manitoba lamb into the target market segment; and
4. The TMSCC will require commitment from sheep producers involved, to ensure supply and significant financial support. For example, typically, it is necessary to obtain a commitment on the number of lambs, the quality, production practices, and other aspects to assure supply. Experience has shown that penalties for non-compliance with the supply contract are often required to ensure that producers that do not meet their commitments do not adversely affect those producers that support the TMSCC. An equity investment is also typically required to provide working capital and initial investment in marketing activities.

Under this initiative the "Natural lamb" market segment might be the one targeted. This may best be done by means of a strategic alliance with the OSMA, to avoid competition. The OSMA program uses forward contracting with payments, based on a grading grid. Standards for "Natural lamb" include only vegetable based feeds, no growth promotants, no antibiotics in feeds, no drug residues, and produced on family-owned farms. It is understood that these standards have generated some success in the marketplace in Ontario (Appendix 5).

Such a program will require producers to commit to supply at specific times, a specific number of a specific type of animal that will grade within the acceptable range of characteristics, and which have been raised using the required production practices. Certifications by the producer regarding the production practices, identity preservation of the animals from the retail level all the way back to the farm, and other requirements may be a mandatory part of the program. In order to create the incentives needed to assure consistent quality and supply, producers will receive premium prices for high quality animals. Producers that fail to meet their commitments will face a significant penalty.

A Value Chain or a Coordinated Supply Chain is desirable because it provides a mechanism to deliver products at competitive costs that consistently have high value to customers. The clear understanding of what creates value for customers is critically important in designing the Coordinated Supply Chain / Value Chain.

A traditional supply chain is based on a production oriented “product push” focus. The producer sells animals, the processor sends products to stores hoping it will sell, and there is little information flow between producer, processor, retailer and consumer.

In a Value Chain or Coordinated Supply Chain, there is a structure for responding to specific markets and customers. A “**market pull**” approach is used. Consumers demand a product prepared in a specific way from a store. This demand is communicated to the processor and ultimately to the producer who may have to adapt the production practices to produce a carcass that can be processed to meet the new needs of the consumer. A Value Chain or Coordinated Supply Chain operates on trust and the sharing of information. All of the links in the chain benefit. SSDB hired a Value Chain Facilitator to assist it to coordinate producers, processors and retailers to meet the needs of consumers.

A number of market segments were identified during the MSII Strategic Planning Workshop including:

1. Different ethnic markets;
2. Local regional markets;
3. White tablecloth restaurants;
4. Natural lamb;
5. Organic lamb;
6. Various less specific markets such as the restaurants and hotels, etc. (HRI);
7. More commodity like markets in the US, and Canadian markets that are generally served by imported NZ lamb; and
8. Specific markets for low value cuts and trim.

As was made clear in presentations by various speakers, development of a differentiated product with a brand requires very specific marketing strategy, development of a “story” about the farm or product that is told to the end-consumer of the lamb product, consistent promotion of that same message, unique labelling and promotional pieces such as stickers, and a number of other aspects that are required for successful marketing of a branded non-commodity lamb product.

Recommended Action

19. At an appropriate time, the MSA should seek to facilitate the development of marketing initiatives that may allow producers and other participants in the supply chain to add value to their products.

4.4 Summary of the Strategic Options

The above Strategic Action Plans build on the strengths identified in the Workshop breakout sessions, as identified in Section 4 above. The Strategic Action Plans also deal with each of the weaknesses, seize the opportunities, and mitigate the threats identified in Section 4. These Strategic Action Plans are expected to result in a number of benefits to the Manitoba sheep industry. Key amongst these benefits are:

1. An improved comparative position, and thus increased long term profits, for Manitoba producers versus producers from other regions by lowering production costs through:
 - Greater utilization of lower cost inputs including forages, grain and crop by-products
 - Use of improved management and technologies (e.g. reduced labour, “best practices,” etc.)
 - Increased “economies of scale” by increasing the average size of production units
 - Increased “critical mass” of the Manitoba sheep industry
2. Production practices by producers that will provide, to the extent that is profitable and reasonable, a more consistent supply of lambs to processors/consumers to meet ongoing consumer demand
3. Production practices by producers that will provide more consistently uniform high quality lambs that will allow processors to meet consumer demands for quality (as defined by the consumer)
4. Production practices that will achieve higher levels of flock health and contribute to food safety as defined by consumers
5. Improved efficiencies in the logistics systems (i.e. movement of animals from the farm gate to slaughtering/processing), thus increasing the opportunity to reduce freight costs, shipment times and improve reliability
6. Improved effectiveness of marketing activities (including marketing systems, distributors, retailers, product positioning, marketing, etc.) by focussing on the improvement of the “brand positioning” in the consumers’ mind and increased market share and consumption of Manitoba lamb products
7. A better-educated, efficient and effective group of producers, processors and marketers, from all of these extension and educational activities by the MSA and the provincial government
8. A stronger more sustainably funded provincial sheep producers association to serve producers’ needs utilizing strategic alliances with other provinces sheep associations, processors, marketers and government

5.0 OUTLINE OF IMPLEMENTATION PLAN

The MSA will, over the next three to five years, implement the strategy outlined in this document. Implementation of this strategy clearly requires a significant increase in infrastructure as well as a related increase in core funding. Funding will be needed to hire a part-time Executive Director who will work with the Board of Directors in implementing the recommendations contained in this strategic plan. Initially a proposal will be developed that it is hoped will be acceptable to producers for a check-off on sheep and lambs sold in the province. Proposals will also be developed for project funding to implement the key recommendations contained in this plan. The Executive Director and Board of the MSA will need to prioritise the recommendations contained in this plan, and develop a business plan outlining how the activities will be undertaken and funded.

Recommended Action

20. A detailed three to five year business plan will be developed for the prioritizing and implementation of the recommendations contained in this report.

Proposed Implementation Schedule for MSII Strategic Activities

The following table shows the organization that is primarily responsible (shown first) and the organization that is responsible to assist, collaborate, advise, recommend, etc. (shown second).

Strategic Activity	Responsibility
4.1 Strategic Action Plans – Obtaining the Resources	
4.1.1 Review of MSA Structure	MSA / MAF
4.1.2 Generating Financial Support for the MSA & Its Programs	MSA / MAF
4.1.3 Strategic Alliances with CSF re national issues (US border, Scrapie, ID check-off, etc.)	MSA
4.1.4 Strategic Alliances – MSA & MAF	MSA / MAF
4.2 Strategic Action Plans - Production Extension/Education	
4.2.1 Extension – Flock Health, Q A, Production Management, Vet Seminars	MAF/ MSA
4.2.2 Extension – Forage & Other Feeds	MAF/ MSA
4.2.3 Extension – New Entrants	MAF/ MSA
4.2.4 Producer Clubs	MAF / MSA
4.2.5 Seminars for Lenders	MAF / MSA
4.3 Strategic Action Plans – Market Intelligence & Market Development Extension/Education	
4.3.1 Market Intelligence Seminars	MAF / MSA
4.3.2 Market Research	MAF / MSA
4.3.3 Grading Seminars	MAF / MSA
4.3.4 Logistics Coordination	MSA
4.3.5 Gather Information to Determine How, When (or if) Standards Could Be Set for Lamb Product Promotion / Brand Development in Target Markets	MSA / MAF
4.3.6 Development of Target Markets with a Coordinated Supply Chain/ Value Chain	Initial facilitation by MSA / MAF *
4.3.7 Strategic Alliances With Other Provincial Associations	MSA / MAF

* These initiatives are expected to be taken over by a producer controlled & funded group (e.g. a New Generation Cooperative)

Note - The number of x's shown in each cell of the following table is an indication of the amount of priority/activity given to the strategic activity during that quarter.

Proposed Implementation Timeframes for the MSII Strategic Plan Initiatives

Initiative		Q2 02	Q3 02	Q4 02	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04	Q4 04
4.1.1	Review of MSA's Structure	XXXX	XXXX	XXXX	XXXX	XXXX						
4.1.2	Generating financial support for sheep industry association and programs	XXXX	XXXX	XXXX	XXXX	XXXX	XXX	XXX	XXX	XXX	XXX	XXX
4.1.3	Strategic alliances with Canadian Sheep Federation re national issues (e.g. keeping US border open, national Scrapie control initiative, national identification, national check-off)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4.1.4	Strategic alliances - MSA & MAF	Already underway / ongoing										
4.2.1	Producer extension - flock health, quality assurance and production management including seminars for veterinarians	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4.2.2	Producer extension - forage and other feeds	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4.2.3	Producer extension - new entrants	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4.2.4	Producer clubs	XX	XXX									
4.2.5	Seminars for lenders to encourage adequate access to financing	XX	XXX	XXX	XXX	XX	XX	XXX	XXX	XX	XX	XX
4.3.1	Seminars - market intelligence		XX	XX	XXX	XX						
4.3.2	Market research		XX	XX	XXX	XX						
4.3.3	Seminars - grading		XX	XXX	XXX	XXX	XXX	XXX				
4.3.4	Logistics coordination		XXX									
4.3.5	Gather information to determine how, when (or if) standards could be set for lamb product promotion / brand development in target market segments			XX	XX	XXX						
4.3.6	Development of target markets with coordinated supply chain / Value Chain						XX	XX	XXX	XXX	XXX	XXXX
4.3.7	Strategic alliances with other provincial associations	Already underway to a limited extent / to be increased in the future										

6.0 RESOURCE REQUIREMENTS

Significant resources will be required to implement the changes that are proposed in this document. The proposed sources of funding are shown in the previous section (MRAC, CFBMC, MAF, etc.). There will continue to be a significant need for volunteer efforts by the board members and steering committee of the MSA and MSII, respectively.

Proposed Resource Schedule for MSII Strategic Activities

<u>Action</u>		<u>MSA Volunteer Time *</u>	<u>MSA Cash Costs **</u>	<u>MSA Staff Costs **</u>	<u>Producer Costs</u>	<u>MAF Staff Time ***</u>	<u>Project Fund- ing</u>	<u>Total Reources</u>	<u>Potential Funders</u>
Organization Function/Structure and Funding							Total of		
4.1.1	Review MSA Structure	\$1,000	\$0	\$0	\$0	\$3,375	\$15,000	\$19,375	
4.1.2	Generate MSA Funds	\$10,000	\$10,000	\$15,000	\$0	\$3,375	for Business	\$38,375	
4.1.3	Strategic Alliances CSF	\$6,000	\$18,000	\$5,000	\$0	\$3,375	Plan	\$32,375	
4.1.4	Strategic Alliances MAF	\$15,000	\$0	\$5,000	\$0	\$3,375	development	\$23,375	
	Sub Total	\$32,000	\$28,000	\$25,000	\$0	\$13,500	\$15,000	\$113,500	
Extension									
4.2.1	Flock Health Extension	\$15,000	\$2,000	\$5,000	\$12,000	\$9,000	\$15,000	\$58,000	MRAC
4.2.2	Forage/other Extension	\$5,000	\$600	\$1,600	\$5,000	\$30,000	\$20,000	\$62,200	
4.2.3	New entrant Extension	\$5,000	\$600	\$1,600	\$5,000			\$12,200	
4.2.4	Producer Clubs	\$6,000	\$500	\$1,600	\$2,000	\$9,000	\$2,500	\$21,600	MRAC
4.2.5	Lender Seminars	\$1,200	\$900	\$400	\$0			\$2,500	FBMC
	Sub Total	\$32,200	\$4,600	\$10,200	\$24,000	\$48,000	\$37,500	\$156,500	
Market Intelligence and Development									
4.3.1	Seminars Market Intel	\$2,000	\$1,500	\$4,000	\$1,600	\$10,500	\$7,500	\$27,100	MRAC & FBMC
4.3.2	Market Research	\$2,000	\$500	\$5,000	\$0	\$28,500	\$7,500	\$43,500	MRAC & FBMC
4.3.3	Seminars Grading	\$2,000	\$1,500	\$2,000	\$800	\$28,500		\$34,800	MRAC & FBMC
4.3.4	Logistics Coordination	\$6,000	\$500	\$2,500	\$0		\$5,000	\$14,000	MRAC & FBMC
4.3.5	Promo/Brand Develop	\$2,000	\$500	\$5,000	\$0		\$7,500	\$15,000	MRAC & FBMC
4.3.6	Develop Supply Chain	\$2,000	\$500	\$2,500	\$0	\$28,500	\$10,000	\$43,500	MRAC & FBMC
4.3.7	Provincial Alliances	\$6,000	\$3,000	\$2,000	\$0			\$11,000	MRAC & FBMC
	Sub total	\$22,000	\$8,000	\$23,000	\$2,400	\$96,000	\$37,500	\$188,900	
		<u>\$86,200</u>	<u>\$40,600</u>	<u>\$58,200</u>	<u>\$26,400</u>	<u>\$157,500</u>	<u>\$90,000</u>	<u>\$458,900</u>	
	Project administration/management	\$36,000					\$10,000	\$46,000	
	Totals	\$122,200	\$40,600	\$58,200	\$26,400	\$157,500	\$100,000	\$504,900	

* MSA volunteer time and staff costs are calculated at \$200 per day

** Assumes that a producer check-off will be collected in year 2 & 3

*** MAF staff time valued at \$300 per day including support staff costs and expenses

7.0 APPENDICES

7.1 Appendix 1- Manitoba Sheep Industry Initiative Comparative Advantage Study Highlights.

The full report may be found at

<http://www.gov.mb.ca/agriculture/livestock/sheep/pdf/bsa01s46i.pdf>

The Comparative Advantage Study included research and analysis of the Manitoba industry's comparative advantage position. It emphasized the successful practices that have been developed by other provinces and countries to create profitable sheep industries by filling consumers' needs. It also identified opportunities to improve Manitoba's comparative advantages.

The Comparative Advantage Study highlights included:

Generic Comparative Advantage Factors

- Locational factors including low cost, high quality resources:
 - Raw materials (forages, grain)
 - Human resources (family labour, skilled workers)
 - Capital resources (low cost land, equity and financing)
- Several Types of Infrastructure:
 - Physical (roads, utilities, etc.)
 - Informational (extension services)
 - Administrative (sheep association activities to promote the industry)
 - Scientific & technological (university and other researchers)

Manitoba's competitors – those that supply markets that Manitoba currently targets or may target in future, include:

- New Zealand
- Australia
- Alberta*
- US*
- Saskatchewan
- Ontario*
- Quebec*

* Both competitors and customers

Comparative Advantage Factors of the Manitoba Sheep Industry for Commodity Lamb Markets

Production Oriented Factors:

- Low-cost inputs (high quality at low cost to create low cost per \$ of sales)
- Level of management & technology use
- Optimal size of production units (to achieve low cost per unit of production)
- Numbers of sheep ("Critical Mass" of the province's or region's industry)

Processing, Marketing & Supply Chain Factors:

- Uniform carcass size and consistent quality/supply
- Efficient logistics system (movement of animals and products from farm to consumer)
- Efficient slaughter & processing (large modern plants with value-added processing)
- Profitable markets for by-products (trim, offal, blood, skins, etc.)
- Effective marketing (packaging, labelling for retail and foodservice customers)

Extension, Education & Association Factors:

- Effective industry associations, farmer marketing groups, New Generation Cooperatives, etc.
- Government support for extension, research, technology improvement, marketing programs and tax reductions specific to the sheep industry

These factors could help to expand the industry (critical mass)

Comparative Advantage Factors for Niche Lamb Markets

- Cost-efficiency is less important in niche markets. Other factors are more important:
 - Use or non-use of certain management practices
 - Consistent supply of product with specific characteristics:
 - Slaughtering procedures (e.g. Kosher, Halal, etc.)
 - Natural/organic/grass-fed, etc.

Often the need to provide consistent supplies leads producers to work together in New Generation Coops or similar structures

World Sheep Industry

- World sheep production has declined for years
- Most sheep are raised on forage-based systems and fattened on either just forage, or forage with small amounts of grain
- New Zealand & Australia have huge economy of scale advantages in production of sheep and lambs (estimated production costs in the range of half of MB costs);
- US has attempted to shield its producers from imports with tariffs and support programs

Manitoba's Place in the World Sheep Industry

Approximate Sheep Numbers by Country	
Country	Approximate Sheep Numbers
Australia	126 million
New Zealand	47 million
United States	9 million
Canada	1 million
Manitoba	.079 million

Manitoba has less than 0.06 % of Australia's sheep numbers

Economies of Scale

Australia & New Zealand have economies of scale advantages in production; slaughtering & processing; and marketing because of the size of their industries. For example, some of their

plants process 8,000 lambs/day, while Canada West processes an estimated 200 lambs/day (utilizing excess capacity to process hogs and veal calves)

New Zealand

- Long established leader in marketing lamb to the World
- Low-cost Production (year-round grazing)
- Sophisticated marketing of premium quality grass-finished lamb through industry alliances
- Established sales/marketing subsidiaries in US and Cdn markets over 40 years ago
- Developed Accelerated Aging and Controlled Atmosphere Packaging

New Zealand Lamb Products

- Marketed through extensive distribution centres and networks of brokers and sales reps
- Processed in HACCP certified plants that meet ISO 9002 standards (USDA & CFIA approved)
- Free of growth hormones & antibiotics
- Processed using Accelerated Aging techniques to ensure tenderness
- Shipped in Controlled Atmosphere Packaging, Retail Case Ready Packaging and vacuum packaging

Australia

- Second largest exporter of mutton and lamb
- Previously was predominantly focused on wool production
- Only recently begun to focus on “Prime Lamb” (poor wool prices)
- Crossbreeding Merino with Suffolk & other meat/dual purpose breeds (shorter, compact lambs)

Australia’s Advantages

- Free of Scrapie and many other diseases
- Natural free-range production
- Latest farm management, husbandry, processing transportation techniques
- Rigorous quality & food safety codes – export to over 100 countries
- Strong industry and government/industry alliances to support export marketing

United States

- Mainstay is large ranches on federal government grazing leases
- Flock has been in steady decline (3 to 7% per year)
- 10 key states:
 - Texas, California, Wyoming
 - Colorado, S Dakota, Utah
 - Montana, New Mexico
 - Idaho, Iowa
- Government support for research & marketing

- Average lamb 25% larger than New Zealand lamb
- US industry thinks restaurants want larger cuts and prefer milder flavour of grain finished lamb
- However, NZ & AU imports continue to grow despite US tariffs (9% tariff in 1999)
- Recently Australia supplies larger share of US imports
- New coops (Dakota Lamb Growers, Mountain States) have been formed to serve the needs of consumer for higher quality lamb products

Canadian Sheep Industry

- Canadian industry began to grow in 1977 following years of decline
- Canadian self-sufficiency has improved from 17% of consumption in the 60's and 70's to the 40% range in the 1990's.
- Alberta, Ontario & Quebec dominate (69% of Canada's total flock)

Canadian Sheep Industry Size - July 2001

Sheep Numbers at July 1/01 & % of Canadian		
Province	Sheep Numbers	% of Canadian Total
Quebec	205,900	19.8%
Ontario	281,500	27.0%
Alberta	234,300	22.5%
Subtotal	721,700	69.3%
Saskatchewan	122,700	11.8%
Manitoba	78,800	7.6%
BC	70,000	6.7%
Nova Scotia	28,100	2.7%
Other	20,000	1.9%
TOTAL	1,041,300	

Canadian Markets

- Canadian consumption remained level in 1980s and 1990s at 0.7 kg. per capita per year
- Consumption is concentrated in Quebec, Ontario & BC
- Slaughter is concentrated in ON, QB & AB (In 1999 56.4%, 21.9% & 18.7% respectively)
- Large numbers of Manitoba lambs are shipped to destinations in the USA

Ontario

- Breeding flock increased 15.3% from 1996 to 1999
- Mainly small intensive feeding operations
- Most feeding done near the ethnic markets (Toronto, Ottawa). Sheep raised throughout the province
- Ontario Sheep Marketing Agency – producer run agency represents all aspects of sheep & wool production
- Supply about 50% of Ontario's lamb consumption

Quebec

- Supply about 20% of QB lamb consumption
- 60% of lambs are sold as milk-fed lambs (16-18 kg. live)
- 9 producer marketing groups coordinate slaughter/processing for members
- Significant government support for performance testing, AI and embryo transfer; research and extension programs

Alberta

- Canada West Foods operates Canada's largest lamb slaughter & processing plant
- Sheep numbers have decreased during the last decade (from 264,000 in 1995 to 234,300 in 2001)
- In 1996 Canada West slaughtered 44,000 lambs, 11,000 more were slaughtered in provincially inspected abattoirs, mainly for the home freezer trade
- Alberta Sheep and Wool Commission is funded by a compulsory check-off and has provided a strong, effective lobby for producers on several issues
- High land and labour costs cause production costs to be higher than SK and MB

Saskatchewan

- Sheep numbers have increased steadily since 1986
- Production is located throughout the province
- Both range flocks (200-500 ewes) & farm flocks (60-250 ewes)
- Range flocks mainly in southwest (community pastures near Tompkins & Mortlach provide grazing)
- Saskatchewan Sheep Development Board (SSDB) is funded by producer check-off and:
 - Coordinates market development
 - Operates a fee-for-service sales service for breeding stock and slaughter animals for members (further details about SSDB's activities are included in Appendix 1 of this document)
- Saskatchewan's breeding flock increased 12% from July/00 to July/01

Manitoba's Sheep Industry

- Manitoba's sheep numbers more than doubled in the five years from 1996 to 2001 from 37,500 to 78,800
- The Manitoba breeding flock increased by 20% from July/00 to July/01 (Canada's increased 6%)

Manitoba's Advantages

- Low cost land (45% of the cost in Alberta, 17% of the cost in Southern Ontario)
- Estimated Cost of Production (COP) of alfalfa hay
 - Manitoba \$46/ton
 - Alberta \$61
 - Ontario \$54

- Kansas \$100
- Estimated COP for Pasture
 - Manitoba \$19.04/ewe/season
 - Saskatchewan \$20.32
- Competitive labour costs
- Largest lamb feedlot in Canada

Manitoba's Disadvantages

- Size of production units
- Number of sheep
- Uniform supply & consistent quality
- Logistics system
- Efficient slaughter & processing
- Profitable markets for trim, offal, etc.
- Effective product marketing
- Strong, well-funded industry association

Summary of Manitoba's Comparative Advantage Position

- Manitoba is in a relatively weak position
- However, MB's advantages (low cost land, forage and grain and competitive labour costs) are not easily duplicated by others
- Opportunity to increase consumption of Manitoba Lamb

Potential to Improve Comparative Position

Expected that the MB Sheep Industry Has Good Potential to Improve:

- Production management & technology
- Size of production units
- # of sheep
- Uniformity & consistency
- Logistics system
- Efficient slaughter & processing (long-term)
- Product marketing
- Strong industry association

Short-Term:

- Increase production through expanding size of operations and the industry
- Improve marketing and supply chain coordination

Long-Term:

- Improve efficiency of slaughter and processing
- Increase extension activities and funding of the industry association

- Improve logistics, product uniformity & quality and marketing perhaps in a strategic alliance with Saskatchewan producers

7.2 Appendix 2 – Highlights of Break-Out Session 1

This first break-out session focussed the participants attention on the strengths and weaknesses of the Manitoba sheep industry; the opportunities available to the industry; and the threats that the industry faces now and in the future.

Strengths:

- Low land, feed (forage, grain and by-product) costs
- Ample land and water supply/quality for expansion
- Environmentally sustainable production systems
- Major lamb buyer in Manitoba
- Sheep are adaptable to different areas and conditions
- High quality forage
- Good geographic location (transportation and clean air, water)
- Varied markets (niches, ethnic diversity)
- Favourable climate
- Low value of the Canadian dollar

Weaknesses:

- Lack of funding for an industry organization
- Loss of animal husbandry skills and sheep production knowledge
- Lack of Manitoba lamb processing and related infrastructure (offal and mortality disposal)
- Consumer resistance (lamb expensive, don't like taste, have not tried it)
- Lack of AI, vets familiar with sheep, flock health programs and drugs for use in sheep
- Too many breeds (lack of consistency)
- Lack of coordinated supply chain (consistent year round supply)
- Lack of feedback re carcass quality
- One major buyer in Manitoba
- Producers have been too independent to work together (rivalry for existing markets)
- Poor financial returns from sheep
- Poor marketing infrastructure
- Lack of individual animal identification and trace back systems
- High COP of average sized operations
- Dependence on the US market
- Lack of high quality genetics in Manitoba flocks
- Lack of coordinated producer network amongst provincial associations and the Canadian Sheep Federation

Opportunities:

- Sheep enterprise could add value to farm produced forage and grain in many operations
- Environmental opportunities (leafy spurge, vegetation management)
- Cooperation and strategic alliances with other livestock groups, including joint marketing and promotion programs (e.g. goat producers or grass-fed beef producers); working with sheep associations from Saskatchewan and Alberta; and working with cattle or other producers regarding grazing options
- Low initial investment
- Promotion at local fairs and farmers markets
- Niche markets (health food stores – Omega 3 and CLA)
- Location (could work together with Saskatchewan)
- Momentum (need to build on enthusiasm)
- “Clean and Green” image
- Small size of industry could allow us to react quickly to changing conditions and opportunities
- Consumer and producer education
- Supply a market with reduced local supplies (particularly the US where sheep production is declining)
- Product diversification (wool, milk)
- Develop differentiated and branded products for niche markets
- Coordinated marketing (develop Value Chain)
- Flock health programs
- Declining world sheep numbers creates more opportunity for more domestic supplies
- Strategic alliances with other provinces and/or states

Threats:

- Lack of direct government support programs for producers versus other competitive jurisdictions (e.g. US and Quebec)
- Inexperienced new entrants could create a perceived risky image in the minds of lenders
- Lack of experience among lending agencies
- Scrapie and other diseases
- Risk to biosecurity
- Animal liberation groups (PETA, etc.)
- If we don't act quickly, offshore competitors (NZ, AU) may take more of our niche markets
- Environmental issues (disposal of offal and mortalities)
- Not listening to consumers' needs and wants
- Competitors' receiving government support and subsidies
- Potential closing of US border to imports
- Changes in drug use regulations

- Limited (until recently) government extension support for the Manitoba sheep industry
- Uncontrolled expansion (before markets expand)
- Negative public (i.e. voter) perceptions about livestock operations and potential regulations / restrictions on farming practices
- Low value of New Zealand and Australian dollars
- Un-inspected on-farm slaughter of sheep and lambs

7.3 Appendix 3 – Highlights of Break-Out Session 2

The second break-out session asked participants to envision what the industry might look like in ten years and what steps would need to occur to reach that vision. The highlights of the discussions are shown below.

Vision (10 Years in the Future):

- 65,000 to 100,000 ewes, with some views that there might be as many as 250,000 to 500,000 ewes (currently 33,800);
- Average flock sizes of between 90 and 500 ewes, perhaps with some operations as large as 5,000 ewes;
- Expansion is expected to occur in the southwest (spurge control), mixed farming operations (beef and grain operations), some large intensive and extensive operations, and a small increase in sheep dairy;
- Producer involvement might include:
 - New Generation Cooperatives, possibly funded through a marketing fee on all lambs/ewes/rams sold through the New Generation Cooperative (perhaps with a sliding scale of fees for smaller producers who need more assembly/consolidation to put together marketable sized lots of lambs);
 - Regional development projects (e.g. Manitoba branded lamb or a larger regional branded product, produced to certified standards, and available year-round, including Saskatchewan, Ontario and /or North Dakota);
 - Product promotion and consumer education;
 - Increased funding to the sheep association (check-off); and
 - Alliance with Saskatchewan producers and SSDB;

Changes Required to Bridge the Gap:

- Development of an organized marketing system with a branded product and consistently high quality specifications;
- Higher levels of producer education (especially for new entrants);
- Quality breeding stock of known disease and performance status;
- Joint Manitoba-Saskatchewan check-off funded marketing and promotion agency;
- Well-funded coordinating body;
- A promotion/extension program designed to attract experienced sheep producers to move to Manitoba;
- Support and encouragement of several additional feedlot operators who would be part of a coordinated supply chain within Manitoba;
- New Generation Cooperative(s) through which producers would form alliances with other players (processors, distributors/retailers) in a coordinated supply chain;

- Strong marketing thrust for niche (e.g. natural) markets;
- More large scale feedlots in Manitoba (possibly along with smaller producer cooperative owned feedlots);
- Producer control of processing function (contract with a slaughter/processing plant, rather than own “bricks and mortar”);
- Increased funding (e.g. check-off) for an industry association;
- Production protocols to suit different market niches;
- Retail market / consumer requirement surveys;
- Marketing study to determine what needs are in the areas of:
 - Consumer education;
 - Product promotion; and
 - What groups (market sectors) to target

7.4 Appendix 4 – Saskatchewan Sheep Development Board Programs and Services

The SSDB is funded by a check-off and is mandated to conduct a number of programs and services for the sheep industry. These include:

- Extension/training: – predation program; 42 group sessions on farms; extension person on phone to assist new entrants;
- Extension/training: – assistance to improve the consistency of lambs produced through feedback on carcass quality (15,000 lambs marketed by board and feedback on rail grade of carcass provided);
- Financing Support: - access to capital (guaranteed loan program);
- Market Development: - niche market research/investigation; work with IGA & Food Centre;
- Promotion: - SK Lamb logo and sticker; in-store promo's; free lamb for banquets; etc.
- Organizing Coordinated Supply Chain/Value Chain:
 - Feasibility study explored New Generation Coops;
 - Studied and got assistance from SK Council for Community Development for creating a “Value Chain” to serve the new markets, including the services of a value chain coordinator.

7.5 Appendix 5 –Ontario Sheep Marketing Agency

Fred Baker, Chair of the Canadian Sheep Federation spoke at the MSII Strategic Planning Worksop about the success of OSMA's program of forward contracting using a grading grid. Natural lamb (fed only vegetable based feeds, no growth promotants, no antibiotics in feeds, no drug residues, produced on family-owned farms) is being promoted in Ontario with some success.

The grading characteristics to be identified will vary depending on the market segment that is the target. For instance, the Natural Lamb product being promoted by the Ontario producers includes grading on a grid that includes characteristics such as:

- Carcass weight;
- Loin eye, shoulder, and leg muscle scores;
- Tissue depth;
- Back fat;
- Seasonal incentives for year round supply;

Price incentives include a range of +/- \$15 per 100 lbs. from the base price, with a price of \$1.45/lb. liveweight for lambs that meet the grading standards. This price is constant for every week of the year. Producers are required to commit to supply a constant number of lambs year round. Only some of the producers have signed up for this program, and of those that have signed up, they have only committed to supply a modest percentage of their total lambs, and even of those lambs that they select, not all meet the requirements of the grading grid. During the late fall and winter months it has been difficult to obtain sufficient numbers of lambs.

Fred Baker pointed out that for each market flexibility is needed and that "The best production and marketing system is one that makes a profit."

7.6 Appendix 6 - Lamb Product Promotion and Brand Development in Target Market Segments

The following information relates to strategic options 7.3.5 and 7.3.6 and is provided as an example of how the marketing and promotion programs might be expected to evolve.

Promotional activities would be undertaken only by utilizing a sound methodical approach consisting of answering the questions involved in the following steps:

1. What target market segment is being targeted?
2. Who are the purchase decision makers for that target market segment?
3. What message will “best” increase purchases of Manitoba lamb products?
4. What media is most effective and efficient at communicating that message to that specific audience?

For example,² for lamb products (need to define the particular cuts) sold in IGA stores, it could be that urban women with children at home are the dominant purchase decision makers. And, that the message that will have the greatest impact on both sales and profitability for Manitoba lamb producers’, is a combination of quality and value, perhaps tied to a “Brand” such as Manitoba (or Manitoba/Saskatchewan or a larger region) lamb, not just low price.

This particular message must be evaluated compared to other messages that may be communicated to this target audience by anybody else’s promotion programs, to ensure that there is consistency in the brand image being created, e.g. if MSA’s message is one of quality and value, and someone else, such as a retailer, is sending a message of low price, these two messages will work at cross purposes and significantly diminish the results of both, unless MSA has clearly defined its Brand as different than the other product.

If the above example of “urban women with children at home” is the right target group and if “a combination of quality and value” is the right message, what is the best way to communicate that message to that audience? Research from specialists will answer that question, and it may be that particular magazines most effectively and efficiently will reach that target group. Then the advertisement for that message, for that target group, for that media (magazines) can be developed. In addition to such messages through the media, it will likely be wise to also use a variety of other promotional techniques in a campaign that includes promotions such as coupons and in-store sampling, combined with in-store coupons at the retail level, to stimulate trial by new customers and to increase demand by existing lamb eaters.

Development of the strategy, around the message to be communicated, will answer the question of how to Brand some Manitoba lamb products for specific markets. The development of a strong brand image is a powerful marketing tool, but it is expensive and challenging to achieve such an image in the minds of a significant number and percentage of the consumers in the target market segments.

Much work is involved to do this whole set of four steps right. If not done with a proper methodology (e.g. if done by intuition) experience has shown that most of the money spent will

² It is not intended that this example be taken to indicate that the information in it is necessarily correct, only that it is an example of the methodical approach required.

be wasted with no results. For instance, a good TV advertisement can cost up to \$100,000 just to develop, without even running it. A TV ad campaign, but still small by the food industry standards, can be \$1 million. Thus, a targeted approach, can be much lower cost, and much more effective and efficient. But, it requires a methodical approach with much planning and use of appropriate expertise.

A number of people that are now Manitoba sheep producers have some insights from past experience with promotional programs, as well as drawing on the experience of other provincial associations, individuals with feedlots and processors (e.g. Canada West), and appropriate specialists.

7.7 Appendix 7 – Canadian Lamb Grading standards (<http://laws.justice.gc.ca/en/C-0.4/SOR-92-541/text.html>)

PART V - GRADING OF OVINE CARCASSES

General

- 45 (1) There shall be five grades of ovine carcasses with the grade names Canada AAA, Canada C1, Canada C2, Canada D1 and Canada D4.
- (2) A grader, or an employee of an establishment, shall determine the maturity of an ovine carcass
- by examining its dentition; or
 - by determining the presence of a break joint or spool joint and examining the colour and distribution of blood deposits in the joint.
- (3) A grader shall determine the fat level of an ovine carcass by measuring the fat with a ruler over the twelfth rib and 11 cm off the midline of the ovine carcass.
- (4) A grader shall determine the yield class of every lamb carcass that is graded Canada AAA.
- (5) The yield class of a lamb carcass that is graded Canada AAA and that has a fat measurement set out in column I of an item of the table to this subsection is the yield class set out in column II of that item.

TABLE - DETERMINATION OF YIELD CLASS FOR LAMB CARCASSES GRADED CANADA AAA

Item	Fat Measurement (mm)	Yield Class
1	Less than 13	Canada 1
2	13 to 18.9	Canada 2
3	19 to 24.9	Canada 3
4	25 or more	Canada 4

- (6) A grader shall determine the average muscling score of every lamb carcass by evaluating the muscling of each primal cut, by assigning a score ranging from a minimum of 1 to a maximum of 5 for the muscling of each primal cut, by determining the total muscling score for the primal cuts and by dividing the total muscling score by 3. SOR/99-214, s. 4.

Grade standards for Canada AAA

- 46 The standards for an ovine carcass of the grade Canada AAA are the following:
- the maturity characteristics set out in Schedule I to this Part;
 - a minimum muscling score of 2 for each primal cut and a minimum average muscling score of 2.6;
 - flank muscles that are pink to light red in colour;

- (d) a fat covering that
 - (i) is firm and white or slightly tinged with a reddish or amber colour,
 - (ii) is not less than 4 mm in thickness at the measurement site, and
 - (iii) extends to provide at least a thin cover over the top of the shoulders, the back and the outside of the centre part of the legs; and
- (e) a minimum of traces of fat streakings on the inside flank muscles. SOR/99-214, s. 4.

Grade standards for Canada C1

46.1 The standards for an ovine carcass of the grade Canada C1 are the following:

- (a) the maturity characteristics set out in Schedule I to this Part;
- (b) a minimum muscling score of 1 for each primal cut or a minimum average muscling score of less than 2.6;
- (c) flank muscles that are pink to light red in colour; and
- (d) a fat covering that
 - (i) is firm and white or slightly tinged with a reddish or amber colour, and
 - (ii) is less than 4 mm in thickness at the measurement site. SOR/99-214, s. 4.

Grade standards for Canada C2

46.2 The standards for an ovine carcass of the grade Canada C2 are the maturity characteristics set out in Schedule I to this Part and either of the following:

- (a) flank muscles that are dark red in colour; or
- (b) a fat covering that is yellow in colour. SOR/99-214, s. 4.

Grade standards for Canada D1

47 The standards for an ovine carcass of the grade Canada D1 are the following:

- (a) the maturity characteristics set out in Schedule II to this Part; and
- (b) a fat covering that is less than 13 mm in thickness at the measurement site. SOR/99-214, s. 4.

Grade standards for Canada D4

47.1 The standards for an ovine carcass of the grade Canada D4 are the following:

- (a) the maturity characteristics set out in Schedule II to this Part; and
- (b) a fat covering that is 13 mm or more in thickness at the measurement site. SOR/99-214, s. 4.

SCHEDULE I (Sections 2 and 46 to 46.2)

MATURITY CHARACTERISTICS FOR LAMB CARCASSES

- 1 Fewer than two permanent incisors.
- 2 Two break joints or, in the case of a carcass with one break joint and one spool joint, the break joint has four intact and well-defined ridges with at least a slightly red and slightly damp surface.
- 3 Ribs that are no more than slightly wide, tend to be rounded rather than flat and are reddish in colour.

SOR/99-214, s. 4.

SCHEDULE II (Sections 2, 47 and 47.1)

MATURITY CHARACTERISTICS FOR MUTTON CARCASSES

- 1 Two or more permanent incisors.
- 2 Two spool joints or, in the case of a carcass with one break joint and one spool joint, the break joint has a dry and mainly white surface.
- 3 Ribs that are wide, flat and white.