final report

Project code: B.SGN.0013

Prepared by: Warwick Yates

Warwick Yates and Associates Pty Ltd

Date published: March 2007

ISBN: 9781741918663

PUBLISHED BY
Meat & Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

Sheep Meat Industry Strategic Plan 2007-2012

Meat & Livestock Australia acknowledges the matching funds provided by the Australian Government to support the research and development detailed in this publication.

Table of Contents

INTRODUCTION

This plan has been prepared to provide strategic guidance for the Australian sheepmeat industry over the next five years.

The plan is culmination of a series of Australia wide industry consultations and workshops to determine the priorities for all the key sectors that make up the Australian sheepmeat industry. As such it represents a whole of industry consensus as to the strategic priorities for the sheepmeat industry going forward.

INDUSTRY VISION

Leading global provider of sheep meat that is highly competitive with other products and with a unified industry working as a team.   Target industry value $6 billion by 2015.

Sheepmeat Industry Strengths, Weaknesses, Opportunities and Threats

STRENGTHS	HOW TO BUILD ON THEM
☺ Ability to recover and rebuild numbers	◆ Profitability – getting the right business model.
☺ Consumer demand across a range of sheepmeat products	◆ High quality, safe, environmentally friendly – product integrity, animal welfare.
☺ Equalisation of numbers through the year by feeding and finishing systems	◆ Keep the clean green image. Grain when pasture isn't available. Improved breeding and feeding. Farmers working with processors to help massage the 12 month supply - maintains shelf space.
☺ Good reputation – healthy, clean green product.	◆ Must be able to run year round. Access to labour is a major issue.
☺ Genetics to build on the product.	◆ More investment in, and uptake of, R&D. Continuing availability of genetics.
☺ Dominate growth in world supply.	◆ Competitive capacity. Major issue with South African breeds coming in.
☺ Integration of the merino and sheepmeat industry in eastern Australia.	◆ Bothe Merino and sheepmeat industries have to be profitable
☺ Diverse range of markets – not reliant on any one product or market.	◆ Maintain the best international field force.

WEAKNESSES	HOW TO OVERCOME THEM
☹ Too much government involvement in the commercial trade.	◆ Maintaining government involvement for market access issues.
☹ Costs and infrastructure. Increasing levies – structure with too many organisations.	◆ Electricity costs. 40 foot containers in NSW. Use less water Better transport infrastructure.
☹ Over regulation.	◆ Effective lobbying – whole of industry - farmers need to help processors
☹ Too many organisations representing industry.	◆ State organisations need better cohesion between them.
☹ Labour access and cost.	◆ Work with government to access talented production and processing labour
☹ Ageing producer base.	◆ Needs to be profitable. Incentives for young people to live in rural Australia. Succession is a big issue.
☹ Labour intensive industry.	◆ Take costs out of the business e.g. payroll tax. Automation.
☹ Fragmented policy across States – we don't see ourselves as one industry	◆ Provide a representative, cohesive response to government to reduce regulatory costs, improve labour access, improved conditions for those living in rural Australia.
☹ Lamb branding – product integrity and description	◆ Uniform jurisdiction policing of the lamb description. Need one national solution to fix the issue. Aus-meat description across all plants.
☹ Lousy access to the world's biggest sheepmeat market (EU)	◆ Lobbying, persuasion – requires whole of industry effort.
☹ NLIS – product integrity. Lose market share without it.	◆ Processing industry to force the issue – whole of industry
☹ Quality assurance – how can the industry be more attractive and responsive to consumers	◆ Build on what industry already has – consistent product and supply at the right price. Supermarkets assume the product is quality assured. Cannot get forward contracts which give processors security of supply. Need more feedback – both positive and negative.

OPPORTUNITIES	HOW TO GRASP THEM
☺ Continue work started on NLIS and trace back systems to prove our integrity – consumer confidence	◆ Do more with Aus-meat – finish the job with NLIS – get 100% industry acceptance.
☺ Massive increase in demand for meat in next 30-40 years – increasing wealth – sheepmeat is 3-4% of current protein demand	◆ Effective niche market mentality Company brand promotions. By product marketing - 100% utilisation.
☺ Market access	◆ Lobbying pressure on our negotiators and EU bodies – major inroads already.
☺ Significant increase in product quality	◆ Adoption of existing R&D – market and profitability focussed R&D
☺ Produce high quality, high yielding grain	◆ Be represented around the feed grain users group.
☺ Selling the benefits of the overall sheepmeat production process – transparency – QA which underpins it.	◆ Reduce production costs – part of the profitability equation.
☺ Unity – more feedback – industry becoming cohesive and going forward to make representations.	◆ Australia to be represented as a whole – not State by State – cost is an issue.
☺ Move from opportunism to supply chain culture.	◆ Run on a business model – learn from effective supply chain models.
☺ Move away from wool production and concentrate on flocks that produce what we want.	◆ Sheep are profitable "if done right". Genetics – meat and wool. Dual purpose enterprises. Update the R&D and culture in other industries – need to embrace change.
☺ Duplication – cross jurisdiction co-ordination.	◆ Unified policy.
☺ Skins – better understand the value – whole of the sheep is valuable.	◆ Good feedback. Need better ways to treat and sell skins.

THREATS	HOW TO AVOID THEM
☹ Majority of skins are going to China.	◆ Identify ways to cure skins before they leave Australia.
☹ Animal welfare credibility – consumer and customer perceptions	◆ Working collectively together – ensure the supply chain has solid programs – science to underpin the facts – communicate to the public
☹ Access to irrigation water	◆ More efficient water usage.
☹ Cattle and grain – less work, less labour costs.	◆ Increase industry profitability.
☹ Emergence of lifestyle agriculture.	◆ Ensure government and community support for commercial agriculture
☹ Bureaucracy and disease control.	◆ Increase industry profitability.
☹ Decreasing prices – prostitution by processors. Currency issues.	◆ Move from an overall commodity culture to a specialist niche market culture
☹ Mining industry - impact on labour and funding.	◆ Seek to import talented labour from other countries with sheepmeat industries and meat processing industries
☹ Total cost profile of the Australian industry – plants – transport. Price structure has changed – price to consumers has doubled.	◆ Increase productivity. Change the negative perception – use successful examples of other industries. Opportunities from Strategic R&D portfolios e.g. genomics.
☹ Live export industry	◆ Prove you have appropriate animal welfare policies – in WA legislative loophole regarding enforcement of Animal Welfare legislation. Consistent legislation across the States.
☹ Decline in sheep flock numbers as a source of replacement ewes.	◆ Industry supply chain profitability
☹ Competing products e.g. chicken, pork	◆ Product integrity, transparency and price competitiveness
☹ Emergency animal disease incident	◆ Ensure we have robust preparedness programs.
☹ Ineffective extension of research results and producer uptake - declining investment in public sector extension.	◆ Keep the industry profitable. Inventory of current extension. Better promote the industry's strengths and value. Focus on the outcomes to be achieved. Re-jig current balance between R&D and extension. Regional analysis of the opportunities
☹ China exporting into world markets.	◆ Focus on the EU – the high profit market – also value added market. Clean, green image – QA systems. Feedback from processors. Traceability systems.

THREATS	HOW TO AVOID THEM
☹ Who are the producers going to be in 5, 10, 20 years time?	◆ Ensure a vibrant and viable industry to attract new industry players

Sheepmeat Industry Priority Ranking

Participants at the Industry strategic planning workshop were individually asked to rank the importance of a number of priorities that were derived from both the industry issues paper, pre-workshop surveys, the SWOT analysis and general forum discussion. Each participant had to nominate the top five (5) priorities by secret ballot. The following table highlights the industry workshop consensus as to industry strategic priorities for the new industry strategic plan.

Rank	**Strategic Priority**	Vote (n=46)
1	Supply chain consistency, transparency and integrity. Development of a forward contract culture.	42
2	Improved industry productivity including flock.	37
3	Market access and expansion	35
4	One team. Cross industry unity. One industry over-arching body.	35
5	Demonstrate effective, sustainable, ethical and responsible resource use – land, people, water, animal welfare.	32
6	Improved consumer focus especially value added product for the export and domestic markets.	15
7	Higher rates of R&D adoption and extension effectiveness. Profitability tools particular emphasis on profit drivers.	8
8	Community trust and effective industry communication	7
9	Lamb branding	5
10	Competitor analysis - what makes us different and better than the pack	4
11	Exotic disease free status of flock.	3
12	Improved capacity development.	2

Workshop participants were then broken up into workshop groups and asked to flesh out each of the strategic priorities and their components on the basis of the potential impact on industry profitability and achievability. The next section details their collective responses.

Sheepmeat Industry Priorities Based on Achievability and Impact on Industry Profitability
Note this section retains the verbatim responses from the workshop groups

Strategic Priority 1: Supply chain consistency, transparency and integrity. Development of a forward contract culture.

Impact on Industry Profitability	**High**		• Lamb definition – Victorian equipment, mobile chiller testing to measure difference between age groups. Interagency MOU • Production efficiency and consistency of supply • Establish through chain feedback and trace-forward • Yield and quality based payment system • Forward contracting. • R&D adoption. • Environment and Feedback	• Improved feedback • Mob ID in NLIS Product description • Processor feedback • QA through chain • NLIS system • Sheepmeat eating quality • Enforcement of lamb brand • Food safety and halal
	Medium	• Anti-competitive marketing overseas by the States • Lamb brand • Forward contracts	• Increased industry specialisation-dynamics of feeder lamb market	• Science based – welfare arguments and natural resource use • Eating quality • Human health
	Low	Policing of meat description by the State, Aus-Meat		
		Low	**Medium**	**High**
	Achievability			

Strategic Priority 2: Improved industry productivity including flock.

Impact on Industry Profitability	**High**	• Access to labour on farm / processing • Automation • Research and policy development, and advocacy to reduce cost of government regulations and tax. • Employee turnover and absenteeism	• R&D adoption – pasture development • Lift the industry's profile across sectors particularly retail, processing and farming. • Increase carcase yield and skin quality with better feedback to producers. • Develop feed grain with high feed value for sheep (high yield) • Labour efficiency on farm and abattoir • feed conversion • worms • pasture utilisation • weaning rate • lamb mortality • ewe mortality • growth rate through feed base • adoption of R&D • automation • Feed efficiency • Lamb survival • Labour efficiency – labour saving devices – innovation in sheep industry • Improved industry productivity. • Increased reproductive rates – genetics and genomics • Adoption of R&D at the producer level. •	• On-farm – ewe nutrition • Improved reproduction. • Improved genetics • Faster turnoff • Meet specifications • Unified industry lobbying • Less government charges • Less regulation • Transport efficiency • Imported labour • Labour efficiency. • Livestock preparation/ presentation • Traceability and ID (NLIS) • Reduced regulation • R&D, extension to increase lamb turnoff. • Growth rate through genetics • Carcase yield • feed utilisation and productivity – novel feed types • Genetics • increase carcase weight and yield

	Medium	• Focus R&D to promote industry segmentation, specialisation. • Fly strike • On farm benchmarking •	• Genetic improvement Review training in retail sector to bring more people back into this sector • Predation – foxes, dogs.	• Boxed lamb • Pasture utilisation • Live export – on farm preparation • Adoption of processor production improvements
	Low		• Energy and water utilisation • Skill development and adoption Government deregulation.	• Promotion / education of producer cost of production drivers.
		Low	**Medium**	**High**
	Achievability			

Strategic Priority 3: Market access and expansion

Impact on Industry Profitability	**High**	• Increased access to the EU. • Continued freedom from exotic diseases • Favourable A$ exchange rate • Profitability • Increase market access into the EU	• Maintain a focus on both live export and process meat exports • Increased EU quota • Increased supply • Biosecurity • EU • DFAT to do market access • Stop duplication of State marketing processes • Profitability • Increase market access into Asia, Japan	• Maintain access. • Integrity in halal. • Quarantine for exotic disease. • Maintain current biosecurity systems, implement national electronic ID system • Disease control • Strong and clear leadership at all levels • NLIS, AQIS – resolve technical areas of market access • Profitability • Marketing of value-added products – pre-cooked food •
	Medium	• Mexico	• National Code of Practice for Animal Welfare • South Africa • North Africa • Consumer preferences in market situations	• Mob NLIS • Risk management procedures • Continued research/policy development/advocacy on WTU – FTAs • Halal systems embody highest integrity, and standards are promoted to our overseas customers • Market intelligence – defining the next competitive edge. •
	Low	• OJD control.		• Free trade agreements

		Low	**Medium**	**High**
	Achievability			

Strategic Priority 4: Demonstrate effective, sustainable, ethical and responsible resource use – land, people, water, animal welfare.

Impact on Industry Profitability	**High**		• Water conversion rates into lamb	• Breed fly resistant sheep • DNA testing • Promote ethical production/processing e.g. in schools. • Establish data on environmental footprint of the sheep industry. • Unified approach. Guarantee consistency of supply • Lifecycle analysis work – include impact of the cycle on human resources. • Perennial pasture production and impacts on sustainable…. • Carbon trading • Water recycling impacts
	Medium	• Salinity	• Auditable QA required at base level by all processors. • Auditable Code of Practice throughout the industry. • Ethanol • Equitable carbon trading • Pollution – chemical residues and fertiliser runoff e.g. in feedlots • Efficient human resources – skills development – training – telecommunications (development) industry regional analysis - opportunities and constraints • Resolve the labour issue	• Soil maintenance • Resilience to climate variability • Processing sector to decrease energy and water use •

	Low	• Biodiversity • Access to stock water		• Benchmark current industry performance on environment and welfare and are we meeting current Codes of Practice. Measure and validate sustainability Collaborative work to generate benchmarks across industry/CRCs/ RDCs etc
		Low	**Medium**	**High**
	Achievability			

Strategic Priority 5: One team. Cross industry unity. One industry over-arching body.

Impact on Industry Profitability	**High**	• Australian Sheep Council – including wool, sheepmeat, processing, live exporters, retailers • One structure for the whole of industry. • Reduced parochialism	• What happens with RMAC	• Cost savings • Increased efficiencies Increased lobbying power • Joint industry, policy decisions and implementation eg. LEAWG (cross management) Unity in a team – do it through key issues, key events and strategic plans • National R&D agenda – RDC review and the impact of Sheepmeat Council and ALF •
	Medium	• Meeting of the proponents	• Effective communication • Will this plan become the one sheep strategic plan? •	• Tri-nations work to continue
	Low	• Lobby governments to rationalise and co-ordinate their international marketing efforts • One organisation". • Collaboration between NZ and Australia		• Sheep advisory council – covers all areas of sheep production including wool
		Low	**Medium**	**High**
	Achievability			

The large number of issues were then consolidated into strategic action plans which follow.

STRATEGIC ACTION PLANS

Note:_ Plan components in red have been incorporated into higher level strategic priorities.

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	**Improved Industry Productivity**	**Market Access & Expansion**	**Cross Industry Unity**	**Sustainable Resource Use**	**Improved Customer Focus**	**Improved R& D Adoption**	**Community Trust**
Lamb Branding	**Competitor Analysis**	**Exotic Disease Free Flock**	**Improved Capacity Development**		**t**		

CURRENT REALITY: Variable standards on lamb and sheepmeat definitions; variable eating quality, inadequate supply chain feedback& traceability; but increased demand for lamb despite consumer price increase, domestic and export markets growing with demand exceeding supply.

Includes Priority (9) lamb branding;

DESIRED OUTCOME: A market and consumer responsive sheepmeat industry acknowledged as world best in terms of product quality , integrity & supply chain transparency .Use supply chain integrity as a niche market point of difference in domestic and export markets

***OBJECTIVES*: To develop sheep meat supply chain consistency, transparency& integrity to maintain and grow market share in domestic and export markets;**

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES
(1) Benchmark current level of supply chain integrity against consumer expectations						

(2) Define and confirm a standard lamb definition across all States as a basis for lamb brand integrity						
(3) Commit to NLIS integrity systems to underpin consumer confidence						
(4) Commit to Sheepmeat eating quality PACCP systems						
(5) Supply chin commitment to through chain feedback & trace forward						
(6) Review improvements in supply chain integrity against 2007 benchmarks and adjust						

programs						

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	**Improved Industry Productivity**	**Market Access & Expansion**	**Cross Industry Unity**	**Sustainable Resource Use**	**Improved Customer Focus**	**Improved R& D Adoption**	**Community Trust**
Lamb Branding	**Competitor Analysis**	**Exotic Disease Free Flock**	**Improved Capacity Development**		**t**		

CURRENT REALITY: Current sheep flock at 95 million; inability to supply domestic and export market demand; Dependence of the sheepmeat industry on viability of the Merino wool industry; Industry productivity and profitability to improve to provide acceptable returns to investment

Includes Priority 7: Higher rates of R&D adoption and extension effectiveness; Priority 11 : Exotic disease free status of flock

DESIRED OUTCOME: A viable and profitable sheepmeat industry with competitive returns to investment across the supply chain

***OBJECTIVES*: Long terms viability will depend on ongoing productivity improvements in industry productivity to combat the cost price squeeze**

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES
(1) Benchmark current levels of sheep meat productivity across States and production systems.						

(2) Define production system cost profiles to enable producers to identify where productivity improvements can be made.						
(3) Review current R&D portfolio outcomes to ensure supply chain players can utilise existing R&D outcomes to improve investment performance						
(4) Identify cost effective regional R&D programs/ projects that improve supply chain productivity and investment performance						
(5) Ensure Australian sheep flock retains exotic disease free						

status						

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	Improved Industry Productivity	Market Access & Expansion	Cross Industry Unity	Sustainable Resource Use	Improved Customer Focus	Improved R& D Adoption	Community Trust
Lamb Branding	Competitor Analysis	Exotic Disease Free Flock	Improved Capacity Development				

CURRENT REALITY Australia exports approximately 142,000 tonnes of lamb and 141,00 tonnes of sheepmeat to diverse markets in North America, Asia and Pacific; Exports account for one third of production; the domestic market is still the single largest market; 74% of internationally traded sheepmeat originates in Australia and New Zealand; In 2006 Australia exported 4,184920 head of live sheep; China is an emerging market threat to Australian live exports in some markets
Includes Priority 10: Competitor Analysis

DESIRED OUTCOME: Maintain and expand domestic and export markets to ensure industry goal of a value of $6billion by 2015 is achieved.

OBJECTIVES**: Markets and dynamic and sheepmeat has to compete with other animal protein in consumer's diets; sheepmeats are traded into markets that have can deny market access through varying means**

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES
(1) Identify key market success factors in key sheep and sheepmeat markets by commercial competitor analysis.						

(2) Continued research and policy development for export market access for sheepmeats and live sheep						
(3) United supply chain lobby activities to Federal and State government to ensure market access initiatives are successful.						
(4) Continue to monitor consumer market trends in key domestic and export markets and proactively amend market access and entry programs to meet consumer expectations						

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	Improved Industry Productivity	Market Access & Expansion	Cross Industry Unity	Sustainable Resource Use	Improved Customer Focus	Improved R& D Adoption	Community Trust
Lamb Branding	Competitor Analysis	Exotic Disease Free Flock	Improved Capacity Development				

CURRENT REALITY: The sheep meat industry currently has a silo based approach to industry affairs rather than an integrated supply chain approach ;Producer and processor Agendas often conflict; cost of managing industry affairs is increasing with a need to better coordinate and consolidate industry representation and management; Parochialism across States tends to blur industry program effectiveness.

DESIRED OUTCOME: Cost effective industry representation and communication to external stakeholders such as government and the community at large; adoption of an integrated supply chain approach to industry communications.

OBJECTIVES**: Achieve total industry unity in representing industry issues management to external stakeholders in domestic and export markets**

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES
(1) Use the new strategic plan to adopt a whole of industry approach to key industry issues management.						
(2) Proactively develop a whole of						

industry issues management monitoring program.						
(3) Industry leaders to proactively engage with agreed responses to emerging industry threats and issues.						
(4) Industry leader roundtable to identify where duplication of effort can be eliminated from management of industry affairs						
(5) Agreement to be reached on a proactive approach to industry issues management plans which are committed to and regularly reviewed in light of changing market and political						

landscapes						

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	Improved Industry Productivity	Market Access & Expansion	Cross Industry Unity	Sustainable Resource Use	Improved Customer Focus	Improved R& D Adoption	Community Trust
Lamb Branding	Competitor Analysis	Exotic Disease Free Flock	Improved Capacity Development		t		

CURRENT REALITY: The Australian sheep meat industry is highly competitive on the world stage; Government, community and consumers increasingly care about sustainable resource use, animal welfare ; water use and real and perceived environmental contamination issues; labour access is a continuing issue across the sheep meat supply chain;

DESIRED OUTCOME: A viable and profitable sheepmeat industry across Australia that operates with community and government support because of a capacity to demonstrate sustainable and responsible resource use and animal welfare best practice standards.

***OBJECTIVES*: The sheepmeat supply chain needs to operate in a conducive operating environment that ensures optimal product quality, profitability and sustainable resource use. Unless there are high levels of community and government support higher levels of regulatory compliance and associated cost will impede market and business competitiveness.**

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES
(1) Undertake sheepmeat production systems life cycle analysis to identify current resource use benchmarks and environmental footprints.						

(2) Identify where resource use improvements can be made to improve resource use against benchmarks.						
(2) All sheepmeat supply chain players to commit to auditable environment and animal welfare best practice Codes of Practice.						
(3) Provide easy to use and understand best practice training programs for supply chain players and their staff leading to appropriate accreditations.						
(4) Compare Australia's sheepmeat industry sustainable resource use to competitor						

countries as a point of market differentiation.						
(5) Undertake a regional economic impact of the Australian sheepmeat industry proving the industry's worth for use in negotiations with all levels of government						

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	**Improved Industry Productivity**	**Market Access & Expansion**	**Cross Industry Unity**	**Sustainable Resource Use**	**Improved Customer Focus**	**Improved R& D Adoption**	**Community Trust**
Lamb Branding	**Competitor Analysis**	**Exotic Disease Free Flock**	**Improved Capacity Development**		**t**		

CURRENT REALITY:

DESIRED OUTCOME:

OBJECTIVES:

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES

Sheepmeat Industry Strategic Plan – Action Plan (TO BE COMPLETED)

Supply Chain Integrity	Improved Industry Productivity	Market Access & Expansion	Cross Industry Unity	Sustainable Resource Use	Improved Customer Focus	Improved R& D Adoption	Community Trust
Lamb Branding	Competitor Analysis	Exotic Disease Free Flock	Improved Capacity Development		t		

CURRENT REALITY:

DESIRED OUTCOME:

OBJECTIVES:

STRATEGIES	KEY PERFORMANCE INDICATORS	RISK / THREAT	RISK MANAGEMENT	RESPONSIBILITY	TIMING	BUDGET RESOURCES