

# A Study into Demand for Locally Produced Lamb, Beef and Pork in Newfoundland

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Agrifoods August 1996

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## Summary

This two-tier research project included a sampling of 237 retailers of meat products and all producers of beef, lamb and pork, via mail-out questionnaires, with the purpose of determining if there exists a consumer demand for local meat products and prevailing attitudes pertaining to these commodities.

Issues and potential solutions developed through this research can be summarized as follows:

**Issue:** Local meats must match the landed prices of the imported meats in order to be considered by local buyers.

**Recommendation:** Offer meat products at competitive prices to the imported variety, assessed by grade.

**Issue:** Buyers prefer to make one order and receive one delivery rather than dealing with multiple suppliers.

**Recommendation:** Explore the benefits of cooperative marketing of specific commodities either through an industry association or private company. Buyers prefer to deal with a minimum number of sellers with quantities that can supply their requirements. Group selling efforts can aid in selling to retailers who were once reluctant to consider the product due to small quantities and it can free up the producer to concentrate on farming rather than marketing.

**Issue:** Meat buyers must have a secure supply of meat products year round. Local producers historically could not meet this demand for beef or pork.

**Recommendation:** Producers should explore the potential of expanding operations in order to service established and new clients year round. Due to local conditions, this may mean the development of a frozen product offering. Expansion opportunities should be researched carefully and, if viable, proceeded with caution ensuring that production is not in excess of demand. AND/OR: Opportunities in the area of secondary processing should be considered for those producers interested in expansion and diversification. Processed cuts such as smoked meat, bacon, sausages etc., would help utilize the entire animal and may command a premium price.

**Issue:** The popularity of wholesale cuts for the retail trade is growing. Fewer retail meat managers are buying full or half carcasses.

**Recommendation:** Producers should explore the possibility of selling wholesale cuts in addition to selling full or half carcass meat products. This would allow them to get a premium price for the cuts in high demand and penetrate small markets (convenience stores and restaurants). Producers should determine what their customers or potential customers require and modify their offering to suit the sale (e.g., grass fed beef as

a niche market offering).

**Issue:** Local meats, especially beef, must be graded (grade AA or better for Dominion, Sobeys, and many of the other retail grocery stores), inspected, by either federal or provincial inspectors, as specified by the buyer. This cost must be incurred by the producer on a "user pay" system. Local lamb can be inspected by retail buyers in many instances.

**Recommendation:** Offer an inspected and graded product, either provincially or federally depending on the buyers' requirements.

**Issue:** More opportunities exist to sell to butchers and direct to consumers. The retail and wholesale markets will be more difficult to penetrate.

**Recommendation:** Ensure that the quality of the meat meets with the expectations of the buyer and that it remains consistent. This quality assurance will secure existing customers, perhaps increasing the market share to these buyers, while other markets (retail trade) are being developed. AND/OR: Communicate the expected supply information (how many pounds of meat available and when it will be delivered) so that buyers can plan their purchasing requirements.

**Issue:** Many producers indicated that the future of their livestock production depends on the cost of feed and what alternative feeds might be suitable to their operation.

**Recommendation:** Producers should make a concentrated effort to share information with other commodity producers with respect to price yields, trade areas, cost of supplies, etc. This could be achieved through commodity specific newsletters or periodic commodity meetings of industry Associations.

**Issue:** Most producers market their meat products in their general area, leaving "pockets" of untapped potential in many areas of the province.

**Recommendation:** Producers should explore untapped areas of the province where there are no local farmers of that meat product and expand into that trade area. This may be achieved through telephone contact, mail/fax orders or cold-call sales visits to the various communities.

**Issue:** Consumer attitude of Newfoundland produced red meats is not always favorable in comparison to the imported varieties.

**Recommendation:** Producers should actively promote their products both on the generic level as well as their operation specifically. The most frequently quoted reason for retail buyers not stocking local meat products is because they are not aware of any suppliers. Promotion aimed at the consumer may result in an increase in demand of the particular meat commodity. AND/OR: Introduce Newfoundland consumers to the taste of local beef, pork and lamb through samples at trade events and retail store

promotions. If more people are educated about the availability, quality and the economic benefits of buying local meat products, they may be more inclined to look for these products where they do their food shopping.

## Introduction

### **Purpose**

This research project was undertaken to determine the opportunities and challenges that exist for producers of beef, pork and lamb products in the Newfoundland market. Both producers and buyers of meat products were asked to participate in this survey so that demand and supply could be cross referenced to form an accurate assessment of the industry (e.g., quality of products, buyer requirements, potential markets, etc.). This report will be available upon request to all producers of livestock, meat buyers, and industry professionals.

Similar reports pertaining to the hog, sheep and beef cattle industry have been compiled in recent years (1976, 1979, 1980 and 1985). Information from these reports will be included for comparison purposes and to present a historical background of the various industry sectors.

### **Industry Overview**

#### **a. Lamb**

Statistics Canada periodically conducts research to ascertain consumer expenditure on grocery items comparing 16 cities across Canada. In the 1992 census, the weekly amount of fresh and frozen lamb products purchased by consumers in St. John's was so minuscule that it rated \$0 on the survey results. The Canadian average for 1992 was \$0.18 per week. Average weekly expenditure amounts for St. John's in the previous survey years of 1974, 1976, and 1978 were \$0.10, \$0.13, and \$0.26 respectively. However, this finding may be the result of the small sample size and the a small percentage of the population that consume lamb regularly in Newfoundland.

Nationally, per capita consumption of mutton and lamb has maintained a stable market (within 10%) between 1980 and 1994 with an average of 0.8 kilograms per year [Handbook of Selected Agricultural Statistics, 1995]. Newfoundland consumption of lamb is lower than the national average.

There were 341 sheep producers in Newfoundland and Labrador at the end of 1995, according to the records of the Department of Forest Resources and Agrifoods and the Sheep Producers Association of Newfoundland and Labrador. This number is down 20% from a 1992 estimate of 424 producers [Omnifacts, 1992]. Most producers are small, part-time operators located in rural areas of the province. Accurate numbers of sheep on farms would be difficult to estimate as only  $\frac{1}{4}$  to  $\frac{1}{2}$  of total producers

participate in the Statistics Canada Surveys on Livestock Production. However, the average number of sheep per farm can be estimated by dividing the total number of animals reported by the number of farms reporting.

Between 1977 and 1995 the sheep population fluctuated between 5,700 and 9,700 (41%) but has been stable in recent years. Therefore, it can be concluded that the average flock size per farm has been increasing, but the total number of sheep farms has been on a decline [Handbook of Selected Agricultural Statistics, Page 11].

Farm cash receipts for the sheep industry for 1995 totaled \$228,000, the lowest reported since 1985 (\$160,000)[Handbook of Selected Agricultural Statistics, Page 3]. As the number of sheep in production has remained constant, this decrease could be the result of lower market prices, more sheep bartered, an increase in personal consumption by the producers not accounted for in income, more unreported sales and/or fewer lambs being sold (i.e. no market, retained for breeding stock, higher losses from death of lambs and attacks by dogs or other predators).

Most sheep producers market their product within their immediate geographical area either selling direct to the consumer or area butchers and meat managers. At present, Newfoundland producers supply approximately 40% of all lamb products sold in the province. Most of these sales occur in the fall for a period of three to four months. A large quantity of the lamb sold in the fall is destined for the freezer trade and rationed over the winter months. Producers are hesitant to offer fresh local lamb year round due to the expenses associated with housing and feeding the animals during the winter months.

The main competitor for Newfoundland lamb producers is New Zealand product, both fresh and frozen. Exporting lamb products worldwide is big business for New Zealand with 95-97%, or approximately 827 million pounds, shipped to various locations in 1994 [Lamb Meat: Competitive Conditions, 1996]. New Zealand producers benefit from the ideal weather condition and thus, can raise an average 33 lb. lamb on grass without extra costs of feed. Further, New Zealand has formed a number of private sector cooperatives which allow them to gain economies of scale in supply purchases, transportation costs and marketing efforts.

Many Newfoundland buyers favor the quality of the New Zealand product and find it convenient that it is available all year round (reducing the need to locate alternate suppliers). A few meat buyers, however, prefer local product because of the red appearance of the meat (which consumers interpret as "freshness"), the preference for fresh to frozen products and the speed of receiving their orders (imported lamb can take up to three weeks by ground).

## **b. Beef**

According to Statistics Canada, the average weekly urban expenditure (St. John's) on

fresh and frozen beef products in 1992 was \$6.69 or approximately 1 kilogram (this figure does not include expenditure on meat byproducts such as sausages or canned meats). This is slightly higher than the Canadian average of \$6.20 per week. While expenditures on other red meats are on a decline, consumers in St. John's are spending more on beef than in previous years. Statistics Canada census information for 1974, 1976 and 1978 indicate the average urban weekly expenditures to be \$5.05, \$4.66, \$5.20 respectively.

National concern by beef producers on declining consumption industry wide spurred the development of The Beef Information Centre in Regina, Saskatchewan. This is a national organization whose mandate is to promote beef products. In 1995, they had undertaken a series of generic ads to raise awareness of beef at the consumer level. These projects include: three television ads featuring the "appeal" of beef; consultation on and promotion of BODY BREAK nutrition segments featuring beef products and A MATTER OF FAT brochures [Beef Information Centre Report, September/October 1995]; transit shelter advertising; and, production of the BBQ EXPERT brochure [Beef information Centre Report, June 1995].

In Newfoundland and Labrador, there were 93 beef producers at the end of 1995. These farms are mostly small, part-time businesses. Marketing efforts are generally ad hoc to established customers (mostly direct to consumers and area butchers). Production in this industry sector has been gradually declining since 1976. Farm cash receipts for local product in 1995 were approximately \$1.4 million down 42% from \$2.4 million in 1990. Local producers are supplying less than 5% of total Newfoundland beef consumed.

With the elimination of Feed Freight Assistance subsidies announced on February 27, 1994 the majority of beef producers are reevaluating their future in the beef industry. Many have scaled down operations and are investigating alternative feeds that might make their operations more viable.

### **c. Pork**

Data compiled by Statistics Canada reveals that the average family expenditure in St. John's for fresh and frozen pork for 1992 totaled \$2.32 per week or .3 kg per week (note that these figures do not include byproducts such as bacon and sausages). This is higher than the Canadian urban average of \$1.97 per week. In recent years, consumers have been buying less pork probably due to increased awareness concerning fat content. Average weekly expenditure amounts in 1974, 1976 and 1978 were \$3.22, \$2.74 and \$4.22 respectively.

The National Pork Producers Council (U.S.A.) launched a promotion in 1987 with the theme "Pork: The Other White Meat." The campaign was widely recognized as one of the most successful efforts of its type. It has repositioned pork in the minds of consumers and has given what amounts to brand-name recognition [National Pork Producers Council Annual Report, 1996]. As Canadians are exposed to U.S. media to a

high degree, this generic promotion also served to promote consumer awareness of pork in Canada as well.

On the provincial front, in March 1993 the provincial government rescinded support subsidies for the hog industry and closed the slaughtering and inspection facilities in St. John's following numerous years of operating at a loss [Agriculture Canada, 1985]. As a result, many producers scaled down or retired from the industry. In 1995, there were 21 producers operating small-to-medium-sized hog farms.

In 1983, there were approximately 30,000 hogs in production and this dropped to only 4,500 hogs (down 85%) in 1995. Farm cash receipts have declined in direct correlation to the number of hogs. In 1995, farm cash receipts totaled \$1,227,000 down 74% from the 1984 figures of \$4,786,000 [Handbook of Selected Agricultural Statistics, 1995 ].

In 1993, the provincial swine breeding station was privatized and the Province licenced abattoirs to conduct meat inspections. While meat inspection is not mandatory, many pork producers avail of the service to comply with their buyer's requirements. This government policy change and discontinuation of services not only reduced the number of hogs marketed in Newfoundland, it also decreased the confidence of the consumer as to the quality of the product that they were buying in the stores. Hence, "local" is not always considered a selling point when displaying fresh local pork products.

At present, local producers supply approximately 5% of Newfoundland's pork requirements. Marketing efforts are unorganized within this industry sector and most producers individually seek out niches either in local retail stores, through butchers or by selling direct to consumers.

## **Scope**

This survey was developed to obtain accurate information on the opportunities and challenges that face local producers of pork, lamb and beef.

The study involved two tiers:

- Retail meat managers, butchers and restaurant buyers were surveyed to determine the extent to which they buy from local sources and their prevailing attitudes pertaining to local meat products, producers and existing marketing strategies. Comments from meat buyers will assist farmers in identifying their strengths and weaknesses within the industry.
- Local producers of pork, lamb and beef were surveyed to reveal the size of their operation, their marketing strategies, and their future intentions pertaining to livestock production.



## **Methodology**

The survey was conducted in two phases. First, a sample of approximately 10% of provincially licenced food vendors (according to the Department of Health) was mailed a questionnaire form complete with a self-addressed stamped envelope. A total of 237 companies were invited to participate in the survey, chosen to represent a cross section of the province geographically and method of distribution (e.g., grocery stores, butchers, restaurants, caterers, etc.).

This portion of the research was neither random nor anonymous. Labels were affixed to the surveys so conclusions could be formulated on the following:

- areas of the province that local producers have not penetrated
- regional attitudes of local meat products and producers.

Furthermore, post survey follow-up with those retailers which requested local producer information would be possible with the full disclosure of respondents.

The second phase of this survey targeted 100% of the population of beef, pork and sheep producers via a mail-out questionnaire. This portion of the survey was anonymous but many producers voluntarily included their name and address. A total of 21 hog producers, 93 beef producers and 341 lamb producers were invited to participate in the survey. Producer lists were compiled using data from the Department of Forest Resources and Agrifoods (lists of registered producers having a tax number) and lists supplied by industry associations.

Both phases of this survey were conducted between January 29, 1996 and May 14, 1996.

## **Limitations**

Mail questionnaires typically yield low return rates. There were 237 surveys sent to meat buyers with a total of 53 completed questionnaires collected for a return rate of 22%.

Producer surveys, however, were anonymous and mailed to all livestock farmers of hogs, beef cattle and sheep.

All responses received from both phases of this survey were accepted as accurate, although percentages may be only estimates on behalf of the respondent. In several instances, producers would not disclose income percentages or prices received for their product and averages were calculated based on the number of producers reporting these figures.

Due to the low return rate in both survey phases and the small sample of retailers

surveyed, neither the purchasing nor the production totals can be considered an industry average.

## **Significance**

The data collected through this research project provides the Department of Forest Resources and Agrifoods with information on buyer attitudes pertaining to local meat products and challenges that producers encounter when marketing their product. Comparing the demand requirements with the potential supply offering, recommendations can be presented to local farmers on how to penetrate the resale trade (i.e., retailers, restaurants, hotels, etc.).

Collected information will also be useful to provincial government marketing and production personnel and may influence the direction of future advertising campaigns and training seminars.

## **Industry and Consumer Trends**

General trends in the red meat industry include:

- Consumer services are expanding in the direction of more nutritional information on meat products. At present, 1/3 of Canadian companies provide nutritional labelling on meat. In the U.S.A., 3/4 of meat packers/processors provide this feature [1995 State of the Industry Report, page 3].
- Canadian families spend on average \$100 per week for groceries [Canadian Council of Grocery Distributors, 1995, page 18].
- Newfoundlanders spent 13% of their personal disposable income, per capita, in food stores in 1994, this is up .3% from 12.7% in 1993. This rates second only to New Brunswick where, in 1994, consumers spent 13.2% per capita personal disposable income. The Canadian average for 1994 was 9.9% [1995 State of the Industry Report, page 7].
- Nine (9) out of 10 consumers feel that good quality meat is important in deciding where to shop for food [1995 State of the Industry Report, page 21].
- There is a general trend toward off-site preparation of meat products (i.e., case-ready retail cuts) for retail sale, as grocery store operators explore the potential efficiencies of large-scale central processing [1995 State of the Industry Report, page 22].

### **a. Lamb**

- Canadian per capita consumption of lamb and mutton has been stable at .8 kilograms per year for the last 14 years [Handbook of Selected Agricultural Statistics, Page 13].
- Newfoundland consumption of lamb and mutton is lower than the national average.

### **b. Beef**

- Beef consumption increased by .8 kg per capita in 1994 resulting in an annual consumption of 31.9 kg per person (national average) - 1.1 kg over its all-time low in 1993 of 30.8 kg [Veenkamp, 1996].
- Ninety five percent (95%) of Canadians eat beef regularly.
- Beef is consumed more often for lunch and dinner than any other red meat, poultry or fish (an average of four times per week).
- Nationally, on average, fresh beef occupies 35 linear feet of retail counter space per store. That is more than pork and chicken combined [Beef Information Centre Report, January/February 1996].
- Nationally, on average, beef accounts for approximately 1/3 of retail meat department sales [1995 State of the Industry Report, page 3]. Retailers have been reacting to research that shows that 20-25% of beef carcasses do not meet consumers' tenderness criteria by introducing higher graded beef (A or better) and ensuring minimum aging guarantees [Beef information Centre Report, June 1995].
- Beef processors and distributors are searching for stronger, more abuse resistant materials for shipping and display purposes [Kline & Co., Inc. 1995]. Canadian beef producers are concentrated in western Canada and this source is considered by many Newfoundland distributors and consumers to be the "best" available beef products.
- Consumer demand for leaner, trimmer beef has resulted in increasing emphasis on such offerings to the public [1995 State of the Industry Report, page 28].

### **c. Pork**

- Approximately 70% of processed meats, such as sausages or cold cuts, in Canada are made with pork [Industry, Science and Technology Canada, 1991, page 2].

- Nationally, on average, pork accounts for approximately 20% of meat department sales [1995 State of the Industry Report].
- Pork is eaten more often for breakfast (bacon, ham, pork sausages) than any other meat.
- Pork loin centers are 42% leaner than in 1987, achieved through improved breeding and feeding practices [All About Canada's Red Meat Industry, 1995].
- Canadian per capita consumption of pork has slowly declined over the past decade from 32.1 kg in 1980 to 28.7 kg in 1994. Canadian pork consumption per person is not expected to increase in the future [Handbook of Selected Agricultural Statistics, Page 13]

## Lamb

### Buyer Analysis

Ten of the 53 respondents to the questionnaire (20%) carry local lamb in their establishments. Quantities stocked of fresh local lamb range between 2% and 100% of their total lamb purchases. Most stores, however, stock between 90% and 100% local product. Buyers could specifically name four of the 341 producers of fresh local lamb (some of the larger, commercial lamb operations). However, a large percentage of lamb producers market direct to consumers or produce lamb for their own/family consumption and thus, would not be known to retail meat buyers.

Approximately 80% of lamb purchased by those surveyed is by the full carcass, and the remaining 20% buy half carcass lambs. Weekly purchase amounts per establishment surveyed ranged from 35 - 100 lbs. of lamb, limited to the fall of the year (September to December). A demand exists for local lamb, according to 60% of those surveyed, and it seems to be higher than five years ago. These retailers indicate that local lamb commands a premium of 20-25% over the imported variety. Quality of local lamb was described by respondents as good to excellent, and that local product was more tender and fresher than imported. However, there were some buyers who indicated that New Zealand lamb is preferred by their customers and that it outsells local products tenfold. This could be a result of imported products being offered at lower prices or the fact that it is available year round and consumers have grown accustomed to its taste.

The most popular cuts of lamb are leg, shoulder roasts, loin chops, stew meat and ribs. Most retailers would prefer to purchase specific cuts direct from producers rather than a full or half carcass.

Most retailers do not require federal or provincial inspection on lamb products. It can be

informally inspected by the meat buyers upon arrival to the establishment.

## **Producer Analysis**

In December 1995, there were 341 sheep producers in Newfoundland and Labrador. This figure includes hobby farmers, subsistence farmers and commercial producers. Questionnaires were distributed to all known sheep producers and 36 completed forms were received for a return rate of 11%. Of this group, 50% have been sheep farmers for more than 20 years. On these 36 farms, there was a total of 60 rams, 1423 ewes with 1910 lambs born in 1995. This translates into a ratio of 23.7:1 ewes per ram and 1.3:1 lambs per ewe. In comparison with 1992, the average flock size was 24 ewes and one ram with a birth rate of 1.25 lambs per ewe [Omnifacts, 1992]. A total of 73% (or 1393.5) of the lambs born in 1995 were marketed for meat, the remainder was traded (51), allocated for personal use (49.5), sold for breeding stock (29), or retained for breeding stock (45). There were 342 lambs born in 1995 that were unaccounted for (i.e., died in lambing, victims of dog attacks, etc.) in this survey count.

Marketing of lamb meat typically begins in early fall. Thirty of the 36 producers market their product for six months or less. The dressed weight per lamb ranged from 28 - 50 pounds with an average carcass weight of 35.9 pounds (unchanged from 1992) [Omnifacts, 1992]. Generally, producers market their lamb in their immediate area or surrounding communities. It is sold direct either to consumers or to local retail meat managers. More than 80% of producers polled also sell sheep related products such as wool.

Twenty-eight of the 36 respondents conducted their own slaughtering. The others either sold their lambs live or paid an area butcher for slaughter services.

Sheep production is a part-time operation for most producers pursued in conjunction with other forms of agriculture. Income from sheep production ranges between 1% and 50% of total income with an average across respondents of 15%. Farm gate prices received for full or half carcass lamb ranged from a low of \$2.00 per pound to a high of \$3.00 per pound, with the most common price being \$2.50 per pound. Cut and wrapped lamb sold for as high as \$3.25 per pound. In 1992, the average price for lamb was \$2.25 (whole carcass) and a premium of \$.50 to \$.75 more for cut and wrapped servings [Omnifacts, 1992].

When survey participants were asked what their intentions were with respect to their future in sheep production, 67% (24) intended to increase production, less than 1% (2) of producers intended to decrease production and the remainder of the producers indicated they would maintain production levels or were not sure of their future plans. Deterrents to expansion cited by producers include the climate, the cost of housing lambs over winter, dog attacks (and other forms of predators), low consumption rates of lamb in this province and the low prices charged for New Zealand products.

Local producers have formed a voluntary organization to share experiences and

knowledge for mutual benefits. The Sheep Producers Association of Newfoundland and Labrador (S.P.A.N.L.) represents 23 of the larger, commercial sheep producers island-wide.

## Beef

### Buyer Analysis

One of the 53 respondents (2%) carried local beef (note that this respondent is in Labrador). They purchased approximately 2000 pounds per year in the form of  $\frac{1}{4}$ ,  $\frac{1}{2}$  or full carcass. A consumer demand does exist at this establishment for local beef and is not significant enough to result in a premium price for the product. Boneless cuts of beef are more popular at this establishment.

Many retailers are not aware that there is local beef available in Newfoundland, others indicated that they are unable to carry local products in their stores because it is not graded and inspected to their specifications/corporate guidelines. It is more convenient for retail meat managers to place bulk orders with large wholesalers (e.g., Caledonia, Debert, Hub Meat Packers, Gainers, etc.) and many are unaware of where the product that they receive originates. The preference of retail meat managers and small convenience stores is to have the meat products pre cut and packaged and ready for display to the customers.

### Producer Analysis

In December 1995, there were 93 producers of beef in Newfoundland and Labrador. Twenty-two of these producers responded to the questionnaire for a return rate of 24%. Fifteen of the 22 producers polled have been in the beef business for more than 10 years. At the end of 1995, these farms had a total of 29 bulls, 204 cows, 98 heifers, 36 steers and 117 calves.

Marketing of local beef occurs in the fall for 90% of the producers surveyed and is targeted direct to consumers or local butchers. These 22 producers surveyed sold a combined total of 128 thousand pounds of beef in 1995. The carcass weight for local beef ranges from 350 to 670 pounds per animal with the average across respondents being 421.1 pounds.

Farm gate prices received for local beef (full or half carcass) ranges from \$1.50 to \$2.00 per pound with the most common price being \$1.70 per pound. Cut and packaged products usually yields \$0.25 extra per pound. None of the respondents to this survey were "full-time" beef farmers. Income obtained from beef production generally ranged from 1% to 75% of total income with an average of 21% across respondents.

Local beef producers are disadvantaged due to the high price of feed in Newfoundland, the climatic conditions, the low consumer demand for local product and the preference for Western Canada product which is generally perceived as superior quality. Three of the 22 producers (14%) polled indicated that they will be reducing production in coming years, twelve (55%) intend to increase production and the remainder (31%) are undecided about their future in the industry.

Local producers have formed a voluntary organization to share experiences and knowledge for mutual benefits. The Beef Producers' Association represents 20 of the 93 beef producers island-wide.

## Pork

### **Buyer Analysis**

Eight of the 53 respondents to the questionnaire (15%) carried local pork in their establishments. Quantities stocked of fresh local pork ranged from 3% to 80% of their total pork purchases. No frozen local pork was carried by any of these buyers. Buyers could specifically name four of the 21 local suppliers of fresh pork. This low ratio is likely due to many local hog producers marketing direct to consumers instead of re-sellers.

Respondents indicated that they prefer to buy wholesale cuts, precut and packaged, and not the half or full carcasses. Purchase amounts range from 40 pounds per week to 500 pounds per week, most common being approximately 350 pounds per week. Sales in the summer months are almost double the amount of pork sold in the winter, according to 71% of those surveyed.

Despite the fact that 86% of the respondents indicated that consumers did not demand local pork over the imported, 57% sold local pork at a premium of approximately 20% over the imported variety (probably because it is a fresher product). The most popular cuts of pork with consumers are: loins, shoulder roasts, leg, ribs and butt chops.

Retailers and wholesalers alike were pleased with the quality and quantity of local pork that was available from Newfoundland Farm Products. However, some feel that local pork is not as fresh now (stating it takes longer to receive orders from individual producers) and that the quality varies across suppliers. Two major wholesalers in St. John's indicated that it is easier for them to purchase from their company-owned distribution centers in Atlantic Canada than to attempt to "piece" together a large order with a number of small producers. From their distribution centers they are assured consistent quality, cheap prices (attained through bulk buying) and a steady supply of 100% Canadian pork. Most retailers and wholesalers surveyed indicated that they have received very few, if any, proposals to carry fresh, local meats.

## Producer Analysis

At the end of 1995, there were 21 commercial hog farmers in Newfoundland and Labrador. Six of the 21 surveys mailed to producers were completed and returned for a return rate of 29%. In this group, only one producer has been farming for more than ten years indicating that this is a commodity sector with many recent entrants. On these six farms there was a total of 21 boars and 192 sows with 3402 piglets born in 1995. This can be interpreted into ratios of 9.1:1 sows to boars and 17.7:1 piglets to sows. A total of 86% of the 1995 piglets was marketed for meat, the remainder was traded (4), slaughtered for own use (5), sold for breeding stock (300) or unspecified (174).

Marketing of pork is generally a year round event with more emphasis placed on the summer months. The dressed weight per pig ranged from 120 - 180 pounds with an average carcass weight of 142.8 pounds. No organized marketing exists for the pork sector. Most sales are in local communities and either direct to the consumer or to retail store managers. Only one of the five respondents (20%) sells to wholesale markets.

Unique and innovative marketing ideas help to promote a product. One such example is the Adopt-a-pig program developed by Leamington Farms. The program seeks a commitment from the buyers and provides for a stable cash flow for the producer. This promotion, which has proven successful for this operator, has sparked similar initiatives across commodities.

Slaughtering of hogs is most often conducted by the owner, but some farmers sell the animals live or retain the services of an area butcher. Some producers offer an inspected product, which is not a requirement of government, but it may be a purchasing condition by individual buyers.

Income from hog farming ranges from 2 - 100% of total income for those farmers who participated in the survey. An average across respondents is 33.2% of total income derived from this activity. Only one of the six respondents was a full time hog farmer, the remaining five survey participants are also involved in other forms of agriculture or maintain jobs off-farm.

Farm gate prices received for full or half carcass pork ranged from a low of \$1.20 per pound to a high of \$1.50 per pound, with the most common price being \$1.40 per pound. Cut and wrapped pork sold for a high as \$1.65 per pound (but depends greatly on cuts specified).

Four of the six respondents (67%) intend to increase hog production in future years while the remaining two survey participants are undecided, stating their decision will depend on the price of feed in coming years. Other deterrents to expansion in the hog industry include low-priced imports, difficulty in penetrating the larger chains, and the logistics/cost of offering an inspected product.



## Conclusions

### **Demand Criteria**

- Local meats must match landed prices of imported meats to be considered by local buyers.
- Buyers prefer one order/one delivery over dealing with multiple suppliers.
- Meat buyers must have a secure supply of meat products year round. Local producers historically could not meet this demand for beef or pork.
- The popularity of wholesale cuts for the retail trade is growing. Fewer retail meat managers are buying full or half carcasses.
- In most instances, local meats must be graded and inspected, by either federal or provincial inspectors, as specified by the buyer. This cost must be incurred by the producer on a "user pay" system. Local lamb can be inspected by retail buyers in many instances.
- More opportunities exist to sell to butchers and direct to consumers. The retail and wholesale markets will be more difficult to penetrate.

### **Supply Considerations**

- Many producers indicated that the future of their livestock production depends on the cost of feed and what alternative feeds might be suitable to their operation.
- Many of Newfoundland's non-supply-managed meat producers attempt to sell what they produce instead of first finding a market for their product and produce to meet buyer specifications.
- Ninety-five percent (95%) of the lamb and beef produced in Newfoundland is sold within four months. Production could possibly be expanded to obtain a larger market share if cost of production proved to be feasible.
- Most producers market their meat products in their general area, leaving "pockets" of untapped potential in many areas of the province.
- No formal marketing system exists. Most producers market direct to consumers in an ad hoc manner and without consultation with other producers on price, quantity and areas serviced.
- Consumers attitudes towards Newfoundland-produced red meats is not always favorable in comparison to the imported products.

## Recommendations

Based on the conclusions made in this report, the following recommendations would increase the opportunity for local meat producers to sell their products to grocery stores, butchers, small convenience stores, restaurants, hotels and institutions:

### Product

- Ensure that product quality meets the expectations of the buyer and that this quality remains consistent.
- Offer an inspected and graded product, either provincially or federally depending on the buyers' requirements.
- Producers should explore the possibility of selling wholesale cuts in addition to selling full or half carcass meat products. This would allow them to get a premium price for the cuts in high demand and penetrate small markets (convenience stores and restaurants). Producers should determine what their customers or potential customers require and modify their offering to suit the sale (e.g., grass fed beef as a niche market offering)
- Producers should explore the potential of expanding operations in order to service established and new clients year round. Due to local conditions, this may mean the development of a frozen product offering. Expansion opportunities should be researched carefully and, if viable, proceeded with caution ensuring that production is not in excess of demand.
- Opportunities in the area of secondary processing should be considered for those producers interested in expansion and diversification. Processed cuts such as smoked meat, bacon, sausages etc., would help utilize the entire animal and may command a premium price.

### Price

- Offer meat products at competitive prices to the imported variety, assessed by grade.

### Promotion

- Producers should actively promote their products both on the generic level as well as their operation specifically. The most frequently quoted reason for retail buyers not stocking local meat products is because they are not aware of any suppliers. Promotion aimed at the consumer may result in an increase in demand of the particular meat commodity.
- Introduce Newfoundland consumers to the taste of local beef, pork and lamb

through samples at trade events and retail store promotions. If more people are educated about the availability, quality and the economic benefits of buying local meat products, they may be more inclined to look for these products where they do their food shopping.

- Producers should make a concentrated effort to share information with other commodity producers with respect to price yields, trade areas, cost of supplies, etc. This could be achieved through commodity specific newsletters or periodic commodity meetings.

## **Distribution**

- Communicate the expected supply information (how many pounds of meat available and when it will be delivered) so that buyers can plan their purchasing requirements.
- Producers should explore untapped areas of the province where there are no local farmers of that meat product and expand their trade area. This may be achieved through telephone contact, mail/fax orders or cold-call sales visits to the various communities.
- Explore the benefits of cooperative marketing of specific commodities either through an industry association or private company. Buyers prefer to deal with a minimum number of sellers with quantities that can supply their requirements. Group selling efforts can aid in selling to retailers who were once reluctant to consider the product due to small quantities and it can free up the producer to concentrate on farming rather than marketing.

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