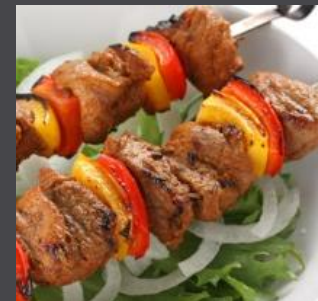


The American Lamb Industry Roadmap Project

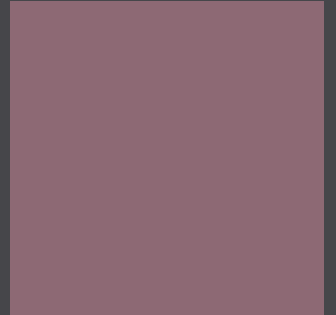
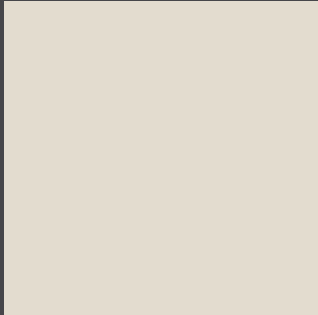
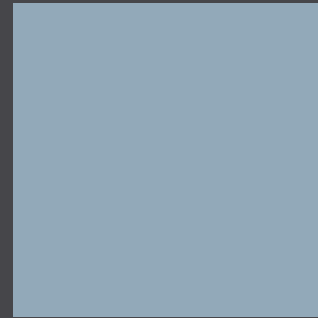
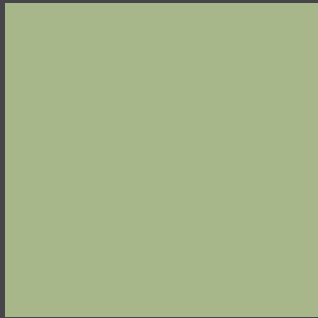
Final Presentation

December 10, 2013



Sections of this Presentation

- Project Background
- Situation Analysis – The Traditional Industry
- Situation Analysis – The Non-Traditional Industry
- Goals and Objectives
 1. Product Characteristics
 2. Demand Creation
 3. Productivity Improvement
 4. Industry Collaboration
- Action Steps
- Execution Process



Project Background



Purpose of this Assignment

To identify and analyze the major challenges facing the American lamb industry, to propose the most effective solutions to those challenges, and to develop a strategy for the industry that will strengthen its short-term and long-term competitive advantage and return the industry to consistent profitability.

Ownership of the Industry Roadmap

- It appears that this project has become commonly known as “The Hale Report.”
- The Hale Group urges the industry to discontinue using that term.
- The Roadmap was developed by:
 - Participants from all segments of the industry
 - Participants from all national sheep industry organizations
- It does not “belong” to The Hale Group or the American Lamb Board.

The Lamb Industry Roadmap is owned by the American Lamb Industry.

The Roadmap and Other Industry Activities

■ Furthermore, the Roadmap strongly endorses the many activities currently being implemented by:

- American Sheep Industry Association
- American Lamb Board
- National Lamb Feeders Association
- National Sheep Industry Improvement Center
- National Sheep Improvement Program
- State sheep associations
- Industry meat associations
- Land grant universities with sheep research, education, and extension programs
- USDA agencies that support the sheep industry
- Individual industry participants

The Roadmap and Other Industry Activities (Continued)

- If adopted by the industry, the Roadmap supplements the many other efforts to enhance the future of the industry.
- The Roadmap assumes that all sheep industry organizations will continue to pursue their mandate and continue to implement their unique activities.
- The Roadmap focuses on several areas where the Industry Advisory Group believes new or renewed efforts are required.
- The following slides mention only a few current programs of the sheep industry organizations that must be continued.

Support for Ongoing ASI Activities

- Accurate data from many participants in the industry is critical.
- As the lamb industry becomes smaller, the data reported by USDA through MLR becomes less reliable.
- Clearly, the need for accurate information and unbiased analysis is as great now as it ever has been.
- ASI should be commended for taking the lead in initiating action with USDA to adjust the Livestock Mandatory Reporting requirements.
- The Roadmap supports ASI in seeking appropriate changes as quickly as possible.
- The definition of “lamb” and yearling animals should be consistent with the overall industry goal of providing consumers with a positive and repeatable eating experience.

Support for Ongoing ASI Activities (Continued)

- ASI continues its regulatory advocacy work on behalf of sheep producers across the nation to prevent or mitigate ill-advised regulations on the sheep industry.
- These efforts are critical to the success of the entire industry.
- The Let's Grow Program seeks to attract and support younger sheep producers in the industry.
- SSQA utilizes research and education to improve management during the production of safe and high-quality sheep products.

All of these efforts support and enhance the Industry Roadmap.

Support for Ongoing ALB Initiatives

Some of ALB's activities include:

- Qualitative research with consumers
- Improving culinary education materials, chain restaurant promotions, summits with influential chefs
- Expanding target markets
- Updating nutritional databases to include grain-fed as well as grass-fed feeding regimens
- Direct and Ethnic Marketing assistance
- Digital and social media, Lamb Jams, other consumer outreach
- USMEF proposals targeting the Middle East

Support for Ongoing ALB Activities (Continued)

- ALB has momentum, investment, and ongoing programs in a number of key areas.
- There is a comprehensive strategic plan in place.
- Core activities such as market research will and should continue.
- The Roadmap strongly encourages a collaborative approach between American Lamb marketers and ALB in order to leverage key assets to the end of building demand.

ALB's many useful programs are conducted on an annual budget of \$2.5 million, in comparison to Australia's lamb promotion budget for the U.S. of \$6.7 million.

State Sheep Associations and Land Grant Universities

- The state sheep associations conduct programs that are tailored to assist sheep producers in their state.
- In addition, the state associations conduct vital advocacy work on issues of state legislation and regulation.
- Many land grant universities have programs to support sheep producers through research, education, and extension.
- These programs are all vital for the future well-being of the lamb industry.

The Roadmap: A Process, Not a Report

- This project is about the beginning of a PROCESS – not about creating a report.
- The report will be our INITIAL Roadmap for the industry.
- But the Roadmap will change and evolve over time as new events occur and as the industry learns from the implementation effort.
- Some suggestions from industry participants are not included in this presentation, not because they were invalid, but because the Roadmap had to prioritize the initiatives to be accomplished in the next few years.
- Other issues can, and will, be addressed as the Roadmap unfolds.
- The industry is at the BEGINNING of a process.

Level of Detail

- This presentation provides more detail than the Progress Presentation.
- These slides have also added some new material that was not in the Progress Presentation.
- A PowerPoint presentation can hit the highlights, but has difficulty in providing all the details.
- A written report at the end of the project will provide more detail.
- The various initiatives will add even more detail over the next few years of implementation.

The Use of Working Groups

- A 19-person Industry Advisory Group was appointed to guide this project.
- In its first meeting, the Industry Advisory Group identified five major areas for research and investigation:
 - *Awareness and Promotion of Lamb*
 - *Meat Quality and Consistency*
 - *Productivity Improvement*
 - *Seasonality Management*
 - *Information Transparency and Industry Collaboration*
- Each member of the Industry Advisory Group was assigned to one of five small Working Groups.
- Each Working Group addressed one of the above topics.
- These recommendations are based heavily, but not exclusively, on the Working Group participants' work.

Members of the Five Working Groups

Awareness and Promotion

- Reed Anderson, Oregon
- Nick Forrest, Ohio
- John Oswalt, Michigan
- Gary Pfeiffer, California

Meat Quality and Consistency

- Richard Drake, Colorado
- Bill Fosher, New Hampshire
- Dennis Stiffler, New York
- Henry Zerby, Ohio

Seasonality Management

- Dan Lippert, Minnesota
- Frank Moore, Wyoming
- Butch Theos, Colorado

Productivity Improvement

- Richard Hamilton, California
- Burdell Johnson, North Dakota
- Kathy Soder, Pennsylvania
- Clark Willis, Utah

Information Transparency & Industry Collaboration

- Greg Ahart, California
- Greg Deakin, Illinois
- Clint Krebs, Oregon
- Pierce Miller, Texas

Use of Terms in this Presentation

Industry participants use the terms "traditional" and "non-traditional" in different ways. The table below indicates how this presentation uses these terms.

Market Channels of the American Lamb Industry	
Traditional Market Channel	Non-Traditional Market Channel
<ul style="list-style-type: none">■ Producers and feeders sell live lambs■ Packers and fabricators sell meat to retailers and foodservice firms■ Consumers buy lamb meat from retailers and foodservice firms■ The markets set prices	<ul style="list-style-type: none">■ Producers sell meat or live animals directly to consumers or retailers / foodservice operators■ Producers use custom slaughterers / fabricators■ Producers produce to consumer expectations■ Producers usually negotiate reasonable, stable prices■ Producers have more leverage in pricing – selling not just on price but also on other product attributes

Different Segments but with Influence on Each Other

These two go-to-market channels take very different routes to market, yet each has an effect or influence on the other's success.

- Lamb marketers in either marketing channel risk losing a customer that has a negative dining experience from product with low quality standards that was supplied by the other marketing channel.
- Consumers can be confused over inconsistent marketing messages from highly independent lamb marketers.
- A reduction in industry infrastructure is felt by both the traditional and non-traditional marketing channel.

**The two market channels do not exist in isolation,
and some producers participate in both channels!**

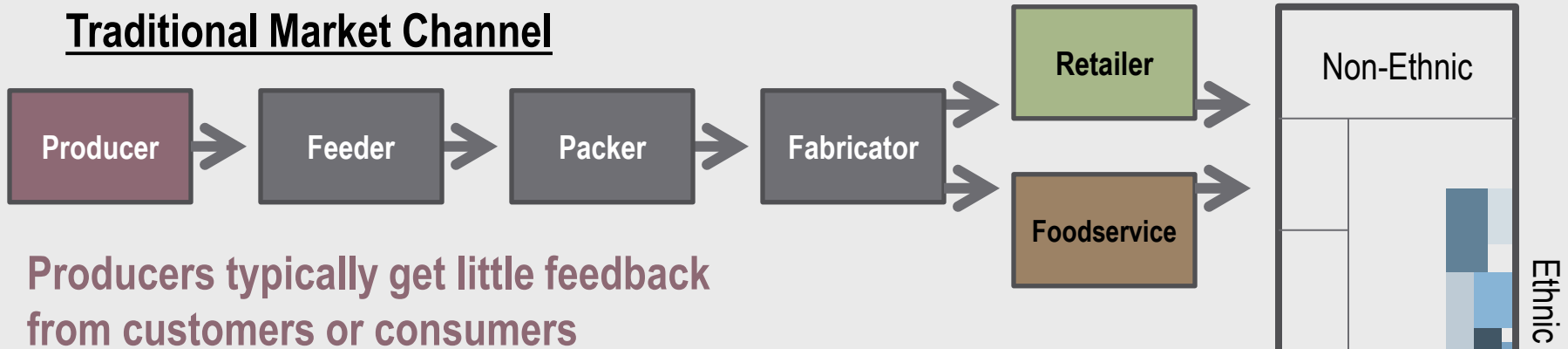
Use of Terms in this Presentation

Market Segments of the American Lamb Industry	
Ethnic Market Segments	Other Market Segments
<ul style="list-style-type: none">■ Muslim people■ Mediterranean peoples■ Jewish people■ Hispanic people■ Hindu people■ Other ethnic groups that eat lamb regularly	<ul style="list-style-type: none">■ All other population groups not included in the “ethnic” groups

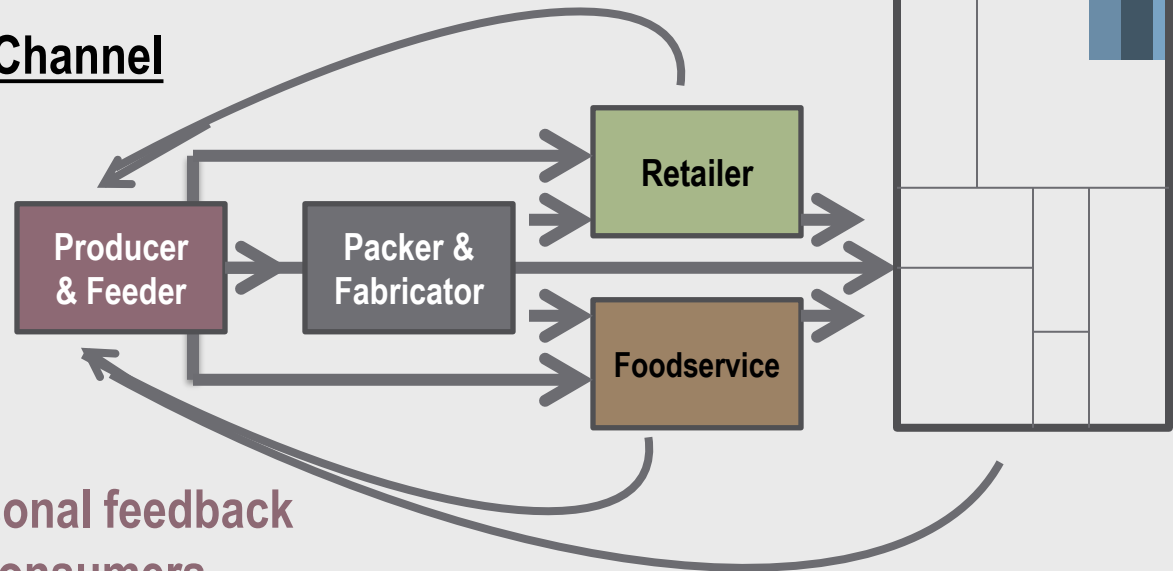
Note: Ethnic people buy from BOTH the traditional channel and the non-traditional channel. Direct marketers sell into BOTH the ethnic markets and the other market segments.

Typical Flow of Product and Relationships

Traditional Market Channel



Non-Traditional Market Channel



Vastly Different Segments of the Industry

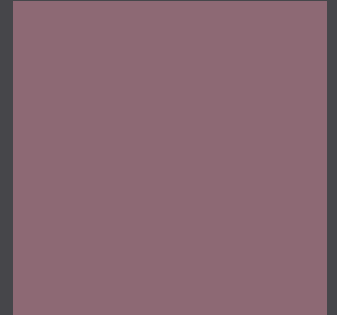
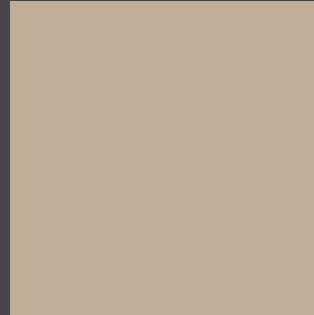
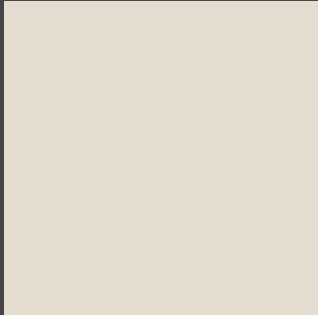
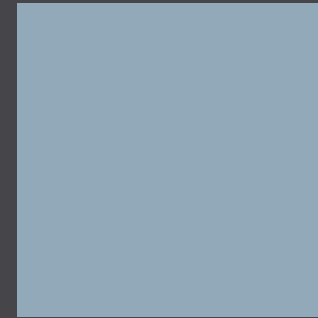
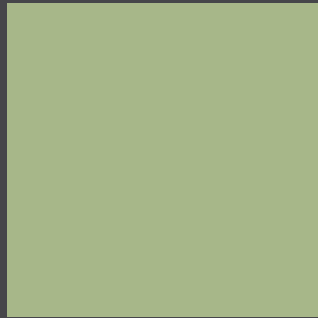
Traditional Market Channel

- Produces the larger volume
- Many producers do not get paid for delivering high quality carcasses
- Has experienced a long decline in production
- Has experienced highly variable profitability

Non-Traditional Market Channel

- Produces a smaller volume
- Producers get personal feedback on what consumers want
- Producers are growing rapidly – can't keep up with demand
- Producers experience much less price volatility, and at price levels where they can be profitable on a regular basis

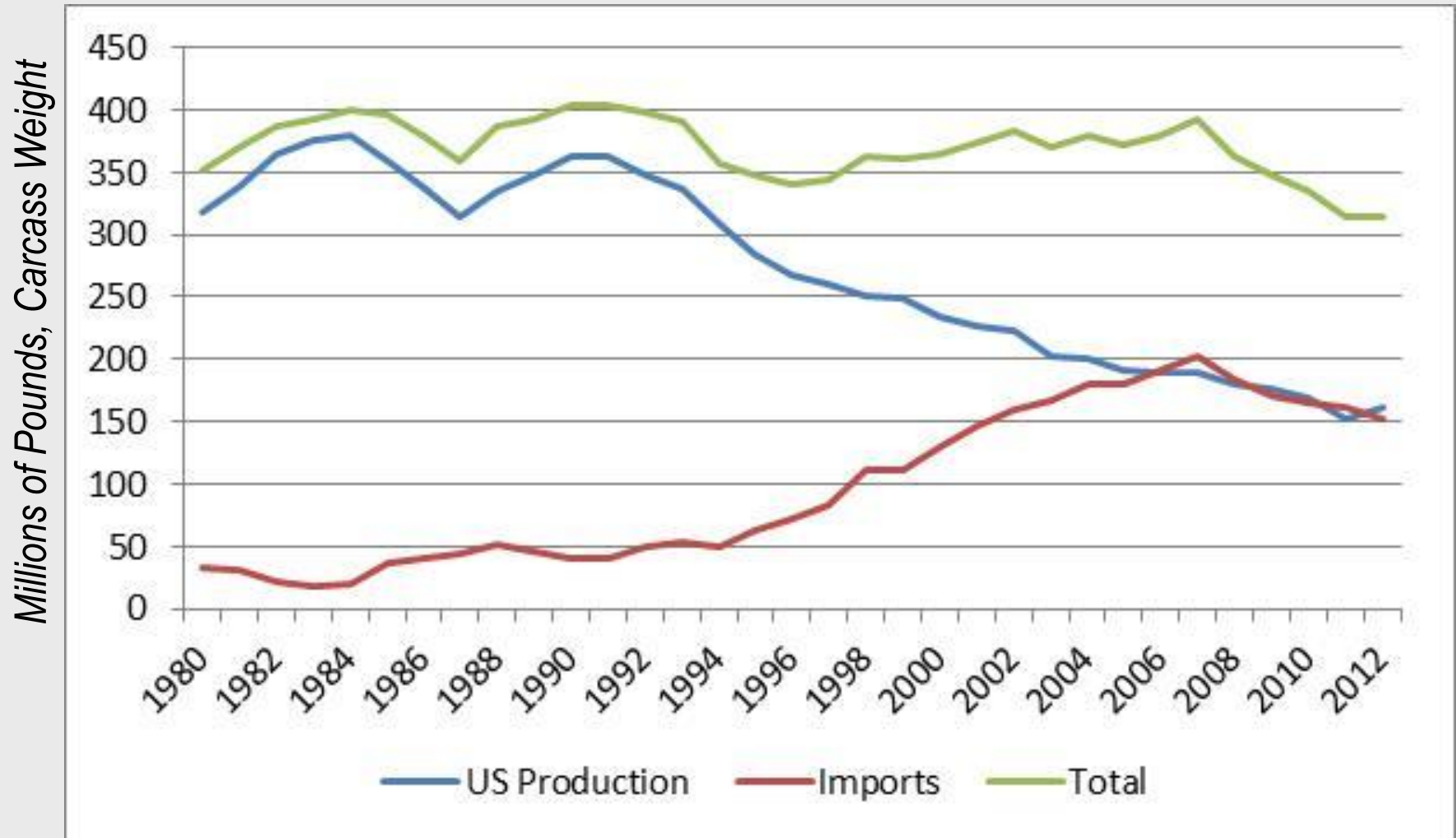
These two go-to-market channels are very different routes to market.



Situation Analysis – Traditional Industry

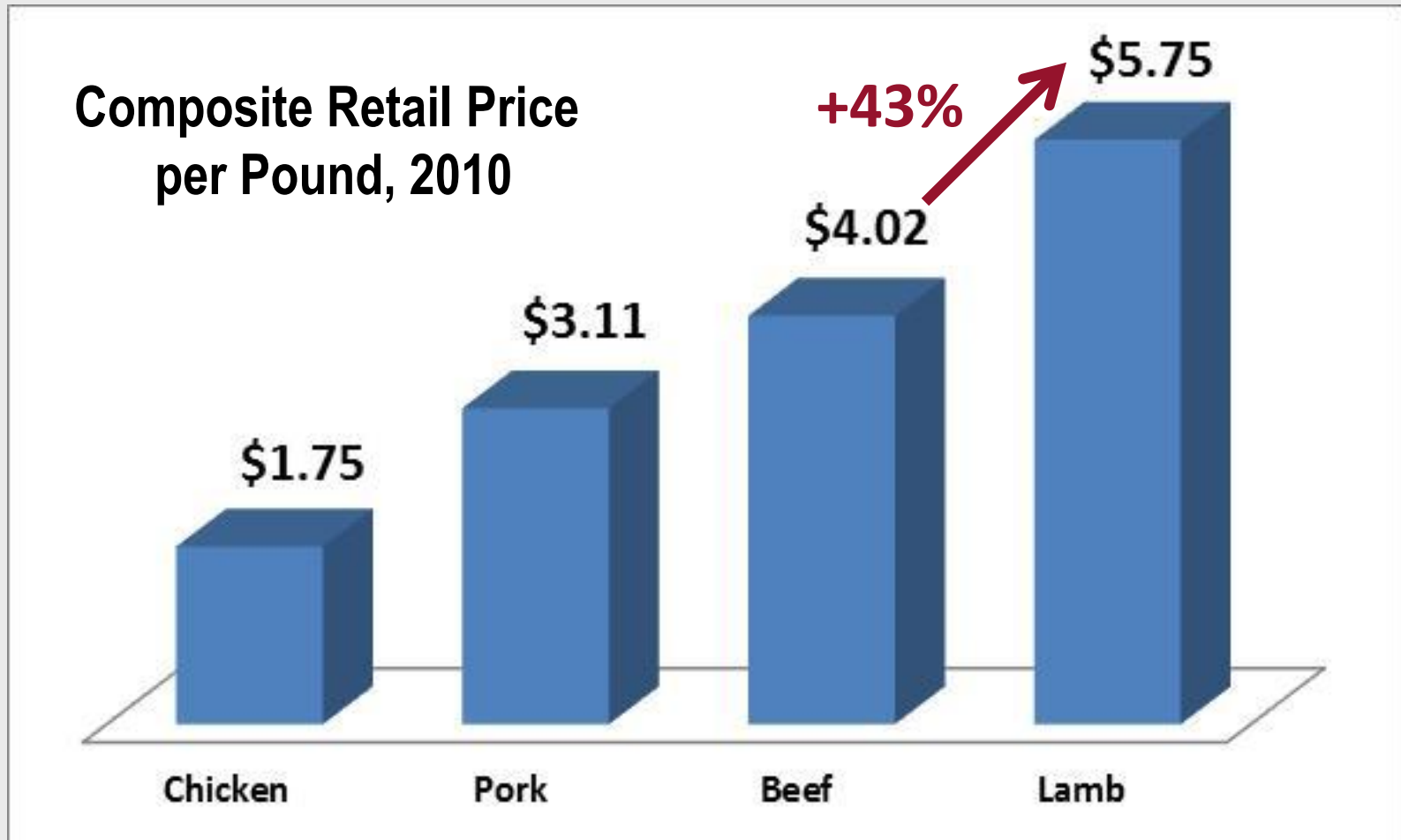


Industry Challenge: Decline in U.S. Lamb Consumption



Source: USDA, Economic Research Service

Industry Challenge: High Price Compared to Other Meats



The year 2010 was selected to avoid 2011 with very high lamb prices and 2012 with very low prices.

Source: USDA, Economic Research Service and Fresh Look reports

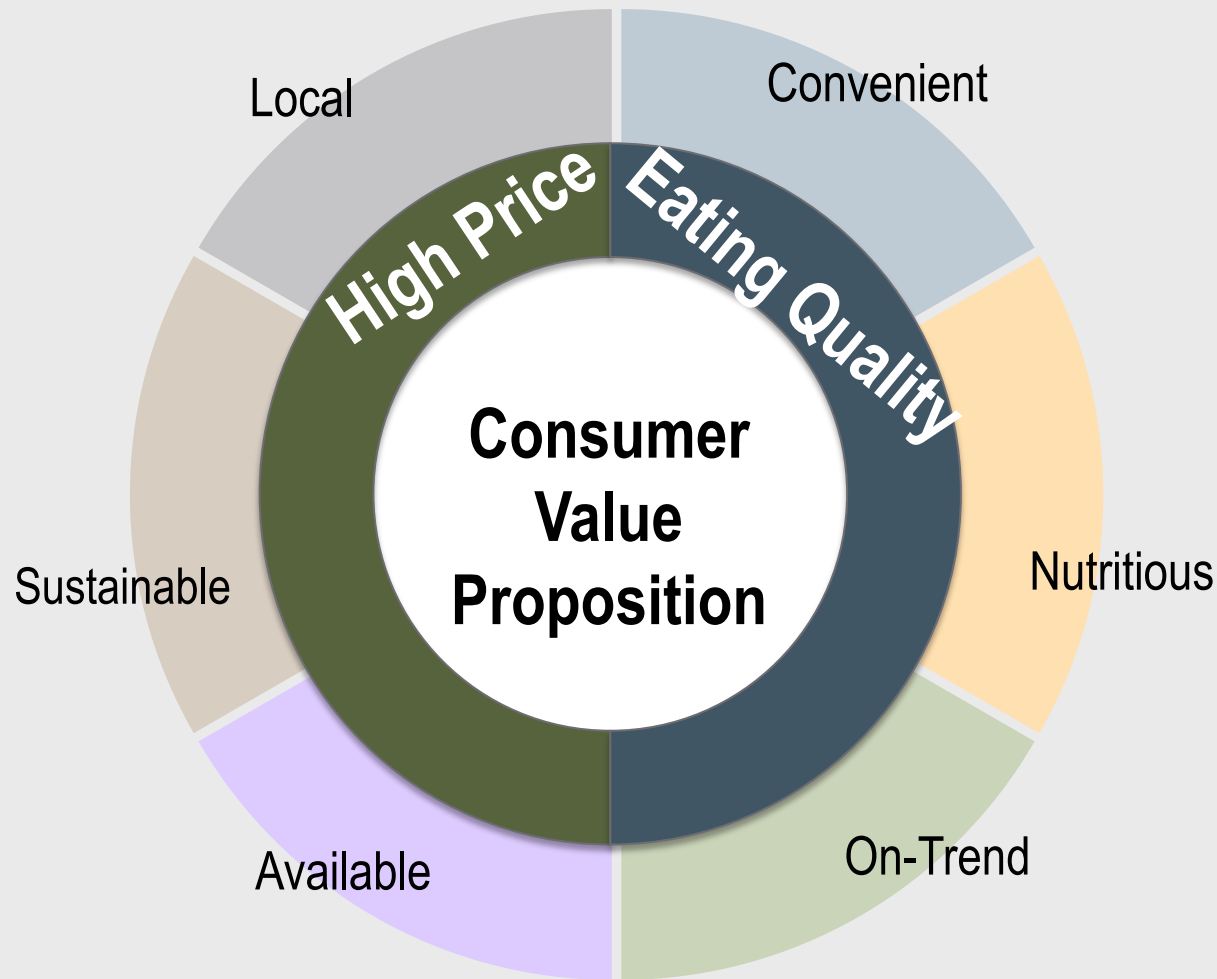
SWOT Analysis of Traditional Market Channel

Strengths	Weaknesses
➤ Lamb meat is flavorful	➤ Lamb meat is high priced
➤ Lamb has highly desirable nutritional profile, esp for women and elderly	➤ Lamb meat quality is quite variable, particularly fat cover
➤ Satisfies consumer desire for food variety	➤ Industry has limited funds for promotion
➤ Geographic dispersion makes direct marketing more viable	➤ Price discovery and reporting are not efficient and transparent
➤ Can be finished on grass or corn	➤ Consumption of U.S. lamb has been declining for decades
➤ Fresh product availability	➤ Limited value added offerings <i>versus</i> other proteins

SWOT Analysis of Traditional Market Channel (Continued)

Opportunities	Threats
➤ Capitalize on lamb's unique flavor and consumers' desire for variety	➤ Imported lamb is more consistent
➤ Position lamb as "the premier" meat	➤ Reduction in Federal grazing land or significant increase in fees
➤ Promote the health qualities of lamb	➤ U.S. consumption of all meat is flat to declining
➤ Ethnic markets have room to grow	➤ Credit is increasingly difficult to get for producers
➤ Capitalize on market for "local food"	➤ Some retailers could discontinue carrying lamb
➤ New products / innovation	➤ Loss of additional processing capacity

Value Proposition of Traditional Channel Must Change



Two Visions for Future for the Traditional Channel

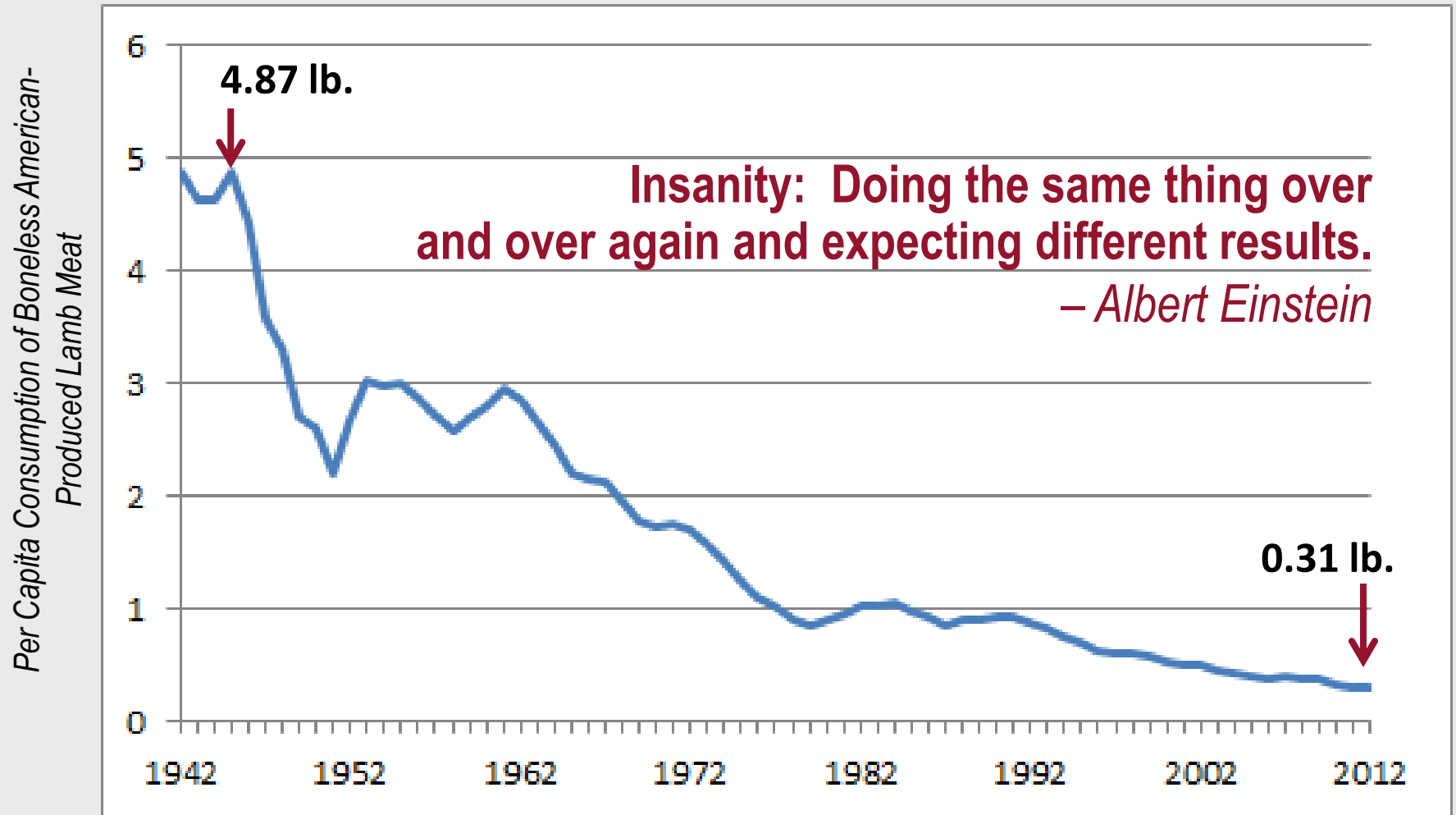
**Aggressive
Change**

- Major change in the way the industry works
- Investment in the future
- Growth in U.S. production
- Profitability

**We've Always
Done It This Way**

- Further decline
- Collapse of supporting infrastructure
- Imports grow to 80%+ of U.S. consumption
- Mass exodus from the industry

Consumption Decline of American Lamb Meat



Source: Economic Research Service, USDA, supply and disappearance data

5 and 10 Years from Now without Aggressive Change

5 Years From Now

- Imports are 80% of U.S. consumption
- American lamb prices remain low
- Many commercial producers exit the U.S. lamb industry
- More industry infrastructure leaves
- The traditional marketing channel is on verge of collapse

10 Years From Now

- The traditional marketing channel has collapsed
- No large packing plants
- The non-traditional marketing channel is very profitable and has grown dramatically
- Small, regional packing plants have expanded
- Consumption of American lamb is starting to grow from very low base

A Vision for 10 Years from Now with Aggressive Change

- An industry highly responsive to consumer demands and market shifts
- A significant increase in demand within 10 years.
- Dramatic reductions in fat content of lamb and improvement in product consistency
- Majority of lambs sold on value-based pricing system
- A more collaborative, coordinated industry with industry leadership driving change
- Every sector of the industry experiences consistent profitability and makes investments in the future

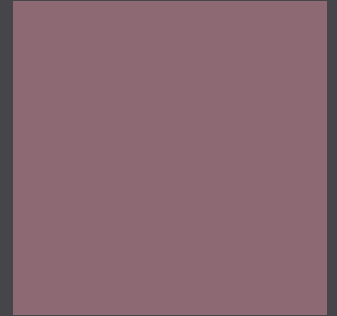
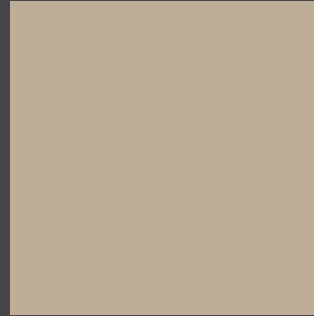
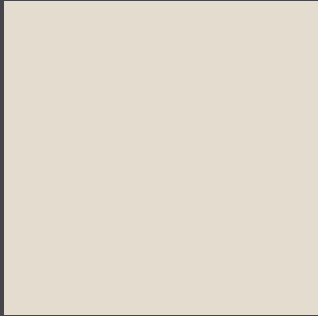
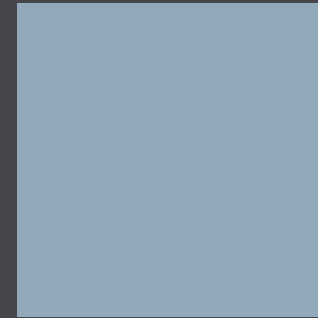
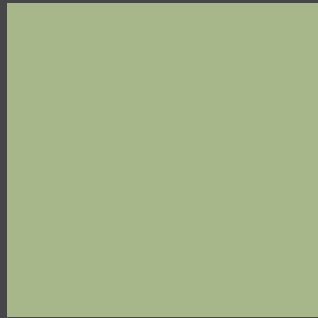
There is hope. The traditional market channel for American lamb can grow and become profitable if it changes.

Conceptual Changes Required in the Sheep Industry

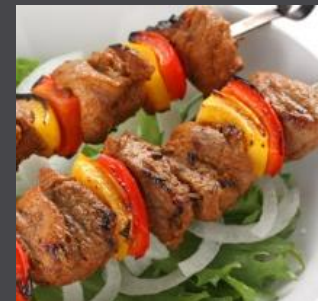
- Consumers' definition of value must drive the entire industry.
 - *Eating experience*
 - *Availability*
 - *Price*
 - *Convenience*
- Producers must view themselves as being primarily in the meat business, not primarily in the lamb or wool business.
- All industry participants must be paid based on quality, not just quantity.
- The industry must be profitable on purely economic terms with no expectation of future financial support from the government.
- Sheep producers must make decisions based on “the numbers” and sound analysis, not tradition or intuition.
- The American lamb industry can be and must be a world class competitor in global lamb production.

Conceptual Changes Required in the Sheep Industry (Continued)

- The sheep industry must make productivity improvements rapidly to “make up for lost time” in comparison to foreign producers.
- Longer-term, collaborative relationships between all industry sectors must characterize the industry rather than short-term profit taking.
- Every sector is vitally important and must be profitable.
- Participants must take the long-term view, instead of maximizing short-term profit today.
- As the roadmap is implemented, each business participant in the industry – including individual producers – and each sheep industry organization would be well advised to review its mission, organizational structure, and resources to ensure that it can effectively meet the needs of consumers and serve the needs of the future sheep industry.



Situation Analysis – Non-Traditional Industry



Background

- Very little quantitative data is compiled on the Non-traditional market channel
- The Hale Group's research was conducted primarily through:
 - *A large number of phone interviews with participants*
 - *A smaller number of “on-site visits”*
- **In the absence of “hard data,” we report on the non-traditional market channel primarily through comments made by participants in this channel. We have included selected quotes throughout the report from participants to convey the opinions and perspectives heard in the interviews.**
- While much of the research was focused on participants East of the Mississippi River, the findings were supported by interviews with participants in the Midwest and West Coast as well
- There are participants in the traditional and non-traditional market channels in the East, the Midwest, and the West.

Characteristics of Direct Marketers

- They are **primarily lamb marketers** and entrepreneurs
- Some are **lamb producers secondarily**
- They provide **superb service** to their customers
- They **know their markets** and customers intimately
- Some are **newer to the business**
- **They are passionate** about providing a premium product with a credible, authentic story behind it
- Many are **fiercely independent**

Layers of Niches and Micro-Niches

- Entrepreneurial lamb producers have been ingenious and innovative at finding their way to market
 - “We are a disparate group of entrepreneurs. We’re on our own, and it has worked for us.”
 - “It’s less about being lamb producers, and more about being niche marketers, finding an opportunity, finding ways to fill demand and make money.”
- Marketing is mostly done in an un-organized, yet effective, fashion
- Somewhat difficult to place the markets in clearly defined categories
 - Ethnic encompasses multiple sub-markets
 - Fine Dining splinters into different menu types
 - Direct marketing is accomplished in many ways

Note: Quotations from industry participants cited above are included to convey the opinions and perspectives heard in the interviews.

Layers of Niches and Micro-Niches (Continued)

- Nearly all lamb marketers do all the work to get their product to market on their own
 - Processors are not part of the marketing effort – act only as the custom slaughterer
- Lamb producers “own the relationship” with the buyer
- Some efforts have been made to bring some producers together, but usually to secure more lambs, and less frequently to jointly market
- Nearly every producer was naming their own customized price for product
 - *“My buyers don’t care about market price, they accept my price, which gets them the lamb they want.”*
 - *“I haven’t raised or lowered my price in three years. Each of those years I have made money and have never lost a customer due to price.”*

Note: Quotations from industry participants cited above are included to convey the opinions and perspectives heard in the interviews.

Layers of Niches and Micro-Niches (Continued)

Examples of target markets from interviewees

- Not all ethnic markets are the same . . .

Ethnic	Muslim	Hispanic	Hindu	Eastern European	W European
	Middle East	Mexican	Indian	Caucus countries	Greek
	North African	Central American		Bosnia	Italian
	Central Asian	Cuban			
	African-American	So American origins			
	Lebanese				

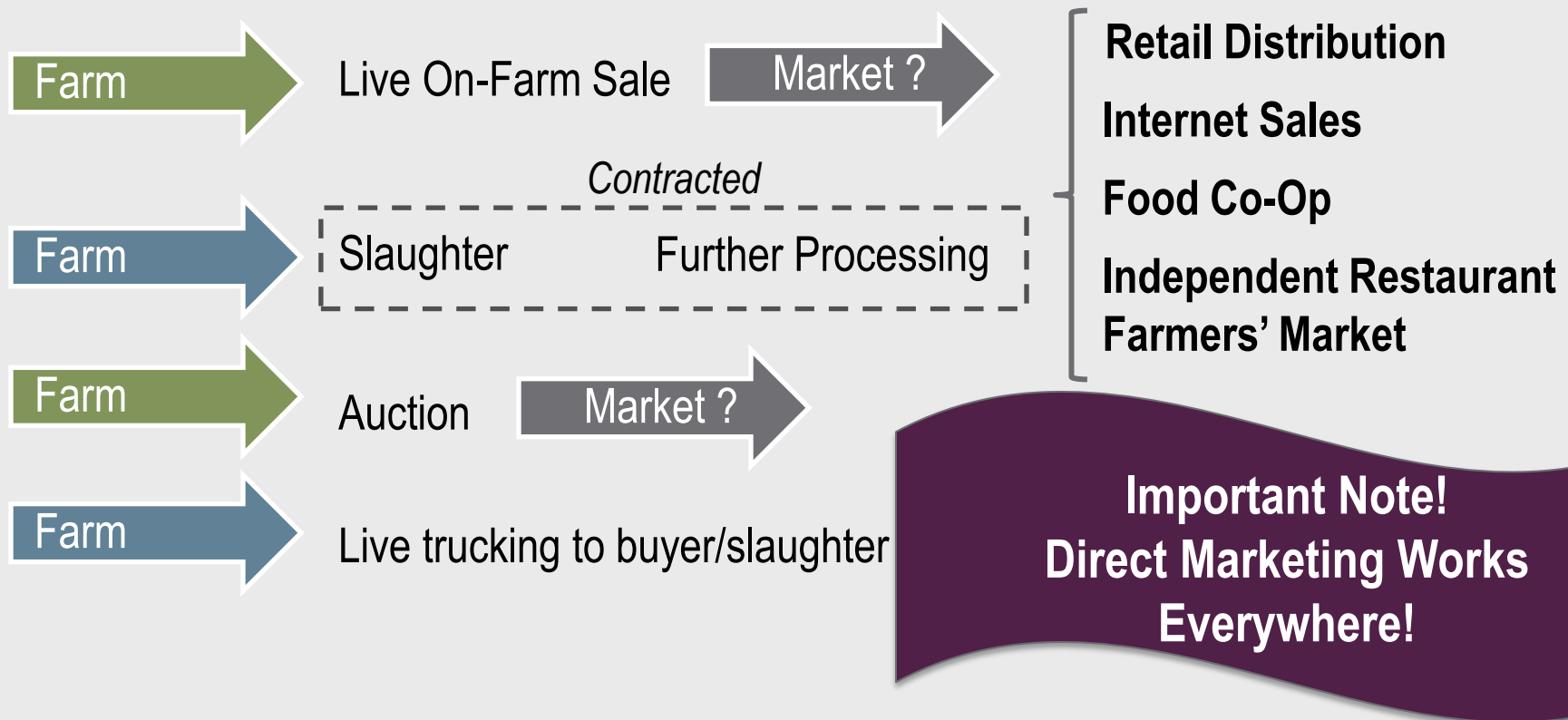
Layers of Niches and Micro-Niches (Continued)

Examples of target markets from interviewees

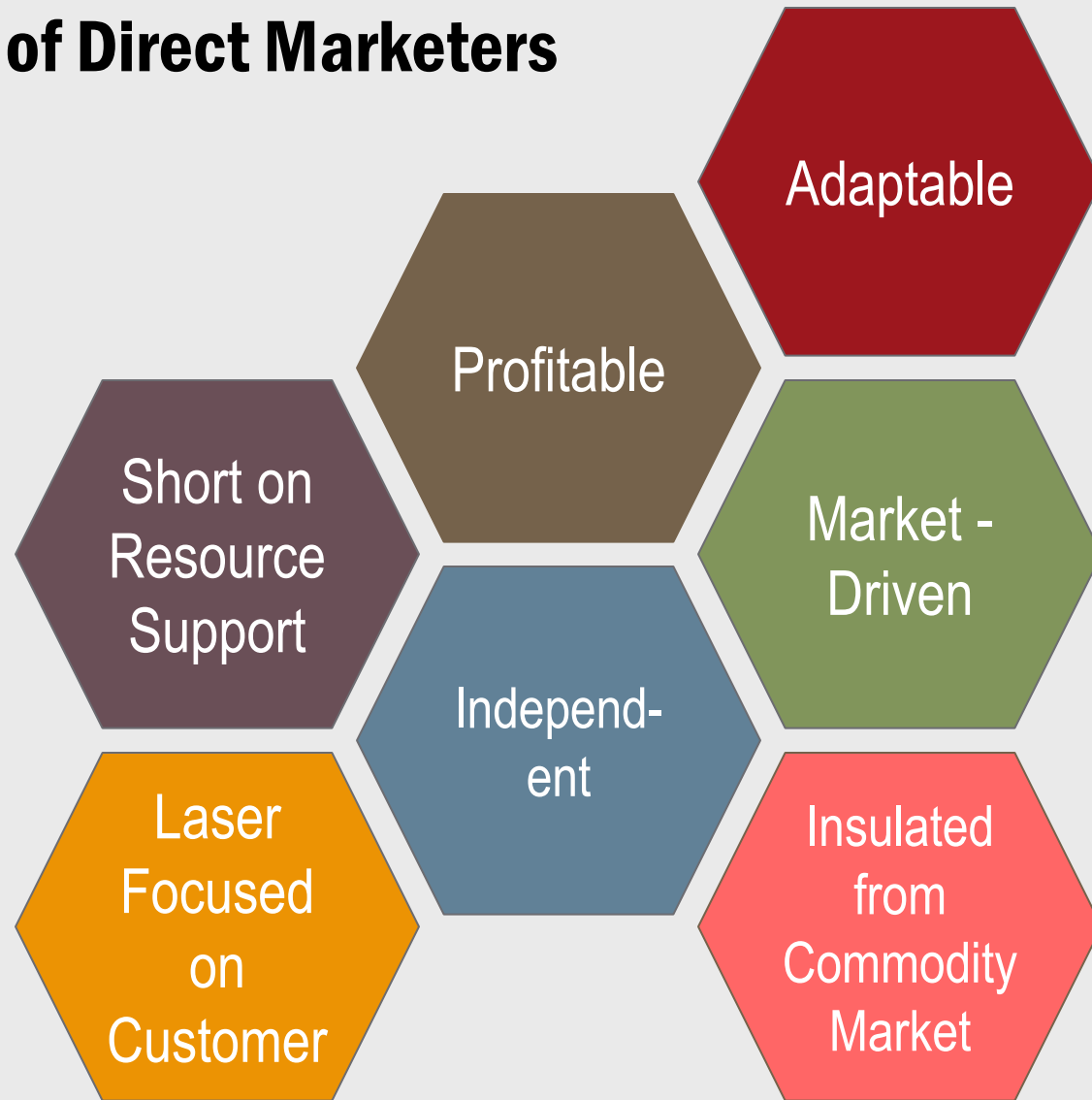
Premium Markets	Fine Dining	Specialty Retail
	Independent Operators	Whole Foods
	Hotels/Catering	NYC boutique retail
	Resorts	Regional Upscale Chains
Direct Marketing	Individual Approaches	Joint Approaches
	Farmers Markets	Co-ops / Centralized Distribution
	On-the-farm	Local / sustainable marketing efforts
	Internet sales	
	Special events (family outings, weddings)	

Paths to Market – There are Many . . .

- Direct marketers use a variety of channels and approaches to get to market. These are some of the ways direct marketers sell:



Descriptors of Direct Marketers



Non-Traditional Marketing

- The characteristics describing the Eastern producers/marketers are not unique to them
- It is a mindset rather than something specific to the non-traditional marketer
- Proximity to ethnic groups, access to consumers, and diverse marketing channels exist in many other parts of the country
- The decision to pursue these non-traditional channels is a personal preference, rather than an exclusive opportunity available only to a small group of producers

Attractive Opportunities Exist

Two common themes emerged from nearly the entire pool of interviewees – demand outstrips supply and there is little price sensitivity.

- *“I put the sign out front, and the buyers just show up.” – Maryland*
- *“I don’t think in terms of \$/lb. I have to think \$/head like my customer, and at \$150/head I don’t have to worry either.” – Virginia*
- *“We should pull back on marketing to the general public. The heavy consumers of lamb are growing on their own.” – New York*
- *“We don’t have enough supply to keep pace.” – Maine*
- *“There is a severe shortage of fresh lambs in the Miami market.” – Florida*
- *“I have never dropped my price in the last two years, and I have never lost a customer.” – Massachusetts*

Note: Quotations from industry participants cited above are included to convey the opinions and perspectives heard in the interviews.

Industry Challenges for Direct Marketers

- As a result of the independent, entrepreneurial efforts of marketing lamb, one of the challenges is that the Eastern U.S. lacks strong leadership for large numbers of producers in the non-traditional channel that can drive initiatives on a larger scale.
 - *“Not many of us trust each other.”*
 - *“I have a good market; would rather do it myself.”*
 - *“Many producers will not come together to grow their niche to its peak, as they like the money they are making.”*
- Many efforts have been tried to organize producers into a marketing pool or loosely structured group, yet many of these lacked a leader who could keep producers focused and committed to serving their niche.
 - *“Producers stray to the highest price.” – Virginia co-op effort*

Note: Quotations from industry participants cited above are included to convey the opinions and perspectives heard in the interviews.

Industry Challenges for Direct Marketers (Continued)

- Numerous participants desired greater alignment between commercial producers, seedstock producers, producers who show animals, and club lamb participants
- Producers keenly feel the loss of industry infrastructure
- Great concern was expressed that too few young people stay in sheep production after college
- Many industry participants felt there is inadequate effort on what commercial producers need to improve meat quality, yield, taste, etc.

Non-Traditional and Traditional Channels Face Similar Challenges

- Loss of basic research and support infrastructure
- Un-filled university and extension positions in sheep/lamb production
- Loss of flocks at universities – Cornell's flock of 300 ewes latest at risk
- Research funding directed to biomedical work, not basic research
- Few trained in basic husbandry, e.g., shearing
- One scientist funding graduate work with his own personal money
- Research results not being fully communicated to producers

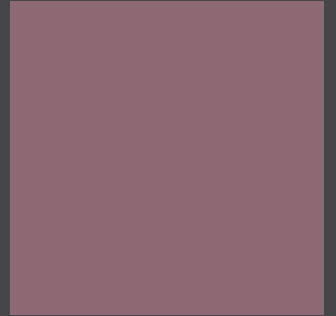
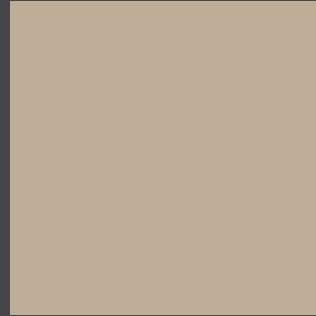
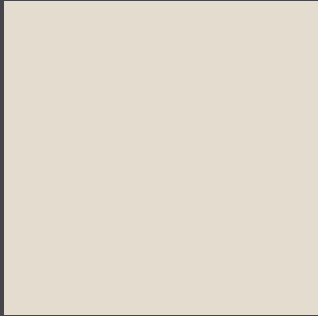
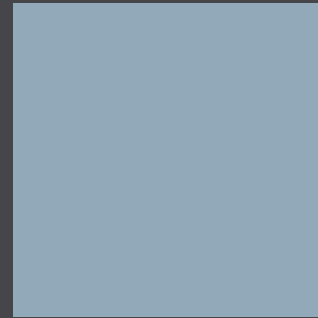
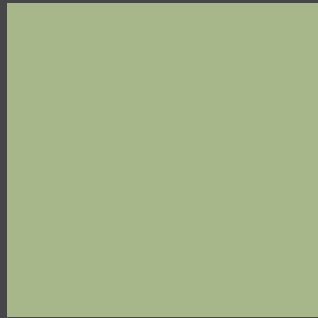
The production and operational challenges of producers in the non-traditional and traditional channel are remarkably similar.

SWOT Analysis of Non-Traditional Market Channel

Strengths	Weaknesses
➤ Lamb meat is flavorful	➤ No collaborative effort to maximize market potential
➤ Producers give customers the quality they want	➤ Limited scale, leverage
➤ Pricing is generally stable with all participants making a profit	➤ Different marketing messages creates potential to confuse consumers
➤ Market growth rate is believed to be very attractive (though not quantified)	➤ Constraints to slaughter / fabrication capacity
➤ Lamb has highly desirable nutritional profile, esp for women and elderly	➤ Seasonality of business still effects some markets
➤ Participants tend to adapt to change quickly	➤ Capital constraints
➤ Producers have shorter distances to target markets	➤ Lamb is sometimes only a portion of the total enterprise and the owner's focus

SWOT Analysis of Non-Traditional Market Channel (Continued)

Opportunities	Threats
➤ Ethnic markets have room to grow, and favorable demographics exist in the US	➤ U.S. consumption of all meat is flat to declining
➤ Capitalize on market for “local food”	➤ Importers could move faster than entrepreneurs, stealing share and profits
➤ Capitalize on lamb’s unique flavor and consumers’ desire for variety	➤ Increased regulations imposed on these smaller players
➤ Position lamb as “the premier” meat	➤ Potential unfavorable reports on local lamb production or processing practices or conditions
➤ Promote the health qualities of lamb	➤ Inability to secure enough lambs with desired quality characteristics



Goals and Objectives



Structure of the Roadmap

- **Goals:** high-level desired industry accomplishments
 - **Objectives:** medium-level accomplishments required to achieve the goals
 - **Action Steps:** specific activities needed to accomplish the objectives
 - » Actions
 - » Timeframe
 - » Activity Captain
- The role of the Activity Captain is to lead that specific action step, not necessarily do the work all by themselves, or fund the effort.
- Activity Captains can seek funding from any source and seek information and personnel support from any industry participant.

**Implementation of the Lamb Industry Roadmap
is an industry-wide, collaborative effort.**

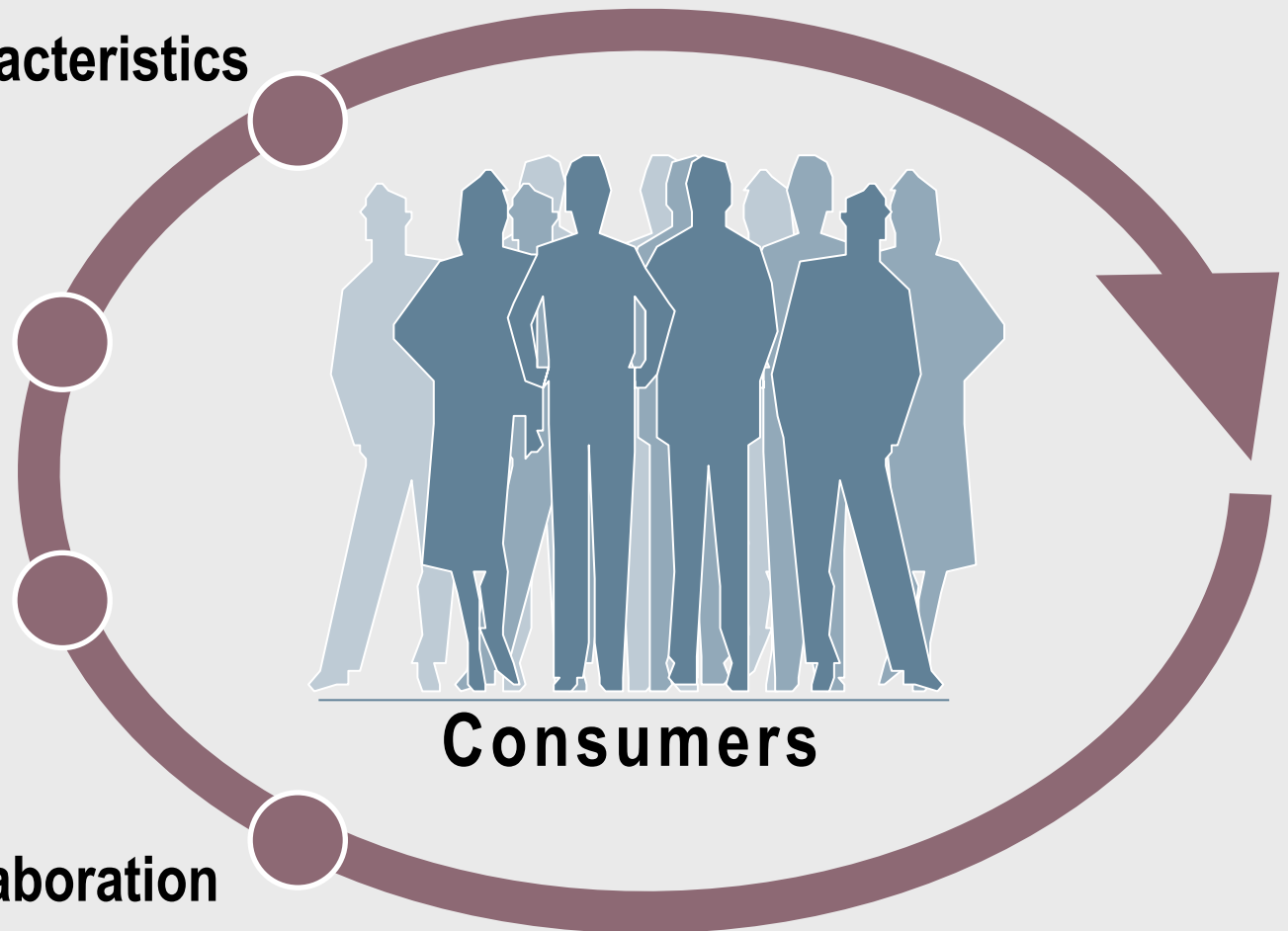
The Four Major Areas Requiring Industry Goals

1. Product Characteristics

2. Demand
Creation

3. Productivity
Improvement

4. Industry Collaboration



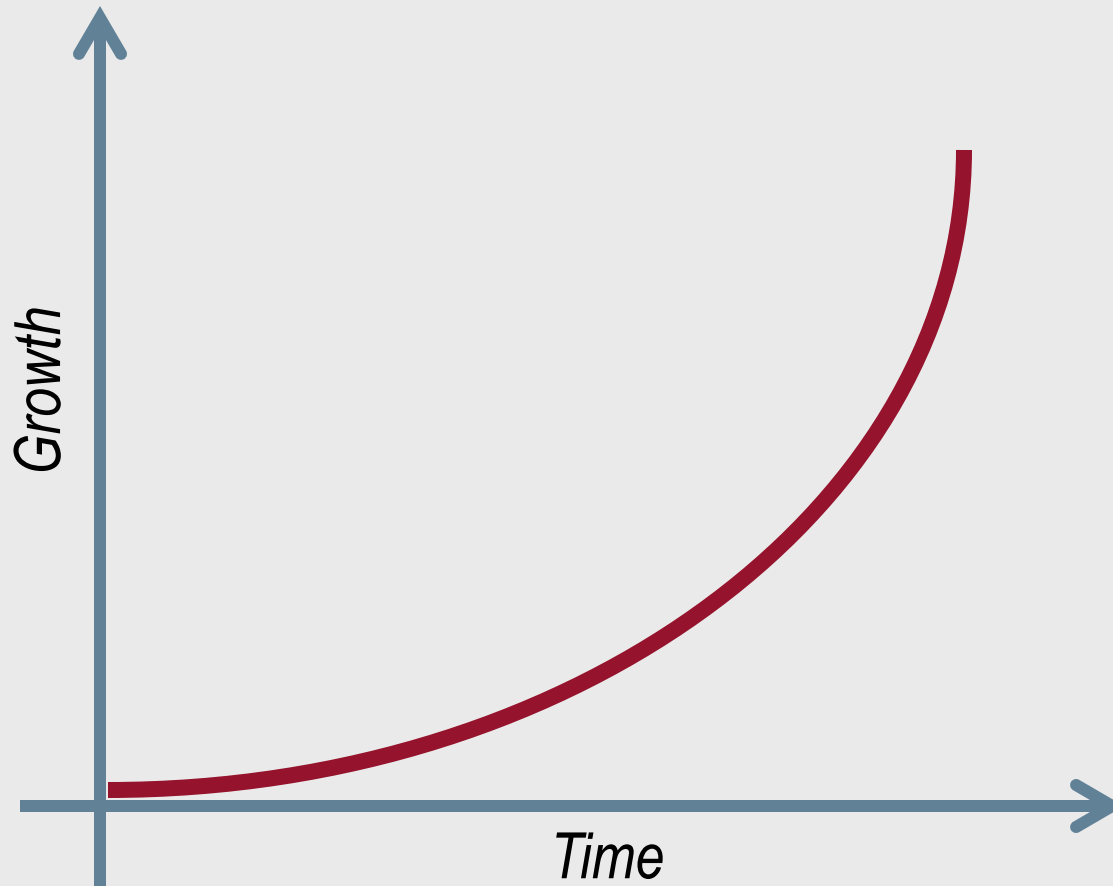
Short-Term and Long-Term Potential

Most of us over-estimate
what we can do in one year,
and under-estimate
what we can do in ten years.

– *Ted Engstrom (management guru)*

Exponential Growth

Most growth is exponential, not straight-line growth.



An Investment, Not a “Quick-Fix”

The American Lamb industry has been in decline for decades.

The solution will require a major, long-term investment by all industry participants.

There is no solution which will provide a quick return of cash.

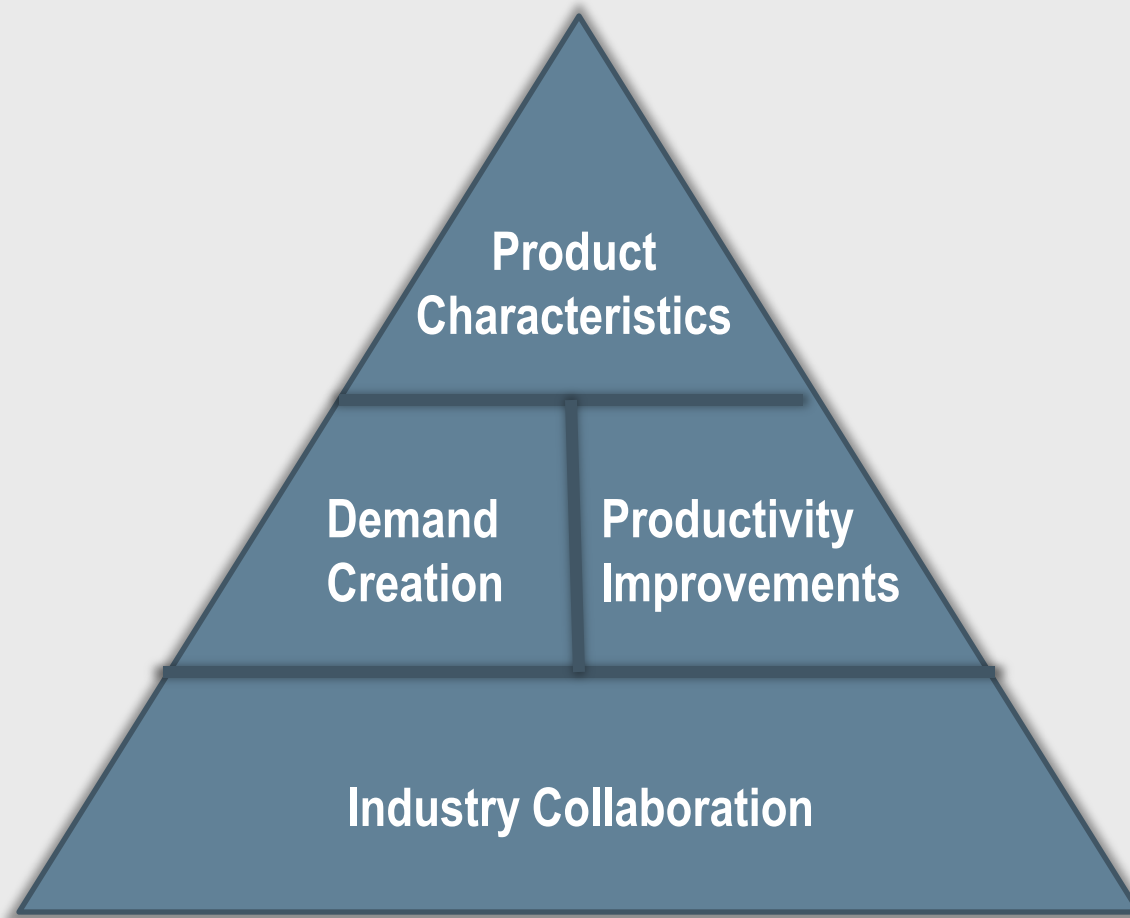
Four High-Level Goals

1. Product Characteristics – Improve eating characteristics and the consistency of American lamb products as defined by the Lamb Quality Audit.
2. Demand Creation – Achieve a significant increase in demand for American lamb meat as measured by the Demand Index.
3. Productivity Improvement – Achieve a significant increase in industry productivity with metrics to be defined.
4. Industry Collaboration – Work toward a common industry goal of meeting consumer desires rather than short-term self-interest.

Quantitative Goals

- Goals should be measureable and quantitative.
- At the moment, the industry does not have adequate data to determine reasonable, complementary, quantitative goals.
- An effort during the next year will be to provide initial metrics for measuring improvements in all goals.
 - This includes a revision of the Demand Index – which measures the strength of demand for lamb regardless of the current price or per capita consumption of lamb meat
 - A metric to measure industry-wide improvements in productivity
- After defining the metrics, the industry will track its progress in all areas in subsequent years.

Prioritization of the Goals



1. Make American lamb a premier product every time.
2. Promote lamb as a premier meat.
2. Improve productivity to remain competitive.
3. Work together as a whole industry.

Objectives for Goal 1 – Product Improvement

1. Adopt consumer-driven, value-based pricing for slaughter lambs
2. Improve the consumers' eating experience of lamb
3. Install electronic grading at packing plants
4. Conduct a Lamb Quality Audit every three years

Objectives for Goal 2 – Demand Creation

1. Create a consumer-recognized and valued American Lamb brand limited to American lamb products of a defined quality
2. Develop innovative value-added products
3. Support non-traditional sheep producers across the country through a series of niche marketing activities
4. Explore the benefits and costs of alternative paths to market for American Lamb
5. Build the volume and value of the export market for American Lamb

Objectives for Goal 3 – Productivity Improvement

1. Promote widespread producer use of quantitative genetic selection
2. Reduce the seasonality of the lamb industry
3. Develop a long-term plan for U.S. sheep research and producer education

Objectives for Goal 4 – Industry Collaboration

1. Initiative a Rapid Response, Industry-Wide Communications Team

Primary Beneficiaries of Major Initiatives

	Traditional Channel	Both	Non-Traditional
Adopt value-based pricing			
Improve consumers' eating experience			
Utilize electronic grading			
Conduct a Lamb Quality Audit			
Create American Lamb brand			
Develop value-added products			
Support producers in non-traditional channel			
Explore alternative paths to market			
Build volume and value of exports			
Promote quantitative genetic selection			
Reduce seasonality of lamb production			
Develop plan for sheep research & education			
Create industry communication team			

Major Implementation Participants of 13 Initiatives

Producers

- Participate in value-based pricing
- Adopt quantitative genetic selection
- Reduce seasonality of lamb production
- Participate on industry-wide communications team

Feedlots

- Participate in value-based pricing
- Reduce seasonality of lamb production
- Participate on industry-wide communications team

Packers

- Adopt value-based pricing
- Utilize electronic grading
- Create American lamb brand
- Develop value-added products
- Reduce seasonality of lamb production
- Participate on industry-wide communications team

Fabricators

- Develop value-added products
- Create American lamb brand
- Participate on industry-wide communications team

No industry participant has to lead implementation of all 13 initiatives.

Major Implementation Participants of 13 Initiatives (Continued)

American Sheep Industry Assn.

- Develop Research and Education Plan
- Create an American lamb brand
- Support non-traditional market channel
- Improve consumer eating experience
- Participate on industry-wide communications team

State Sheep Associations

- Develop Research and Education Plan
- Promote quantitative genetic selection
- Participate on industry-wide communications team

American Lamb Board

- Conduct a Lamb Quality Audit
- Create an American lamb brand
- Improve consumer eating experience
- Support non-traditional market channel
- Explore alternative paths to market
- Participate on industry-wide communications team

National Lamb Feeders Assn

- Reduce seasonality of lamb industry
- Improve consumer eating experience
- Participate on industry-wide communications team

No industry participant has to lead implementation of all 13 initiatives..

Major Implementation Participants of 13 Initiatives (Continued)

Land Grant Universities

- Develop Research and Education Plan
- Reduce seasonality of lamb production

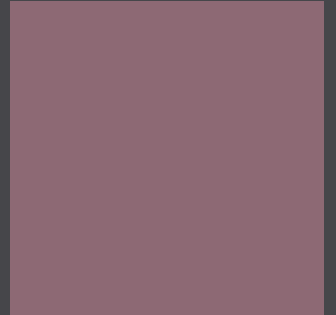
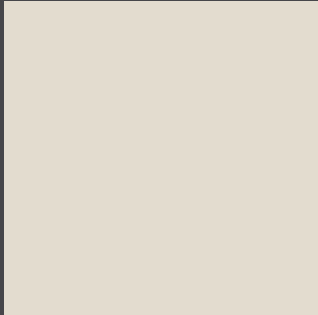
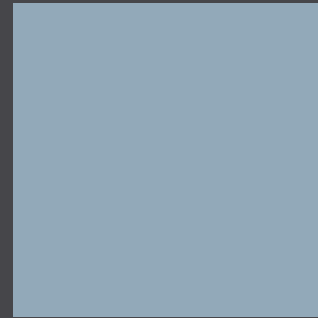
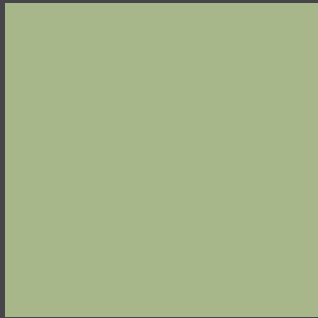
NSIP

- Promote quantitative genetic selection

USDA

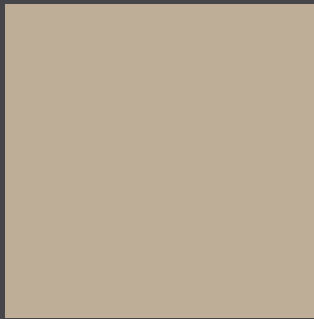
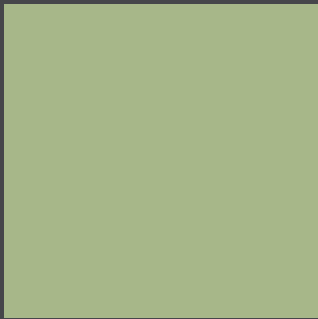
- Calibrate electronic grading

No industry participant has to lead implementation of all 13 initiatives..

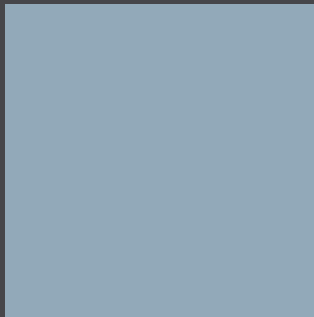


Action Steps





Objectives and Action Steps for Goal 1



Goal 1 – Product Characteristics

Goal – Improve the eating characteristics and consistency of American lamb products as defined by the Lamb Quality Audit.

Objectives:

1. Adopt consumer-driven, value-based pricing for slaughter lambs
2. Improve consumers' eating experience of lamb
3. Install electronic grading at packing plants
4. Conduct a Lamb Quality Audit every three years

Rationale for Value-Based Pricing

- Lamb has the characteristics to be widely accepted as the “premier meat” – very desirable flavor and an extremely positive nutritional profile.
- Lamb can strengthen its position in the meat case if it promotes its attributes and delivers high quality product on every eating occasion.
- However, the industry acknowledges that excess fat and inconsistency are the U.S. lamb industry’s biggest detractors from its premier status.
- Buying slaughter animals on weight provides incentive to overfeed lambs under certain market conditions – resulting in excess fat.
- Buying on weight and yield provides no economic incentive to produce high quality lamb.

Top Priority

Improving the eating experience of lamb for every lamb consumer on an absolutely consistent basis is a top priority for the American lamb industry.

Objective 1.

Adopt Value-based Pricing for Slaughter Lambs

- The lamb industry uses value-based pricing in:
 - Australia
 - New Zealand
 - Europe
- Lamb imports have developed a reputation for being leaner and much more consistent quality than U.S. lamb.
- The most effective way for the U.S. to address excess fat and consistency is to:
 - Set a clear target for a highly desirable slaughter lamb
 - Provide economic incentive to producers and feeders to supply that target animal.
 - Provide disincentives to those who deliver poor quality lambs.

Objective 1. (Continued)

Adopt Value-based Pricing for Slaughter Lambs

- The market for lamb products is very fragmented.
- Different market segments want somewhat different characteristics (but none want lots of fat).
- The industry must rebuild its fragile market positioning after high prices, excess fat, and inconsistent product quality have eroded demand.
- The American consumer's value proposition for American lamb must be rebuilt.
- Each packer must develop its own value-based pricing system.
 - There is not one “target lamb” that meets the needs of all consumers.
 - Packers may adopt multiple “targets” for the different segments they serve.

Objective 1. (Continued)

Adopt Value-based Pricing for Slaughter Lambs

- Initially, we urge all packers to use at least two characteristics in setting their target for lamb carcasses:
 - Fat cover
 - Conformation / muscling / percent lean
- We recommend gradual introduction of value-based system
 - First eliminate the most serious problems – the outliers that cause the most trouble – through discounts
 - Gradually adjust and upgrade the quality characteristics – through rewards
 - Adjust the pricing system as results from the Lamb Quality Audit become available
- Plan future changes and give producers time to adapt the genetics to meet the future requirements.

Objective 1. (Continued)

Adopt Value-based Pricing for Slaughter Lambs

- Value-based pricing must:
 - Be directly connected to consumer desires
 - Be expressed in quantitative terms
 - Provide significant economic incentive and disincentive
 - Be explained to producers and feeders so they know how to adjust
 - Be applied to all lambs purchased
- The factual basis for assessing carcasses and producer payment must be provided on a timely basis
- Pricing schemes will vary from packer to packer and from season to season

An Example from the Beef Industry

In announcing a new Cargill program to market USDA labeled “USDA tender” or “USDA very tender” beef products.

We know that beef attributes such as tenderness, flavor and juiciness are important to consumers, and the long-term health of the American beef industry hinges on our ability to consistently deliver the best possible beef eating experience.

– John Keating, President, Cargill Beef

Source: “Cargill plant certified for ‘tender’ beef,” Fort Morgan Times news article, July 26, 2013, submitted to me by Benny Cox

The Pivotal Nature of Value-Based Pricing

Value-based pricing is the key to creating other critical changes in the American lamb industry. The lamb packers must take the lead in this initiative and producers and feeders must respond appropriately. If the packers do not execute this effort, the other recommendations in this Roadmap will have minimal effect.

Objective 1.

Adopt Value-based Pricing for Slaughter Lambs

Action Steps	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Activity Captain
Analyze customer desires for specific markets and define the “ideal lamb”	X					Each packer
Develop value-based pricing scheme that rewards producers for delivering highly desirable slaughter lambs	X					Each packer
Publicize value-pricing scheme		X				Each packer
Explain pricing scheme to producers/feeders			X			Each packer
Determine how to deliver target lambs			X			Producers & feeders
Begin to use value based pricing for lamb purchases				X		Each packer
Refine payment scheme based on Lamb Quality Audit results & customer feedback	Continuous Improvement					Each packer

Objective 2.

Improve Consumers' Eating Experience of Lamb

- Many industry participants agree that excessive fat has sometimes created a negative impression of lamb
- However, other factors also have an influence on consumers' total eating experience:
 - Taste
 - Color
 - Age – age of animal at harvest and length of time between harvest and eating
 - Breed of sheep
 - Feedstuffs
 - Animal stress
 - Portion size
 - Other factors

Objective 2. (Continued)

Improve Consumers' Eating Experience of Lamb

- Many of the data on these characteristics are dated and / or incomplete
- The industry needs to compile and analyze all available data that affects the consumer eating experience
- Any critical gaps in data that have a major bearing on consumer response must be filled
- Based on the factual findings, action must be taken to ensure that consumers always have an extremely positive experience when eating American lamb
- If needed, address any regulatory barriers to improved quality lamb

Objective 2. (Continued)

Improve Consumers' Eating Experience of Lamb

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Compile all available data on eating experience	X					ALB
Identify critical gaps in consumer preference	X					ALB
Conduct research to fill critical gaps		X	X			ALB
Utilize finding about eating characteristics to shape value-based pricing schemes		X	X	X	X	Packers
Work with USDA to adjust regulations if appropriate		X				ASI
Utilize findings to market lamb more effectively		X	X	X	X	Packers, fabricators, ALB

This is not a one-time event. This should become an on-going activity.

Objective 3.

Install Electronic Grading at Packing Plants

Rationale

- Electronic grading has been used by other meat species in the U.S. for years.
- Electronic grading has proven to provide more accurate predictability of certain quality and cutability parameters than subjective human grading.
- It provides more detailed information than manual systems.

Current Status of Electronic Grading

- Electronic grading equipment has been installed in the JBS plant in Colorado.
- USDA is conducting their standardization trials in the fall of 2013.
- Data will need to be evaluated and approval for industry use by USDA should be completed by roughly the end of December 2013.
- Colorado State and a USDA economist are conducting an industry assessment and ROI analysis for industry consideration to be completed by end of December 2013.

Objective 3.

Install Electronic Grading at Packing Plants

Action Steps	Sept 2013	Oct 2013	Nov 2013	Dec 2013		Activity Captain
Delivery and installation of equipment	X					Manufacturer
Testing of equipment		X				JBS + MSR
USDA usage and calibration process			X	X		USDA
USDA approval and certification				X		USDA
Colorado State estimate of ROI				X		CO State

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Other major plants install equipment	X					Lg Packers
Similar, less expensive equipment is investigated		X				Medium Packers
Medium size packers install less expensive equipment			X			Medium Packers
Small size packers install less expensive equipment				X	X	Small Packers

Objective 4.

Conduct a Lamb Quality Audit Every Three Years

- There is nearly unanimous agreement in the industry that lamb characteristics **MUST** be improved.
- Most of the data about lamb quality is anecdotal, not quantitative.
- There is no robust data to document the level of meat quality currently.
- The U.S. chicken, pork, and beef industries have a much more extensive knowledge of their quality problems and what their future priorities should be.
- Imported lamb has developed a strong reputation for being much more consistent than American lamb.
- If the American lamb industry is going to survive, it has to know What to improve and How to improve its eating characteristics.

Results of the National Beef Quality Audit

- The National Beef Quality Audit (NBQA) has been conducted every 5 years since 1991.
- Its purpose is to enhance producer profitability by improving the qualities and desirability of beef
- Premise – You can't manage what you don't measure
- In 1991 and 1995 the NCBA estimated that the industry was losing an average of \$138 per head due to quality defects.
- The 2011 Audit reported that losses due to quality and management defects had declined to \$44 per head.

The Beef Quality Audit has resulted in meat quality improvements AND cost reductions.

Objective 4.

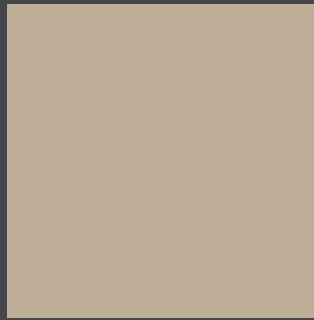
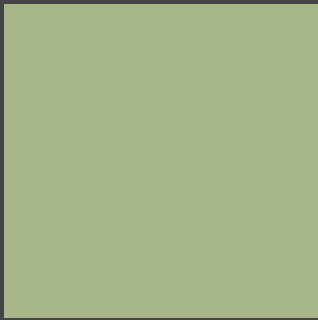
Conduct a Lamb Quality Audit Every Three Years

- Of necessity, the Lamb Quality Audit will have a more focused scope than that for beef due to budgetary constraints.
- However, we recommend that it be conducted every three years initially to provide more frequent feedback to the lamb industry in executing the Roadmap.

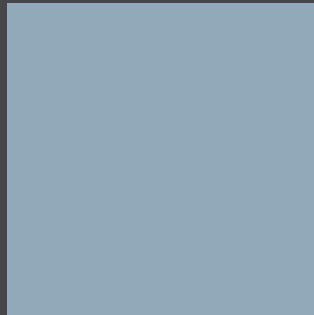
Objective 4. (Continued)

Conduct a Lamb Quality Audit Every Three Years

Action Steps	Q3 2013	Q4 2013	Q3 2014	2015	2017	Activity Captain
Define the scope of the audit	X					ALB
Determine how to best accomplish the task		X				Consulting Team
Report findings and conclusions on 1 st Audit			X			Consulting Team
Incorporate findings into revised value-based pricing system				X		Packers
Adapt to revised pricing system				X		Producers & feeders
Contract for a 2 nd Lamb Quality Audit					X	ALB
Incorporate findings into revised value-based pricing system					X	Packers



Objectives and Action Steps for Goal 2



Goal 2 – Demand Creation

Goal – Achieve a significant increase in demand for American lamb meat as measured by the Demand Index.

1. Create a consumer-recognized and valued American Lamb brand limited to American lamb products of a defined quality
2. Develop innovative value-added products – which can stem from fabrication, packaging, further processing, yearling / mutton, or other mechanisms
3. Support non-traditional sheep producers across the country through a series of niche market investments and activities
4. Explore the benefits and costs of alternative paths to market for American Lamb
5. Build the volume and relative value of the export market for American Lamb

Objective 1.

Create a Consumer-Recognized Brand

Rationale

- American Lamb is typically more expensive than imported lamb
- Industry experts, including retail and foodservice buyers, agree the flavor profile and other characteristics of American Lamb make it a potentially superior product in objective terms
 - The Lamb Quality Audit will provide benchmark data
- Creating a consumer-oriented American Lamb brand, with clear quality standards and market positioning, will provide American Lamb marketers with a competitive advantage and help solidify consumer preference for American Lamb
- Overarching food trends favor American Lamb: local, sustainable, concern for improving nutrition, and social responsibility

Objective 1. American Lamb Brand

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Empanel a Task Force comprised of academics, industry associations, and American Lamb marketers	X					Brand Task Force, facilitated by ALB
Review American Lamb Brand Committee Notes and Recommendations	X					Task Force
Clarify Brand Objectives	X					Task Force
Identify Certification Criteria		X				Task Force
Evaluate Implementation Options (e.g., Sheep Safety and Quality Assurance, USDA, etc.)		X				Task Force
Incorporate Insights from Lamb Quality Audit		X				Task Force
Conduct Consumer Research to Test Brand Attributes, and Refine			X			TBD
Develop Plan to Launch Certified American Lamb Brand (USDA process, industry implementation)			X			Task Force

Objective 2.

Develop Innovative Value-added American Lamb Products

Rationale

- American Lamb competes in a protein marketplace with an extensive portfolio of value-added products developed to meet the needs of consumers and chefs
- Value-added products can serve to use under-utilized cuts and enhance overall carcass value, as well as enhance the appeal and broaden the application of yearling and mutton products for targeted customers
- Value-added products can also serve to employ further-processing and frozen technologies to extend availability and “smooth-out” seasonality
- Consumers and foodservice operators want products that are convenient, labor-saving, flavorful, and varied, with an attractive price-value proposition

Objective 2. Innovative New Product Development

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Establish consortium to lead effort (Packers / Fabricators / Marketers, ALB)	X					ALB
Identify funding source (Possibly TAAC)	X					Consortium
Establish objectives	X					Consortium
New product ideation and concept development	X					Consortium
Concept testing: marketplace feedback		X				ALB
Business case development		X				Consortium
Communicate to American Lamb marketers			X			Consortium
Create plan for ongoing NPD work			X			Consortium
Continued NPD work				X	X	Consortium

Objective 3.

Support Sheep Producers' Niche Marketing Efforts

Rationale

- The non-traditional market channel for American Lamb is fragmented and highly varied.
- The participants in this channel need support in their marketing activities.
- While it is not possible to fund individual entities with tailored marketing materials and activities, it is possible to create customizable programs and materials, as well as online resources with wide availability.

Objective 3. Support Niche Marketing Efforts

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Poll sheep producers regarding direct marketing needs	X					ALB
Assess current resources and identify gaps	X					ALB
Develop plan to address needs of niche marketers, including necessary resources / funding	X					ALB
Implement plan (e.g., creating website, email marketing, packaging, social media strategy, etc.)		X	X	X	X	ALB

Objective 4.

Explore Alternative Paths to Market

- With the explosion of “digital life” over the past few years, and the trend toward the networked consumer, product paths to market are being facilitated in many new ways.
- Social media, the penetration of smart phones, and the increased availability of data and information regarding market needs are all game-changers.
- Almost half of consumers say they will pay more for local products and, combined with digital marketplace, leads to
 - Amazon Fresh, others, for example
- Electronic ordering systems for lamb products reduce supermarket inventory requirements and may gradually increase lamb consumption throughout the year.

Objective 4. (Continued)

Explore Alternative Paths to Market

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Collect models of direct marketing and alternative paths to market currently in use by US Lamb Marketers		X				ALB intern
Identify same in other industries		X				ALB Intern
Create a database of resources and relevant contacts		X				ALB Intern
Create a White Paper to share with entire American Lamb industry		X				ALB Intern
Marketing Committee to discuss options for promoting tests based on findings		X				ALB Marketing Committee
Provide support to market tests as needed			X	X	X	ALB

Objective 5.

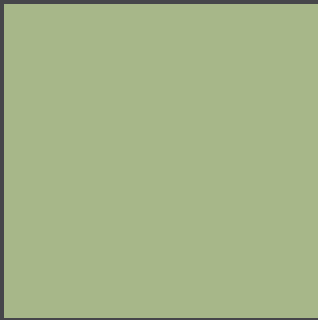
Build the Volume and Value of the Export Market

Rationale

- The export market for U.S. lamb has been widely variable, with relatively low value per pound.
- NZ and AU producers have clear markets for their high-value lamb cuts across the world, strengthening their resource base.
- The cachet of American products can work to the benefit of the American Lamb industry.

Objective 5. Build the Export Market

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Create a White Paper for circulation to the industry that incorporates a market opportunity assessment and a cost benefit analysis of the various export markets for American Lamb, taking the approach of finding the best markets for each carcass component (Already underway at some level)	X					USMEF
Assess USMEF findings and make recommendations to the industry		X				ALB Marketing Committee



Objectives and Action Steps for Goal 3



Goal 3 – Productivity Improvement

Goal – Achieve a significant increase in industry productivity with metrics to be defined.

Objectives:

1. Promote widespread producer use of quantitative genetic selection
2. Reduce the seasonality of the lamb industry
3. Develop a long-term plan for U.S. sheep research and producer education

The High Importance of Productivity Improvement

American Producers

- Sell only American lambs
- Want consumers to buy only American lamb meat

Packers and Fabricators

- Packers and fabricators work to maximize their profits
- Selling American lamb is great
- Selling imported lamb is OK



The two industry sectors have different vested interests.

The **only** strategic option for American producers is to improve their beneficial characteristics and to work like hell to get their costs as close to AU and NZ as possible.

Objective 1.

Promote Quantitative Genetic Selection

Rationale

- Genetic selection is an indispensable tool for producers to:
 - Deliver meat characteristics desired by consumers
 - Produce lambs as cost-effectively as possible to compete with imports
- NSIP was formed to address this need, but few seedstock producers and commercial producers use its services
- Many reasons have been cited for low use of NSIP
- Whatever the reasons, genetic selection **MUST** become widely adopted by the U.S. industry
- NSIP should launch an assessment of how to reintroduce LambPlan and genetic selection to the U.S. industry

Objective 1. (Continued)

Promote Quantitative Genetic Selection

Re-introduce the NSIP to commercial and purebred producers:

- Engage in a strategic and organizational review of NSIP with the aim of re-introducing the organization and strengthening its resources
- Create a strategy Task Force from across the industry to craft an appropriate direction for NSIP
- Position it as “**The**” industry source for science-based sheep performance data and analysis
- Ensure breed associations are fully engaged in this re-positioning and re-structuring process
- Confer with other livestock improvement organizations to collect the best ideas to bring back to the sheep industry
- Link genetic selection to value-based pricing for slaughter lambs.

Objective 1. (Continued)

Promote Quantitative Genetic Selection

Re-introduce the NSIP to commercial and purebred producers:

- Design an effective and broad communication plan to reach as much of the industry as possible
- Identify success stories among producers for use as models
- Identify funding sources that can support expanded reach and services
 - USDA and other science-based agricultural oriented organizations
 - Private sources, e.g., foundations
- Hire a full time Managing Director

**Reintroduce NSIP as a vital tool
to improve industry productivity.**

Objective 1. (Continued)

Promote Quantitative Genetic Selection

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Conduct a strategic review of NSIP	X					NSIP
Confer with other livestock improvement organizations	X					NSIP
Implement a major effort to recruit widespread use of genetic selection		X				NSIP
Seek additional funding for NSIP		X				NSIP
Expand the use of NSIP		X	X	X	X	NSIP
Hire a full-time Executive Director			X			NSIP

Objective 2.

Reduce Seasonality of the Lamb Industry

- The lambing cycle is very pronounced.
- Given the peaks in demand for lamb at Easter, Thanksgiving, and Christmas, the slaughter cycle does not match consumption.
- The feeder sector provides a valuable function by partially matching production and consumption.
- However, the industry needs greater flexibility in matching supply and demand.
- The entire industry would benefit from less price volatility.

Objective 2. (Continued)

Reduce Seasonality of the Lamb Industry

- Reducing seasonality can be accomplished, at least partially, by packers and producers / feeders planning together
- Within limits, demand can be projected fairly well, week-to-week
- Packers should establish agreements with producers / feeders to supply a high percentage of their expected sales, for slaughter week-by-week
- Some producers will likely prefer a written contract; others may prefer a verbal agreement
- Packers should provide premiums for weeks when supply is typically lower than sales

To create pricing stability in the industry, producers, feeders, and packers must establish longer-term working relationships with collaborative planning and not switch partners for 2¢ per pound.

Objective 2. (Continued)

Reduce Seasonality of the Lamb Industry

- Producers and feeders have several tools at their disposal to extend seasonality without jeopardizing meat quality
 - High or low intensity feeding regimens – depending on the harvest window
 - Extended use of grass and other forages to extend finishing
 - More rapid finishing with high concentrate feeds to accelerate finishing
 - Aseasonal breeding of ewes
 - Extensive research concludes that some breeds are very amenable to birthings every 8 months
- Producers must change genetics and lambing seasons, where feasible, to meet the seasonal variation in consumption
- To reduce seasonal volatility, packers should offer higher prices during periods of the year when they need more lambs.

Objective 2. (Continued)

Reduce Seasonality of the Lamb Industry

- Progressive producers will figure out how to meet those harvest windows to capture an economic incentive.
- After the price volatility of 2011-12, all segments of the value chain perceive value to less volatility and greater stability.
- Supply agreements enable producers / feeders to obtain credit more easily
- Retailers and foodservice operators prefer less fluctuation in prices

Objective 2. (Continued)

Reduce Seasonality of the Lamb Industry

Action Steps	Q1, 2014	Q2, 2014	Q4, 2014	2015	2016	Activity Captain
Packers plan volume of lambs needed by week	X					Packers
Packers solicit producers / feeders to supply specific volumes by week		X				Packers
Packers and producers / feeders reach verbal or written agreements for delivery			X			Packers, feeders, producers
Both sides of agreement deliver on their part of the agreement				X	X	Packers, feeders, producers

Objective 3.

Long-Term Plan for Research and Producer Education

- Government budgets at all levels are under tremendous pressure
- Support for sheep research and producer education (Extension Service) has been declining for decades
- Decisions regarding research and producer education are made state-to-state, one year at a time
- Both research and producer education are critical for the long-term future of the U.S. sheep industry
- The sheep industry needs a long-term plan that is proactive, not reactive to budgetary pressures

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

- It is imperative that the Agricultural Research Service of USDA preserve all sheep research stations
- ASI is strongly advocating to maintain these important research centers
- It is also imperative that applied research continue at the land grant universities
- However, it may not be realistic to maintain research at all of the universities that currently have a half-time (or less) position in sheep research
- Two critical components of this initiative include:
 - A research and education strategy
 - Additional funding for research and education

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

The Roadmap Implementation Team should appoint a collaborative Research and Education Committee, including members of the academic community, to develop a long-term plan:

- What are the high priority research topics?
- What should be the respective roles of ARS and land grant universities in sheep research?
 - ARS focuses more on pure research?
 - The land grant universities focus on applied research?
- Can several consortia of land grant universities execute coordinated, collaborative applied research for their larger region?
 - Addressing specific issues unique to different regions and sheep production models
- Can private sources of funding be found?

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

Producer Education

- To meet the goal of improving producer productivity, extensive effort will be required to provide the most effective method of producer education.
- Without effective producer education, many producers will continue using outdated production practices.
- State sheep associations and state Extension Service personnel should collaborate to develop a long-term plan for producer education that is best for their state
- In states with low sheep inventories, several states should consider developing a plan for a multi-state region

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

Producer Productivity Groups: an ideal mechanism for producer education

- Voluntary groups of producers who share techniques and information
- Producers anonymously share annual production metrics to compare their experience with their peers
- The group gains access to the latest applied research findings and seeks to implement the recommendations
- Depending on the scope of activities, the group may hire a staff person to assist their collective and collaborative efforts to make productivity improvements
- Producers set annual goals and track their progress based on quantitative production metrics

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

Alternative mechanisms for producer education could include:

- Vibrant State Extension Service programs if budgets permit
- Private, for-profit sheep production consultants
- Regional seminars on sheep topics
- Internet websites and online chat rooms – producers helping producers
- Widespread distribution of applied research results in laymen's terms written by the research community

The above mechanisms have value, but most lack the important ingredient of rigorous tracking of production metrics.

Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

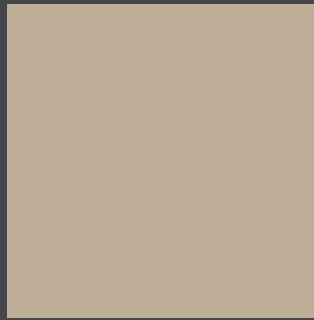
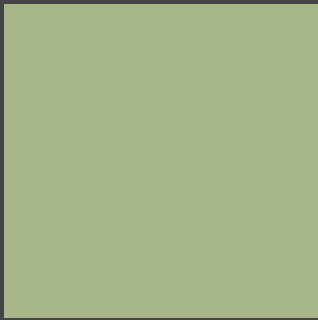
Funding of Research and Education

- Funding for sheep research and extension is declining fast
- The American Lamb Board should activate the “research part” of its mandate
- ALB should develop a process for funding research and extension proposals that address the critical goals of the Roadmap
 - Production efficiencies
 - Improving quality
- ALB should allocate funding for research and extension priorities starting in their fiscal year 2015

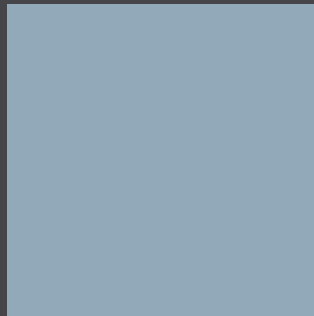
Objective 3. (Continued)

Long-Term Plan for Research and Producer Education

Action Steps	2014	2015	2016	2017	2018	Activity Captain
Develop long-term goals for U.S. sheep research	X					Research Committee
Develop long-term goals for U.S. sheep producer education	X	X				State sheep assns
Develop proposals for funding research and education efforts		X				Universities
Implement the research and education plans		X	X	X	X	ALB, ASI & state sheep associations
Begin funding of sheep research and education projects			X	X	X	ALB



Objectives and Action Steps for Goal 4



Goal 4 – Industry Collaboration

Goal – Work toward a common industry goal of meeting consumer desires rather than short-term self-interest.

Objectives:

1. Initiate a Rapid Response, Industry-Wide Communications Team

Objective 1.

Rapid Response, Industry-Wide Communications Team

Objectives of the Team:

- To identify potential industry problem areas well in advance of the crisis stage.
- To recommend rapid response action steps to mitigate potential problems.
- To urge all relevant sectors and industry participants to contribute to industry-wide solutions to challenges.
- To seek the best interests of the **entire U.S. sheep industry**.
- To defuse tensions among the industry sectors.

Objective 1. (Continued)

Rapid Response, Industry-Wide Communications Team

- This will be an informal group with no authority, but, hopefully, considerable influence.
- It will not be incorporated. It is not a new “organization.”
- It will be highly flexible. During crises, it may meet via a weekly conference call. At other times it may meet quarterly, or anything in between.
- The group can invite anyone it wishes to join its meetings on an “as needed” basis, e.g., supermarket buyer, foodservice buyer, academic, breed association rep, extension personnel, government official, etc.

Objective 1. (Continued)

Rapid Response, Industry-Wide Communications Team

Proposed Representation on the Committee:

- American Sheep Industry Association – 2 reps
- American Lamb Board – 2 reps
- National Lamb Feeders Association – 1 rep
- Lamb packers – 1 or 2 reps
- Breakers – 1 or 2 reps

Each organization cited above appoints its own reps. The officers of ASI and ALB appoint the team members not representing an industry organization.

Objective 1. (Continued)

Rapid Response, Industry-Wide Communications Team

It must be emphasized that this group will not replace or direct any existing sheep industry organization.

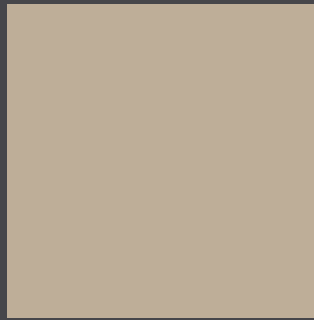
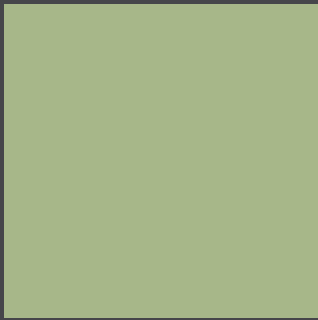
It is meant to operate only through influence in three ways:

- Provide a vehicle for rapid response.
- Provide greater coordination among all of the industry sectors and industry organizations.
- Be able to discuss and suggest action on any issue of relevance to the U.S. sheep industry.

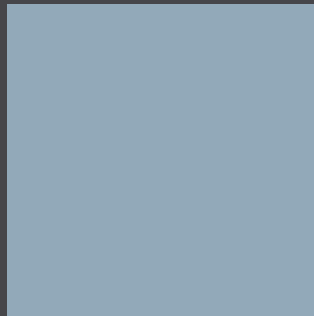
Objective 1. (Continued)

Rapid Response, Industry-Wide Communications Team

Action Steps	Q 1, 2014	2014	2015	2016	2017	Activity Captain
Appoint reps to Communications Team	X					Industry Orgs
Meet via conference calls as appropriate		X	X	X	X	Team



Prioritizing the Objectives



Prioritization of 13 Initiatives

- Some industry participants feel 13 initiatives may be too many.
- However, no one industry segment or industry organization must take the lead on all 13 initiatives.
- Not all initiatives require high intensity efforts in any given year
 - Some are initiated quickly
 - Others rolled out more gradually
- The following slides indicate the intensity of the initiatives over the five years and which participants take the lead

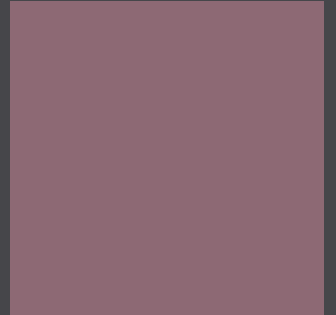
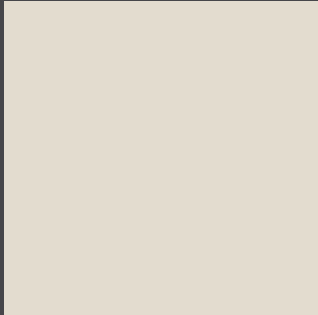
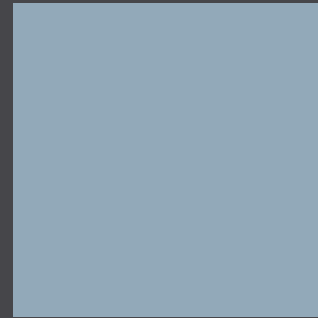
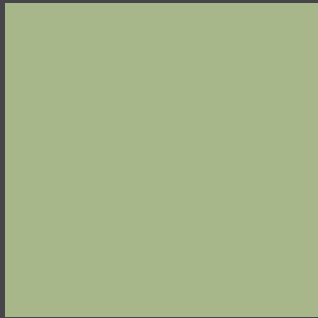
Intensity of Major Initiatives by Year

 = Major Activity

 = Moderate Activity

 = Low Level Activity

	2014	2015	2016	2017	2018
Adopt Value-based pricing	Major	Major	Moderate	Moderate	Low Level
Improve consumers' eating experience	Moderate	Major	Major	Moderate	Moderate
Utilize electronic grading	Major	Moderate	Low Level	Low Level	Low Level
Conduct a Lamb Quality Audit	Major	Low Level	Low Level	Major	Low Level
Create American Lamb brand	Low Level	Moderate	Major	Major	Moderate
Develop value-added products	Low Level	Moderate	Moderate	Low Level	Low Level
Support producers in non-traditional channel	Moderate	Major	Major	Moderate	Moderate
Explore alternative paths to market	Low Level	Low Level	Moderate	Major	Major
Build volume and value of exports	Low Level	Low Level	Low Level	Moderate	Major
Promote quantitative genetic selection	Major	Major	Major	Moderate	Moderate
Reduce seasonality of lamb industry	Low Level	Moderate	Major	Major	Major
Develop plan for sheep research & education	Moderate	Moderate	Major	Major	Low Level
Create industry communication team	Moderate	Moderate	Moderate	Moderate	Moderate



Execution Process



The Realities of the U.S. Lamb Industry

- Many prior reports on the industry have been issued.
- These reports have resulted in limited change in the industry.
- This project, like previous ones, has no authority for mandating change.
- Furthermore, the lamb industry is one of the most traditional sectors of American agriculture.
 - The industry has not done well in adjusting to new challenges.
- Most industry participants are seen as protecting their own interests or, at best, those of their industry sector.
- There is still too much “finger-pointing” in the industry.

A Process, Not a Report

**This project is about the beginning of a process –
not about creating a report.**

**The report will be our initial Roadmap for the industry.
But the Roadmap will change and evolve over time
as new events occur and as the industry
learns for the implementation effort.**

We are at the beginning of a process.

A Lamb Industry Roadmap Implementation Team

Recommend the formation of a Roadmap Implementation Team

■ Roadmap Implementation Team

- Conducts monthly conference calls, Year 1 & 2
- Probably bi-monthly conference calls thereafter
- Asks for progress reports from Activity Captains of Roadmap
- Solves problems as they arise
- Prods participants to intensify activity

■ Annual Roadmap Revision

- Due to new developments in the industry
- Based on learnings from prior year's implementation work

A Lamb Industry Roadmap Implementation Team (Continued)

Membership of Roadmap Implementation Team

- ASI and ALB – 2 reps
- NLFA – 1 rep
- National Sheep Improvement Program – 1 rep
- National Sheep Industry Improvement Center – 1 rep
- Sheep Breed Associations – 1 rep
- State Sheep Associations – 2 reps
- Packers – 2 reps
- Fabricators – 2 reps
- Additional members, if needed, to enable balanced industry-wide representation – 3 reps
- Ad hoc input from other industry participants as needed

Work of Team done primarily on conference calls.

Each organization cited above appoints its own reps. The officers of ASI and ALB appoint the team members not representing an industry organization.

A Lamb Industry Roadmap Implementation Team (Continued)

Given the track record of the industry at making change, the American Lamb Board has asked Bob Ludwig of The Hale Group to play a role in the Roadmap Implementation Team:

- Year 1 – Bob Ludwig serves as Chair to start implementation
- Year 2 – Bob Ludwig serves on the team, but not as Chair
- Year 3 – Bob Ludwig has no seat on the Team

Recommendations for Execution

American Sheep Convention, 2014

- The Hale Group presents the “The Lamb Industry Roadmap.”
- Numerous industry participants state briefly their plans to implement the roadmap in their organization:
 - Large and small producers
 - Large and small feeders
 - Large and small packers
 - Large and small fabricators
 - ASI, ALB, State Associations, NSIP
- Break-out groups discuss various goals and objectives of the Roadmap

Year 1

The Roadmap Implementation Team

- Conduct calls every month
- Monitor all industry participants' progress on implementation
- Make adjustments as needed
- Call people to account for making recommended changes

All Sheep Industry Organizations

- Devote a significant amount of time at each meeting to issues of Roadmap Implementation

Subsequent Sheep Industry Conventions, 2015-2019

- Focus a significant number of the plenary and workshop sessions on Roadmap implementation
- Devote a significant amount of time to reporting on the progress of Roadmap implementation
 - A State of the Sheep Industry Address each year
 - Calling out successes
 - Calling out failures to execute
 - Multiple reports from various industry participants on:
 - Progress by their organization
 - Plans for their organizations

The Magnitude of the Change

- This will require a major “sea change” for the lamb industry.
- Tweaking the dials will not be enough.
- Every participant in the American lamb industry will have to change the way they do business.
- It will be messy.
- It will be painful.

**This plan, or something similar to it,
is the industry's only option.**