

Where Should I Market My Lambs?

There are three basic approaches for marketing lamb in Ontario: through auctions, direct to buyers and/or packing plants, or directly to consumers. Each of these marketing strategies has advantages and disadvantages. A diverse marketing strategy using more than one of these approaches may help decrease the risk of having ‘all of your lambs in one basket’, if the price in one market falls.

Marketing Who’s Who:

- **Packers** own processing plants and buy animals for butchering and sell meat products to wholesalers and retailers.
- **Livestock dealers** buy from producers, auctions, etc. and resell live animals.
- **Livestock brokers** are similar to dealers, however, do not actually own or take possession of the animals. They charge a commission fee for arranging the sale of your animals (e.g. auctions).
- **Wholesalers** buy animals or meat products from any of the above groups to supply retailers.
- **Retailers** sell directly to the consumer through shops, restaurants, etc. Some retailers may only be interested in buying specific cuts of lamb and will generally go through a wholesaler. Others may wish to deal directly with producers, and have a slaughter facility that they deal with regularly.
- **Ontario Sheep Marketing Agency:** OSMA does not have direct involvement in the sale of sheep and lambs in Ontario. OSMA is enabled by the Products Marketing Act to claim a per head check-off fee for the sale of sheep and lambs. The check-off is used to benefit the industry as a whole through product promotion and producer advocacy.

Sales Barns

In Ontario, most producers sell their animals through public auctions. This is a free market system, where prices can vary daily and seasonally depending on supply and demand. Buyers for packing plants and abattoirs will buy live animals at auctions (sales barns). An advantage of selling through sales barns is that the producer doesn’t have to expend effort in finding a buyer. Auction marts are generally bonded, which guarantees that the producer will be paid in a timely fashion. Sales can be risky, however, as the price you receive will be largely based on the amount of competition among buyers on a given day. Although there are ~105 packing plants/abattoirs that deal with sheep in Ontario, only four handle the majority of the sheep and lambs. Factors that are generally out of your control, such as whether your lambs go through at the beginning of the sale or at the end, can also influence the price regardless of the quality of the lambs. Once the sale has started the producer has little control over the price he/she receives. Some auctions will allow the producer to set a minimum (floor) bid before the auction as a condition of sale. Auctions are not required to provide this service, however, and your animals may go for much less than anticipated. Sales barns charge a per head fee for selling animals, which goes towards facility maintenance, auctioneer, and staff salary. If there are a number of sales barns in your area you may wish to contact each one to compare their fee rates. The sale barns must also be registered with OSMA and are required to collect and pay to OSMA the License Fee, on behalf of the seller, for any sheep or lambs sold or processed through their organization.

There are many sales barns throughout Ontario. Eight of these markets provide weekly sales information to the OSMA office. Of these eight, four sales handle a large majority of the sheep and lambs which include, the Ontario Stockyards Inc. (OSI), Ontario Livestock Exchange Inc. (OLEX), Brussels Livestock and Embrun Livestock Exchange. Although the largest sale (OSI) tends to set the price trends, there can be a wide variation in price across the province.

Weight Categories:

At auctions, animals are sold based on their live weight. The weight categories for Ontario sales are as follows:

Lambs

- Under 50lb*
- 50-64 lb*
- 65-79lb
- 80-94 lb
- 95-109 lb
- Over 110 lb

Sheep (adult animals of any weight)

* Lambs under 65 lbs may also be referred to as 'new crop', 'milk lambs', or (in the US) 'hot house lambs'. They are generally freshly weaned at the time of sale.

Breeding Stock

With the mix of animals that come together at sales barns, buying breeding stock at auctions increases the risk of bringing an unwanted disease home with your new animals. Many of the adult animals that are sold at auction are there as culls. By purchasing breeding stock from these sources, you may be buying another producer's problems. It is far better to go through a reputable breeder and buy animals with a known health status. Producers who buy or sell breeding stock may wish to advertise in recognized agricultural newspapers such as the Ontario Farmer or in publications such as in the Breeder's Directory of the Ontario Sheep News.

Price Reporting:

Prices from these sales are reported as *price per hundred weight* (\$/cwt) for live animals. Dividing this number by 100 will give you the *price per pound*. The low-high range, average price, and top price for individual weight groups are reported from each sale. To account for abnormally high and/or low prices, the range includes 80% of the animals marketed for that day. Data is presented by OSMA from each of the four largest sales (OSI, OLEX, Brussels, and Embrun), and as a summary of eight markets. Summarized prices are reported as *weighted averages* to account for the number of animals sold for specific price. For example, more emphasis is placed on the price of 100 animals from market A, compared to the price of 10 animals from market B. A non-weighted average places equal emphasis on both prices.

Sources of Ontario Sale Barn Data

Weekly Ontario market information can be accessed via the OSMA market line (519-836-0043 select market data option from menu), website (www.ontariosheep.org), or the Ontario Sheep News. As well, The Ontario Farmer also posts market data provided from OSMA.

Producer to Dealers, Packers, and Retailers

An estimated 10-15% of the market in Ontario involves direct sales from producers to dealers, packers, retailers etc, without using the services of an auction mart. Direct marketing provides the producer with the option of negotiating with the buyer and not selling the animals if a price is not adequate. Developing a long-term relationship with a reliable buyer is ideal for both parties. Over time the producer is able to adjust his/her management to consistently produce the type of lamb the buyer requires. The producer receives a relatively predictable price and may be able to negotiate a premium for providing the buyer with animals of a known quality. However, succeeding with this marketing option may require a great deal of time, effort, and market knowledge on the part of the producer. Keeping an

eye on sales barn prices during the time of the year you are selling will help ensure you are receiving a fair price for your animals. Finding out as much as you can about the buyer, including asking for a credit check, may prevent problems with future payment.

Know what your rights are with regard to the timing of payment and when it is appropriate to file a complaint. A lone producer contributing a small percentage of the total business for a buyer may not be a priority for speedy payment and there have been cases in Ontario of such problems in the past. When selling directly to buyers it is important to maintain a paper trail of all transactions. Controversies, such as the agreed upon price, the number of animals received or length of time between delivery and slaughter, are more likely to be resolved in your favour if you have documentation. This should include a proper invoice, including the buyer and seller name, sale date, number of animals, and the buyer/transporter signature.

Another option for a producer is marketing through a forward contract program, which involves direct marketing from producers to packing plants.

All abattoirs, processors and sales agents must register with OSMA and are required to collect and pay to OSMA the License Fee, on behalf of the seller, for any sheep or lambs sold or processed through their organization.

Feedlots

In Ontario, the majority of sheep operations keep their lambs from birth until they are sold for slaughter. In Western Canada the practice of feedlotting lambs is relatively common. This involves gathering young stock (feeders) from various sources for finishing. To date, feedlots haven't been commonplace in Ontario, but there are some indications that they may become more popular in the future. If this occurs there may be new opportunities for sheep producers to supply lambs directly to these operations.

Live weight vs dressed weight

When selling lambs directly to a buyer, you may have the option of being paid either on a live animal or dressed carcass basis. With the auction system, you will always be paid based on live weight on the day of the sale and paid accordingly. Live weight when selling to a buyer, is generally based on the weight of the animal as it crosses the scale at the abattoir or processing plant. Once the animals have left your possession (i.e. they are picked up from your farm or you deliver them to the plant) you have no control over how they are handled before slaughter. Animals may be held for a day or more before being killed, which may lead to significant 'shrink'. Shrink is the change in live weight that occurs during transport and holding before slaughter, if animals are not given full access to feed and/or water. This change includes the loss of gut fill and (generally after 24hrs) moisture and nutrients from carcass tissue. This change can be 3-5% of the total carcass weight or higher in some cases. You may wish to discuss applying a shrink calculation to the sale price to compensate for this loss. Although they may not be accepted as the 'official' sale weight, it is also a good idea to weigh animals on your farm before shipping, to cross-reference with the weights at slaughter.

When lambs are sold on a live weight basis, the buyer estimates what the yield and quality of the carcass will be and accepts the risk of being wrong. Alternatively, dressed weight (or rail grade) price is based on the actual carcass weight and grade. Complexity of the grading system may vary considerably depending on the buyer, from measurements for fat depth and muscling, to a visual assessment, to not being performed at all. Carcass weight generally ranges between 48 and 54% of the live weight, depending on animal age, finish (fat cover), and how the carcass was dressed (i.e head on/off, organs in or out). Carcass dressing methods vary depending on the market requirements (e.g. some retailers may require that the head is left on and organs included etc.). Be sure to ask about the details of how the carcass will be graded and dressed before agreeing to a price. As only the carcass, not including the digestive system, is weighed no shrink calculation enters into rail grade pricing. If the animals are left

without feed and water to the point that the body is absorbing moisture from the carcass (causing tissue shrink), the producer is not compensated for this loss.

Producer to Consumers

Producers may sell a portion or their entire lamb crop directly off-farm one animal at a time as 'freezer lamb'. This involves developing your own client base and can be a good way to diversify your market. It eliminates the cost of the 'middle-man' and may allow you to realize more return on your product. Since you negotiate the price, you should be able to avoid the price fluctuations of the open market. Provided you've done a good job of establishing a solid client base, you will have a steady market for at least some of your lambs if auction prices fall. However, this method can be time consuming, as you may need to deal with many individual clients interested in buying only a single animal. Individuals may have very different preferences, requiring the producer to have a wide variety of animals available. By law, lamb for off-farm sales must be slaughtered and butchered in a licensed abattoir or processing plant. In most cases producers incur the cost of slaughter and butchering. The producer or seller is also responsible for remitting the OSMA License Fee directly to OSMA when selling directly to customers or other producers. Producers may have to spend considerable amount of time promoting their product and developing their client base. As with selling to larger buyers, it is important to maintain a paper trail, including invoices, to prevent misunderstandings.