

British Columbia Sheep and Wool Industry Development Plan

1990

AGRI-FOOD REGIONAL DEVELOPMENT SUBSIDIARY AGREEMENT



ACKNOWLEDGEMENT

The British Columbia Sheep and Wool Industry Development Plan was funded by the productivity Enhancement Programme of the Canada-British Columbia Agri-Food Regional Development Subsidiary Agreement (A.R.D.S.A. 1985-90). The Agreement, which provides a variety of programmes for the development of the Agri-Food industry, is cost-shared equally by the governments of Canada and British Columbia through Agriculture Canada and the B.C. Ministry of Agriculture and Fisheries, respectively.

The responsibility for the development plan as written and all conclusions reached herein are those of the Sheep Project Advisory Committee. The report does not necessarily reflect the opinions of the federal and provincial governments which funded the study.

INTRODUCTION LETTER

The diversity of conditions in sheep production in B.C. including climate, land values, market access and feed production capabilities, has resulted in this sheep industry development plan which takes into full account the different constraints and opportunities in the various regions of the province. Recognition is given to the fact that B.C. produces only about 14% of its present lamb requirement. With the availability of an abundant renewable forage resource, there exists a prime opportunity for growth and development in the B.C. sheep and wool industry. The thrust of this plan is to enhance the efficiency, competitive position and economic stability of the B.C. sheep and wool producer. Gratitude is expressed to all the sheep producers who were able to participate in the development process. The importance of the primary role of the producers is acknowledged. The involvement of both Agriculture Canada and the B.C. Ministry of Agriculture and Fisheries has facilitated discussion and access to information concerning both production and marketing. Sheep production programmes and systems were discussed with other provinces in Canada, the Pacific North Western states and New Zealand.

The entire process was funded by the Agri-Food Regional Development Subsidiary Agreement (A.R.D.S.A.) and evolved during many meetings of the Project Advisory Committee which

Included:

John and Lorraine Buchanan - Sheep producers.

Brian Currie - Sheep producer/B.C. Sheep and Wool Commission

Peter Fofonoff - Ministry of Agriculture and Fisheries.

Dr. John Hill - Agriculture Development Branch. Agriculture
Canada.

Harvey Sasaki - Ministry of Agriculture and Fisheries.

Dr. Malcolm Tait - University of British Columbia

The committee was assisted by Mike Downes, as research
assistant.

MISSION STATEMENT

To promote sustained growth and development of a unified, market responsive, profitable commercial sheep and wool industry in British Columbia.

* * * * *

PRIMARY OBJECTIVES

1. To form a unified sheep organization which would effectively pursue industry driven initiatives.

2. To establish an effective technology transfer programme through a sheep industry specialist and to encourage the adoption of appropriate technology by producers through introducing a Master Sheep Producers Programme.

3. To increase the average gross margin per ewe from \$28 to \$63 over a five year period, and to encourage expansion of the industry towards a greater market share (from 14% to 28% in 10 years).

SUMMARY OF SHEEP INDUSTRY PROFILE

The B.C. breeding flock has, in number, remained relatively static over the past 10 years. Production of lamb in 1989 was 560 tonnes. B.C. produced lamb represents only 14% of the total provincial consumption. The price of lamb declined by 30% in mid 1988 and remained at this level. Approximately half of the sheep are raised in the south western corner of the province. There are 1536 sheep producers in the province of which 140 are purebred breeders.

There is a consumer preference for fresh lamb over frozen, but due to its convenience in handling and low price, frozen lamb still accounts for 43% of the consumption. Off-shore suppliers are successfully landing fresh vacuum packed lamb in B.C., which competes directly with the B.C. product. More than two thirds of the B.C. produced lamb is sold directly from producer to consumer. Much of this production is from part-time sheep producers. The full-time, commercial operators tend to be rather remote from the coastal market region, less able to market directly, and experience difficulties in marketing and transportation.

The wool industry is experiencing low world prices. The provincial wool production is equivalent to 5% of its requirement. The majority of the wool chip is shipped east for grading and export. Very little locally produced wool is used in the province, due mainly to the lack of processing facilities

VALUE PROFILE
-1989-

PRODUCT	LBS.	AVERAGE PRICE \$/LB.	WHOLESALE VALUE \$
<u>LAMB MEAT</u>			
B.C. Consumption	8,677,702	2.22	19,264,498
B.C. Production	1,247,290	2.23	2,781,456
Imports to B.C.	7,430,412	2.20	16,350,000
B.C. Exports (liveweight)	345,700	0.75	259,295
<u>RAW WOOL</u>			
Estimated B.C. Production	220,000	0.75	165,000
Raw Wool Shipped to C.C.W.G.	152,404	0.75	114,303

STRATEGIC PRIORITIES

1.0 Industry infrastructure.

1.1 A Representative Provincial Sheep Organization.

The British Columbia sheep industry is presently represented by a number of sheep organizations. However, to effectively pursue industry driven initiatives, there is a need for a unified provincial organization. This provincial organization will be responsible for:

(a) Industry Coordination.

- (i) Leadership.
- (ii) Development of the sheep industry, including the coordination of regional development.
- (iii) The need to develop a strong local producer group(s) to exploit the benefits of bulk purchasing of supplies was promoted by Saltspring Island and other regions.

(b) Directing promotion and marketing.

- (i) Ascertaining market requirements of lamb and wool.
- (ii) Market information dissemination. The need for an information source of markets, supplies and services was expressed by the Thompson region.

- (iii) Product promotion using packaging, labeling and advertising.
- (iv) Adopting a lamb rail-grading system.
- (v) Facilitating the use of live lamb grading where desired. Peace and Omineca are particularly interested in this aspect.
- (vi) Encouraging regional groups or private enterprise to coordinate the assembling and trucking of lambs to market.
- (vii) Promoting high quality wool production and its collection for marketing.
- (viii) Addressing reported inadequacies in slaughtering facilities in the Cariboo, Peace, Omineca, Thompson and Okanagan regions.
- (ix) Initiating a study for the development of a feedlot sector for the potential benefits of consistent product supply.
- (x) Encouraging private enterprise where possible.
- (xi) Investigating levels of support given to producers of lamb and wool who are competing for a share of the B.C. market. It is vital that some form of price stabilization be negotiated with governments so that expansion the industry in its formative years is not impeded.

All regions report on the need for effective marketing and promotion and recognize the importance of a consistent quality product. The latter is of particular concern to processors.

(c) **Industry Representation.**

- (i) Lobbying the government on behalf of the sheep producers.
- (ii) Representing the province on the Canadian Sheep Federation.
- (iii) Addressing the problem of predator control on a regional or local basis.
- (iv) Making recommendations on research requirements.
- (v) Encouraging the provincial government to change their policy on crown land use in order to promote the development of the B.C. sheep and wool industry.
- (vi) Identifying the environmental and financial contribution of clear-cut grazing to the forestry industry as a silviculture tool.

See APPENDIX 3.

2.0 Technology Transfer.

All regions stated the need for technology, improved production and management skills to promote and sustain growth of the industry.

Specific priorities of technology transfer are:

(a) Nutrition.

- (i) Feed recommendations and forage analysis.
- (ii) Feed storage structures and handling facilities.
- (iv) Production of high quality home-grown feed.

(b) Reduction in Feed Costs.

- (i) The high cost of feed is a major constraint on profitability on the Island and Lower Mainland regions.
- (ii) Promotion of grazing of all available natural and improved forage. The importance of the success of this concept is acknowledged by the Omineca, Cariboo and Thompson regions.
- (iii) Alternative feed sources should be investigated and promoted where feasible.

(c) Farm Management.

- (i) Financial and production record keeping.
- (ii) Farm business analysis.
- (iii) Selection criteria for flock improvement.
- (iv) Promotion of flock health.

(d) **Technology.**

- (i) Identification and recognition of research needs in various regions of the province.
- (ii) New technology transfer, where applicable.

3.0 Producers Goals.

There is a need for producers to target on some attainable goals of productivity in order to evaluate individual progress. There is a need to establish industry production benchmarks.

Various scenarios can be produced by using the factors of production within the control of the producer:

- (a) Increasing lambing percentage.
- (b) Reducing lamb death loss.
- (c) Reducing production costs, for example feed costs. Supplemental feed costs can be reduced by careful formulation, purchasing, handling and consideration given to alternative feeds.

ACTION PLANS

1.0 Industry Infrastructure.

The establishment of a unified provincial sheep organization, which would effectively provide leadership in carrying out this plan.

1.1 Short Term Objectives.

Under the convenorship of the B.C. Sheep and Wool Commission, representatives from each of the various regional and producer associations of the province would convene to determine the structure, activities, funding and voting procedure of the provincial organization.

The responsibilities of this organization would be to address the following:

(a) Industry Coordination.

Enhancing a communication network between producers, processors and government.

(b) Market Research and Development.

Initiate a market study to determine the requirements for wholesale, retail and niche markets including carcass size and quality of lamb in the market place. Determine the collection and market

opportunities for wool. Investigate resources available under the provincial government, the Canadian Agri-Food Development Initiative (CAFDI) and other sources.

(c) **Quality Control, Labeling, and Promotion.**

Develop product identification and standards under Bill 85 (Food Choice and Disclosure Act) in order to improve quality control, labelling and promotion opportunities. Seek funding under Bill 44 (Farming and Fishing Industries Development Act), and all other sources, for provincial product promotion. B.C. lamb should be recognized by a provincial label.

(d) **Processing.**

Investigate inadequacies in lamb processing requirements with particular reference to availability of slaughtering facilities. Express concerns to Agriculture Canada, about the impact of meat inspection areas, as highlighted by South Coastal producers.

(e) **Live Lamb and Rail-Grading.**

Adopt a live lamb grading programme. This would offer buyers a method of identifying superior quality lamb. The live lamb grading

programme would train accredited graders in the marketing of product, and foster packer confidence in local lamb. In addition producers should develop an awareness of properly finished lambs and would encourage the availability of uniform groups of lamb in the market place. This concept was promoted by the Peace and Omineca regions.

Request Agriculture Canada to review the present lamb carcass grading system with an emphasis on meat yield, which would promote a sound rail-grading settlement system.

(f) **Predator Control.**

Discuss predator concern with the Regional Problem Wildlife Management Committee.

Encourage municipal and regional governments to act on dog control.

(g) **Research.**

Create a research advisory committee to coordinate research needs and direct these to appropriate agencies (universities, research stations, Canadian Sheep Federation).

(h) **Support Levels.**

Initiate a study of the costs of production and levels of support received by competing lamb and wool producers in other areas.

(i) **Funding**

This organization would prepare an annual budget and funding would be derived from one or more of the following sources:

- Membership dues,
- Province-wide check-off on lamb and wool sold in the province.
- Government assistance for the initial years of the organization's activities.

It is anticipated that once the results of a Master Sheep Producers Programme has increased profitability for B.C. sheep producers, a proposal for funding through membership dues and/or check-off would be more widely accepted.

2.0 Technology Transfer.

The appointment of a B.C. Ministry of Agriculture and Fisheries sheep industry specialist is vital to the development of the industry. The emphasis of this person's work responsibility would be to concentrate on

sheep producers who possess the greatest potential for improvement and expansion of the B.C. sheep and wool industry. The sheep specialist would work closely with the organization to assist in implementing this plan. The appointment of the sheep specialist could be based on a time share arrangement with a present position in the Ministry of Agriculture and Fisheries for 5 years. See APPENDIX 4.

2.1 Short Term Objectives.

The function of the sheep specialist would be to:

(a) Master Sheep Producer Programme.

Develop and coordinate a Master Sheep Producer Programme. The object of the programme would be to identify and develop producer expertise in regions of the province. The sheep specialist would develop an indepth training course to certify master sheep producers (technicians). The master sheep producers would work with other producers in their regions on:

- (i) Developing management skills.
- (ii) Promoting a sheep flock improvement programme to focus on factors affecting productivity and efficiency of the flock.
- (iii) Providing an awareness of producing high quality lambs.

(iv) Implementing other sheep programmes under the direction of the sheep specialist.

(v) Encouraging and assisting producers on a record of performance programme.

(vi) Ration formulation, feeding guidance and forage sampling for those requiring assistance.

(b) **Farm Management.**

Upgrade farm management skills arranging production and financial management seminars. Develop a sheep flock improvement programme, which will address increased productivity and efficiency of sheep flocks.

(c) **Structures and Handling Facilities.**

Help identify the needs of individual farms with regard to building and handling facilities, and disseminate information and plans from the Farm Structures Programme.

(d) **New Technology.**

- (i) Monitor international sheep industry technological developments. Keep producers updated on programmes and new methods that could be applicable to B.C.

- (ii) Advise producers on increasing ewe productivity, using prolific breeds and accelerated lambing, where these would be beneficial.

(e) **Flock Health.**

Develop an awareness and response system on contagious sheep diseases. The Animal Health Branch, B.C. Ministry of Agriculture and Fisheries, should play an important role in this matter and enforce existing animal health legislation. See APPENDIX 2. The economic importance of diseases such as footrot, ovine progressive pneumonia and Johne's disease are being recognized by producers, particularly in regions where flocks come into contact with one another in saleyards and clear-cut grazing blocks.

(f) **Research.**

Participate on the Industry Research Advisory Committee, identify and recognize research needs,

such as forage crops and pasture production, in order that they may be directed to the appropriate agencies for consideration.

(g) **Grazing.**

Monitor the development and facilitate technology transfer of clear-cut grazing projects to producers.

Assist producers to determine the value of contracts in off-setting costs for grazing clear-cuts. In addition, provide producers with an economic analysis on grazing clear-cuts taking into consideration resource constraints, risk and uncertainty. See APPENDIX 3.

(h) **Business Analysis.**

Adapt and refine the existing financial sheep production models to assess the impacts of variations in production levels, cost inputs and market returns on profitability.

2.2 Long Term Objectives.

The cost of salaries and expenses of the Master Sheep Producer Programme would be funded, initially, by the government with a development plan of 5 years, after which a progressive cost recovery programme would be in place. See APPENDIX 4.

3.0 Producer Goals.

Three factors for improved production efficiency are:

- (a) Feed cost.
- (b) Lambing percentage.
- (c) Total lamb death loss.

It is felt that once profitability of sheep production is improved, the flock size would increase allowing the producer a larger market share. Stabilization and growth of the provincial flock is imperative for a strong industry.

3.1 Scenario Comparisons.

To illustrate the potential for increased returns, the following assumptions are considered:

- Live weight price of lamb is 75c per pound.
- Direct costs are averaged for the province.
- Commercial livestock values as at February, 1990.

Calculations were made by using the Sheep Enterprise Budget computer model (B.C. Ministry of Agriculture and Fisheries).

SCENARIO	FEED COST	LAMBING PERCENTAGE OF BRED EWES	TOTAL LAMB DEATH LOSS	GROSS MARGIN PER EWE AS A CONTRIBUTION TO DIRECT EXPENSES
1.	Average	180%	14%	\$36.09
2.	Average	180%	8%	\$40.48
3.	Average	200%	14%	\$50.60
4.	Average	200%	8%	\$54.99
5.	10% Less	180%	14%	\$44.17
6.	10% Less	180%	8%	\$48.55
7.	10% Less	200%	14%	\$58.67
8.	10% Less	200%	8%	\$63.06
Model	Assumption	170%	14%	\$28.84

Gross margin must provide funds for servicing interest, overhead and other indirect expenses such as loan repayment and investment and a return for management and labour.

By comparing the model assumption of the present situation with the target, Scenario 8, there would be an increased gross margin per ewe of \$34.22. This represents \$1,009,490 in farm cash receipts on the present provincial ewe flock of approximately 29,500 head.

In the long term, expansion of the industry in B.C. should be encouraged to take advantage of the market opportunity and availability of forage resource. A doubling of market share, from 14% to 28%, over a 10 year period would seem to be feasible. Effectively, this means almost a doubling of the breeding flock to 58,000 ewes. Assuming that a simultaneous improvement takes place in gross margin per ewe, the overall increase in industry farm cash receipts could approach \$2.8 million.

When modest multipliers are used to estimate the impacts of this increase in farm cash receipts on the British Columbia and Canadian economies, then \$4.586 million and \$5.606 million of economic output is obtained, respectively. *

*Multipliers from Statistics Canada 1984 Interprovincial Input/Output model for agriculture: Agriculture Development Branch, Agriculture Canada, New Westminster, British Columbia.

It is estimated that the annual cost of implementing the technology transfer and Master Sheep Producer Programmes, including support services and programme expenses, would amount to approximately \$170,000. The Project Advisory Committee believes that an industry sheep specialist, acting as a catalyst to work with the B.C. Sheep and Wool Commission, by initiating and coordinating the action plan outlined above, would facilitate significant progress towards achieving an improvement in market share and in gross margin per ewe. Net present value analysis, using a discount factor of 10% reveals that an improvement in gross margin per ewe of only \$13, on the existing flock only, is all that is required to offset this annual cost of \$170,000. See APPENDIX 7. With this assistance initially provided by the governments, the momentum of development in the sheep industry and the mechanism for coordination and cooperation amongst producers should be in place so as to introduce progressive cost-sharing. This would allow the industry to fund its own centralized coordination within 5 to 10 years.