

**What is important to farmers when supplying
meat companies?**

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Executive Summary

Few studies have looked at what is important to farmers when supplying meat companies. Research has looked at the farmer's decision making process and what processors are doing to attract farmers but not the link between them.

In this paper issues that are important to farmers relating to this link are discussed. Ladder interviews were conducted with ten Central North Island farmers and the results collated. Based on the interviews a common set of issues were raised amongst the farmers that were important to them.

Good relationship and communication between farmer and processor were the most important issues for the farmers interviewed. These issues were considered by the farmers to be most important when obtaining priority kill space for their animals at the peak of the season. Farmers realised they did not have control over the price they received from the processor and wanted to be paid a price that reflected approximately what other companies were paying at the time. They also wanted to receive a bonus for being loyal and supplying quality stock to specification.

Security of payment was also something that farmers worried about but had no control over so they mostly chose to supply a company that they felt they could trust and had integrity. In addition given the choice farmers would prefer same day kill and supplying the works that were closest to them.

Farmers wanted reward for commitment and to feel like they were an important part of the value chain that incorporates processors and farmers working together to supply quality products to the market.

1. Introduction

The purpose of this report is to determine what is important to farmers when supplying meat companies.

There have been a number of studies that look at the farmer's decision making process, behind the farm gate and more recently the Red Meat Sector Strategy document which provides a frame work for the red meat sector to improve returns.

Increasingly farmers are looking to improve returns to ensure long term survivability of their businesses. According to the Red Meat Sector Strategy there has been a drift away from meat production over the past 20 years with sheep numbers dropping 42% and beef numbers declining by 10%. While there has been a decline in numbers, productivity has lifted due to an increase in lambing percentages and higher lamb weights, which has meant output from the sector has not decreased significantly.

The sector is important to New Zealand's economy. In 2009 meat exports accounted for 35% of our agricultural exports and according to Rob Davidson worth \$7.6 billion to the NZ economy. This compares to the Dairy sector which produced 45% of NZ's agricultural exports at a value of \$10 billion.

The Red Meat Sector Strategy document suggests ways that NZ can improve the profitability of the red meat sector across the value chain. It looks at sector best practise which includes all the operations behind the farm gate that improve profitability, lower environmental impact and promote the protection of animal welfare. It sights increased co ordination of in market behaviour which involves the sector working a more closely to ensure that the maximum is extracted from the market. Finally it suggests a need for efficient and aligned procurement: *"There is a need to remove the traditional imbalance of power between sector participants. The sector must put aside the mistakes of the past, learn from them and develop a new sector framework where farmers are fairly rewarded for their performance and where processors are sustainably profitable. Solving the procurement system is a fundamental enabler for the other strategy initiatives to be enacted successfully."*

In the past there has been a lot of mistrust between farmers and companies with farmers feeling like they were not getting a fair deal from the company they supply based around the price they were receiving.

The purpose of this report is to examine this part of the value chain and to really understand what farmers want to ensure that a mutually beneficial relationship can be had between meat companies and farmers.

2. Method

To answer the question, what is important to farmers when supplying meat companies, the writer needed to really get into the mind of the farmer and develop a deep understanding as to what factors are important and more specifically why these are important. Thus, it was decided that a series of one on one interviews were to be conducted with a range of farmers chosen to represent a broad range of farmer types, for example small/big, younger/older, high debt/low debt, supplying different meat companies.

Each farmer was first required to list/rank what they believed was the most important issue regarding supplying meat companies and then asked why such a choice had been made. Questioning about each issue continued (Why is it important?) until the farmer had exhausted all of his reasons. Responses were voice recorded to allow future referral and extensive analysis of the farmer's answers. Interviews progressed until the farmer had fully discussed why all the things that he deemed important were covered. Finally, at the conclusion of the interview, the farmer was asked to consider whether he wanted to change the ranking of the factors that he considered important when supplying a meat company. More often than not such rankings would be changed.

The interview technique used is known as a ladder interview.

The number of farmers interviewed totalled ten and all were from the King Country/Waikato area. This area is a traditional breeding/finishing area and would be classed as Class 4 North Island Hill Country. It is not served well by the large farmer co-ops.

One of the limitations of this document are that there was small group interviewed based in a confined area in the North Island that may not reflect the view of other farmers in other areas around the country.

To best analyse the data received the issues the farmers chose as most important were aggregated to give an overall ranking for the 10 farmers interviewed. All comments about particular issues were also then grouped to get the overall opinion of the group.

3. Farmer profiles

Circumstances of farmers are likely to influence the decisions made when choosing meat companies. Thus, a brief background of each farmer is helpful for a greater understanding of the differences in thinking of the interviewed group.

Table 1 Farmers' profiles

Farmer 1: middle age	Smaller farmer	Very production focussed.	
Farmer 2: young	Mid-large size farm	Family partnership.	
Farmer 3: young	Small farm	Interested in what is happening outside the farm gate.	
Farmer 4: young	Share farmer	Mid size farm	Harder hill country.
Farmer 5: middle age	Small farm.		
Farmer 6: middle age	Large farm	Part of larger supply group.	
Farmer 7: middle age	High debt	High sheep numbers.	
Farmer 8: middle age	Share farmer.		
Farmer 9: middle age	Medium size farm.		
Farmer 10: middle age	Med-large farm	Family group.	

Apart from issues surrounding meat companies, farmers were not prompted in the discussion during the interview process. In general most farmers assumed that we were talking about what is important in relation to companies they supply their sheep to and only one farmer asked whether the questions were related to beef or sheep at the start of the interview.

4. Findings and Discussion

In this section the factors that farmers think are important to them when supplying meat companies will be considered as well as the links that exist between these factors. Furthermore, reasons why farmers find these factors important will be examined in depth.

Results of the interviews show that farmers as a rule think similarly (Table 2). After a few interviews it became obvious that there were a select number of issues that kept reappearing. There were often linkages between the various issues of importance and farmers found it difficult to distinguish the separation between the two. Often farmers would realise that there was only a small number of factors that they had control over when dealing with a meat company.

Table 2 How each farmer ranked what was important

	Relationship	Price	Space	Communication	Security payment	Same day Kill	Marketing	Local Works	Other
Farmer #1	2	1						3	
Farmer #2	1	3	2			4			
Farmer #3	1			2		4	3	5	
Farmer #4	1	2		1					3
Farmer #5	1			2	4		3		5
Farmer #6	2	1	3						4
Farmer #7	4	5	2		1	3			
Farmer #8	5	1	2		3			4	
Farmer #9			2			1	3		4
Farmer #10									1
Total respondents	8	6	5	3	3	4	3	3	5
Number of times score occurs									
1	4	3	0	1	1	1			1
2	2	1	4	2					
3		1	1		3	1	3	1	1
4	1				1	2		4	2

(1=most important 5= least important)

To analyse the data in Table 2 correctly, linkages between the various factors need to be drawn. To do this I have looked at how many times issues are ranked as no1 on a farmer's list and then if their no2 choice could be closely related to their choice or if in fact it is the same thing.

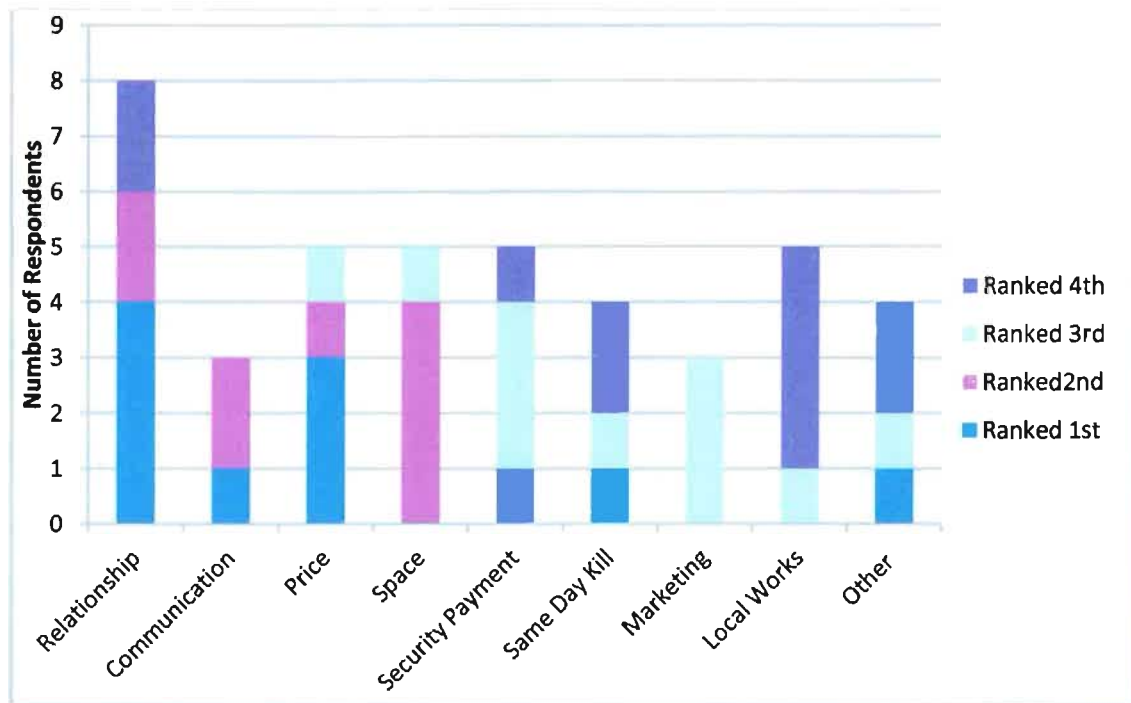
Relationship with a meat company is very strongly linked to communication with a number of farmers unable to distinguish between these two factors and thus including communication in

their discussion on relationship. Very few farmers ranked communication as a separate issue as they saw it as an integral part of the relationship with their processor.

The results (Table 2) also show three farmers who ranked relationship highly but did not rank communication at all in their choices. For these farmers, communication was part of the relationship they had with their meat company and so they felt it didn't need to be separated out. As well as this it is noted that 3 of the farmers that ranked Relationship as most important ranked communication equal to or 2nd most important.

Having killing space available at peak times when farmers want to get stock away made it into the top four issues. Four farmers ranked it at 2 and another at 3. There was also a linkage here with relationship as a number of farmers felt that available space was also part of the overall relationship.

Table 3 How many farmers ranked what is important by how many times each ranking occurs within each subject



The lowest ranking issues were security of payment, same day kill, marketing, local works and other. Even though these issues ranked low, they were consistently discussed in the interviews and played a part in farmer's decision making when choosing a meat company. .

There was one farmer who was only interested in reward for commitment which he saw as encompassing relationship, price, space, security of payment and communication.

To put this in graphical form I have used a bar graph and colour coding to help illustrate how farmers answered what is important to them when supplying meat companies. In Table 3 if farmers chose relationship as their most important issue it is ranked as 1 and would be coloured

as blue, so for relationship it was ranked #1 four times and #2 twice but was important to 8 farmers.

4.1 Relationship

The linking of relationship to communication resulted because these issues were often difficult for the farmers to separate out. All of the farmers except two ranked relationship as an important issue. Farmer #10 only was interested in reward for commitment which encompassed relationship.

Farmers understand that the meat industry requires long term sustainability for all interested parties and so to achieve this parties along the value chain need to work together to maximise returns for the industry. Meat companies expect a quality product at the farm gate and farmers expect companies to be marketing best value into the global market. How farmers view a meat company is often related to the integrity of the company and the figure head of the person that represents that company. Who is the figure head of a company may vary between farmers. Some see it as the stock agent while others see it as the CEO. Often the personal values that are reflected by this person onto the farming community are important in determining the type of relationship the farmer has with his meat company.

The farmer generally will choose an agent or company that he is compatible with and has respect for.

Farmers want to have a feeling of being an important and valued player in the value chain and when this exists, loyalty between the supplier and farmer results. Loyalty is seen as a two way relationship by farmers. All the farmers interviewed felt that if they supplied good quality stock consistently on time and to the specification, then the companies should show loyalty by looking after them. Farmers also want to have a relationship with their meat company that allowed them to pick up the phone and discuss issues as they arise.

4.1.1 Trust and Integrity

Farmers want companies that they can trust and believe that the trust should work the other way as well. Initially farmers realise that when they join a company they have no history and so it will take a period of time before they build mutual trust.

Transparency of the business was important to the farmers and they liked to know how the company operated and what its values were. Farmer 4 had an email from a processor to inform him about a plant closure and he appreciated that suppliers were informed of these important changes. The farmers wanted to know what to expect from a meat company including knowing exactly what he was going to get paid for his stock. They wanted to know how much extra they would be paid if they:

- Drafted their animals
- Booked their own killing space.
- Produced high yielding stock
- Sent clean, shorn sheep
- Forward committed stock

4.1.2 Reward for Commitment

This theme kept coming up time and time again as a way for the farmer to explain what he wanted from a meat company. Farmer 10 was only interested in reward for commitment. In his eyes commitment meant, *“Giving your best estimate of how many stock, what weight, when you will supply and trying your best to do what you said you will do and inform the company as early as possible if you are not going to fulfil the commitment.”*

He saw the meat company’s reward for the farmer as *“Having available space, the company making a reasonable effort to kill when they are booked and getting paid a good price.”*

4.1.3 Working Together

Many farmers understood that to achieve the maximum from the market the value chain needs to work together more. For their part, farmers felt there were some things that they could do to help facilitate this, mainly to do with a commitment to supply lambs for the season. Farmers want to inform the processors of the number of lambs they could supply for the season and once they had committed to a certain company they planned to do their best to supply that number even if there was no solid contract. The farmers also understood that sometimes the weather played a part in upsetting the best plans and so both farmers and the meat companies needed a degree of flexibility within their systems.

All of the farmers surveyed had been supplying the same company for between 1 – 35 years so the farmers appeared to be interested in committing to a company long term. Farmer 3 even sold a line of lambs to a company that he had changed from the year before because he had felt bad about changing. None of the farmers knew of anyone doing the traditional Sunday night ring, illustrating that farmers are generally committed to a company.

Sharing of risk was important to two of the farmers. Farmer 10 wanted to see an integrated value chain with more reward for a contracted arrangement. He saw that there would be times with a fixed contract that there would be winners and losers but he thought that risk could be shared along the value chain. Farmer 4 wanted to see a more integrated chain so that if he sold store stock then the risk would be shared between the breeder, fatter and the meat company.

There were a number of opinions on the need for an agent. Farmers 2, 3 and 4 (the younger farmers) did away with an agent and preferred to deal directly with the company. These farmers felt there was no need to add an extra layer of cost into the system and would prefer that the saving could be passed back to them in the form of a self drafting rebate. Half of the remaining farmers used an agent to help draft lambs with the rest only using an agent as a way to communicate with the company about their selling intentions.

4.2 Communication

Communication with a meat company is something that farmer’s value highly and they felt that this was one of the most important aspects of their relationship with their company. During the interviews the farmers highlighted several important features of communication.

4.2.1 Kill sheets

Farmers wanted their kill sheets back within 24 hours of sending their stock away, as the stock, how they were selected and trucked would still be fresh in their minds. If there were any issues with the stock at the meat works farmers wanted to know as soon as possible, so that any issues could be sorted out promptly. The farmers used their kill sheets as a self check on their drafting performance if they did their own drafting. The farmers suggested that other information on the kill sheet that would be helpful could be:

- Were the stock well presented?
- Was the stock suitable for the market?
- Did the stock meet the required standards and are they what the consumer wants?

Killing sheet data also was useful to the farmers because it enabled them to change their drafting cut off weights which could improve their kill sheet profile next time they sent stock away.

4.2.2 Trucking information

It was vital to the farmers that they had the information on trucking to assist them with forward planning. They didn't like their animals standing in the yards for lengthy periods of time or to be under pressure when getting animals ready for trucking. Farmer 4 said *"I have my lambs drafted a week before they are to go and the company knows my numbers. Sometimes I will ask for a specific day to send them so it suits what I want to do. I expect them to work in with me if I give them plenty of notice."*

4.2.3 Market information

The farmers appreciated information on current market conditions from the meat companies as they value knowing what is happening with market prices and market trends. They also liked to know which market their product was destined for and what processing their products might undergo. The farmers understood markets change over time but still wanted feedback on possible market conditions in the future to help with their forward planning. Four of the farmers interviewed received an email each week informing them about the following weeks schedule changes and why these changes were happening, as well as a small comment on the market conditions as the company saw them. Farmers liked this transparency as it helped them understand why the schedule might be moving up or down. They felt this also gave them the power to make better decisions in the future.

4.2.4 Processor information

The farmers sighted feedback from the companies with regard to future processing space as very helpful. Within the farming system most years there is a degree of flexibility. A number of the farmers commented that if they knew of gaps opening up in the processing space schedule, then they could move their kill date to try and fill that space. Conversely, if they were made aware that there was a tight period for space availability coming up, then they might send animals earlier. This was considered particularly important in the beef sector where at some stage during the summer/autumn the dairy industry starts killing cattle and the price plummets. If beef farmers knew roughly when this was to start through good communication, then the

beef farmers felt they could plan accordingly and get cattle away earlier and prevent being disappointed at not being able to kill cattle in the peak dairy cattle kill.

4.2.5 Face to face contact

Some meat companies arrange supplier meetings from time to time and the farmers that had attended them thought they were hugely valuable. They realised there was a cost to these meetings but they thought they gave companies a “face” and the farmers saw value in the personal contact these meetings generated.

With agents playing a smaller role these days in lamb procurement, these meetings were seen as a good way for companies to have some contact with their clients. Information the farmers were interested in hearing at these meetings included the state of the market, price predictions going forward, the next seasons procurement programme and the type of animal they required for their markets. The farmers saw these meetings as a chance for them to meet company staff and for the company to get feedback from their suppliers. Some farmers liked to be benchmarked against other farmers to see how they were going and some of the farmers did this on-line where figures were available from their meat processor on their numbers supplied vs numbers committed, % of kill meeting specifications, the total number stock supplied and the length of time the farmer had been supplying the company. In some cases this would lead to a supplier dinner once a year where the top performers would be celebrated and rewarded. This gave farmers something to aspire to and made them feel they were being recognised for a job well done.

Farmer 3 appreciated the community involvement of his local processor. This farmer was heavily involved in organising a number of events and was often looking for sponsorship. He noticed one particular meat company sponsoring product at some farm discussion days he attended and “flying their flag” at other events he went to. This enabled the farmer to meet some of the company’s staff and learn more about the company, which eventually led to him becoming a client.

4.3 Price

The price that farmers were receiving for their stock impacted significantly and when questioned why price was so important nearly all farmers said *“That’s how I make my money!”* and *“The better the price the more money I make.”*

Although there was a realisation amongst the farmers that the schedule drives profit, they also realised that they are price takers and have very little influence on this variable. The only exception to this was a larger farmer who was part of a supply group that received a premium for supplying volume.

Although price was important, all of the farmers in the survey were happy, so long as they were receiving a schedule that was similar to what other companies were paying. Most of the farmers felt it wasn’t important to be receiving the best schedule that was available for the week, but definitely wanted to be “in the ball park.” This meant that if their company was offering 15-20 cents/kg below the average schedule for lambs, then they would think seriously about looking

for another price or go back to their agent and try and squeeze some more money out of them. Beef on the other hand was seen by the farmers as more of a commodity and price was more important. Farmers selling beef had a much lower tolerance for a variation in schedule than they did for lamb and would supply different companies for as little as 10c/kg extra where as for lamb the difference would need to be 30c/kg for them to consider changing.

Of all the farmers surveyed, only one never checked the price he was getting, but the rest checked it always or sometimes. This was mostly done via some type of weekly agricultural newsletter while a few spoke to their neighbours and compared prices that way. Schedule price was only one way in which the farmers received payment for their produce. On top of the schedule, the farmers received bonus payments for such things as:

- Committing lambs for the year.
- Confirmed booking one week out.
- Self drafting bonus.
- Producer group bonus.
- Wool length bonus/deduction.
- Supply to specification.
- Yield bonus.

Although the farmers realised they couldn't affect the schedule price, they did want transparency around all the other extras that were available, so that they could earn the maximum over and above the schedule price. The farmers wanted to be rewarded for supplying quality stock up to a specification, on time and to a company that they have been loyal to.

At the other end of the scale, some of the farmers were wary of a company that all of a sudden came out with a good schedule well above the other companies, in case they were a company attempting to buy as much stock as they could before they went broke. Farmer 7 said, "*I don't chase rainbows with a dodgy company.*" Some farmers remembered the collapse of meat companies in the early 1990's, when farmers never got paid after being offered higher prices.

Two of the farmers wanted to see a fixed price for the season so that they could plan their system a little better, rather than having to get stock out the gate as fast as possible before the schedule dropped over the summer. They found it difficult to make any money on a diminishing schedule, so they wanted to know in December what the price would be in March.

Another of the farmers felt that contracts were not worth the paper that they were written on and that this area of procurement needed to be tightened up so that both farmers and processors could not get out of them without incurring a severe penalty.

Two farmers had been upset by the mid-season price that they had received for their lambs and cattle, as they thought it was the minimum price that the processor would pay.

4.3.1 How price fits in

Figure 1 is a diagrammatic way of showing how I think farmers view supplying meat companies and how price fits in.

Based on Hickson (2011) if we are talking about lamb price/kg farmers will supply a company and be loyal to that company if the price that they receive is within a range of prices. For this example the upper price most processors might pay is \$6.50/kg and the lower is \$6.20/kg being a spread of 30cents/kg. During the interview process farmers said that they would stay with a company if they were getting paid similar to what other farmers were getting paid but if the price difference was over about 30cents/kg they would change who they were supplying to capture that margin.

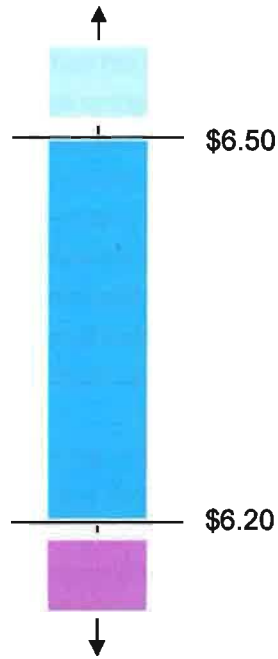


Figure 1 How price influences farmers' loyalty to a company (from Hickson 2011)

If companies were paying a schedule that was within the blue zone on Figure 1 then they would retain their suppliers and all the other things became important (space, relationship, etc).

But if a company started paying in the red zone there is a very strong chance that farmers will want to get back up into that blue zone by supplying another company that is paying in the blue, similarly if a company was paying a schedule in the green zone farmers will definitely consider supplying that company to secure the extra margin

4.4 Kill Space

Kill Space was the factor that all the farmers considered to be the issue that had a large impact on their farming systems. Although there're was no direct influence of kill space on the price farmers received the flow on effects of not being able to send stock when they wanted significantly impacted on their operations. Farmer 2 said "*When lambs are ready they need to go.*" The cost of stock lingering on the property because of not being able to secure space, had a greater impact at weaning times when it was found that held lambs could "harden off". Farmers wanted to maximise lamb carcase yield off mum at this time of year.

Animal health issues in lambs were sighted by the farmers as important when kill space was an issue. Some of the health issues they mentioned were:

- Threat of facial eczema
- Extra drenching
- Pleurisy

Farmers were also conscious of getting stock off to the processor as planned as this allowed them to free up grass for other priority stock such as breeding ewes or other lambs that had been left on the farm. When the farmers found themselves in a situation of declining grass, the farmers relied on the meat companies to assist him to move stock as quickly as possible. In this situation, farmers understood that everyone else was trying to send stock at the same time and it would be more difficult to secure kill space. Farmer 2 said *"I expect that if I have a good relationship with the processor then they will do their best to help me get my sheep away. I understand that in this situation there will need to be a bit of give and take."*

Pre-booking space was an important tool that the farmers used to ensure that they could guarantee getting their stock away and this was seen as especially important in the height of the season. The farmers often received a bonus from their processor for forward booking.

All of the farmers felt that a good relationship with the processor helped them to get space when they wanted it. Farmer 6 who is a larger supplier and part of a supply group appeared to have no issue when securing space at peak killing times. He was able to call his agent at any time with a reasonable expectation that he would get stock killed when he wanted. One farmer that used an agent to draft his lambs was unsure if it was the agent or the processor that decided how much space he got but he wanted to keep his agent rather than go direct to the company as he felt like the agent would be his advocate if he needed him to be. Farmer 7 retold a story of an agent enjoying hanging up the phone on a farmer that had not booked space and was not loyal to a particular company when kill space was at a premium. This reinforced to Farmer7 that he needed to have loyalty.

4.5 Security of Payment

The issue of security of payment was important to three farmers and ranked most important by one farmer. The farmers that were concerned about security of payment felt it was very difficult for them to really know how strong a company's financial position was. They found even reading annual reports from processors didn't make them feel they knew the company's financial position clearly. Dealing with a private company was even worse as they had no way of finding the relevant financial information.

Farmer 7 who had security of payment as his most important factor also had a reasonably high debt level, so just to ensure his businesses survival it was really important that when he put stock on a truck he received payment for them. He was confident he was dealing with a *"fine, upright, innovative and well run company"*, that was reasonably transparent in how they presented themselves. This farmer was particularly opposed to the "Sunday night auction" because he felt he could lose control of where his animals were going and open himself up to not getting paid. He felt that security of payment was a gut feeling you got for a company.

Farmer 5, who had been farming for 25 years, remembered the demise of Weddell Crown during the early 1990's and so security of payment was still quite fresh in his mind. For him, margins were tight enough and he couldn't afford to have a non payment. He felt he had enough to worry about as a farmer, without worrying about whether or not he was going to be paid.

Farmer 8 was the only farmer who had not supplied a particular company because he felt they were a bit "shaky."

4.6 Same day kill

Same day kill was an issue that all the farmers felt had a significant impact on the return they received for their stock. Four of the farmers thought it important and Farmer 9 ranked it the most important factor. Most of the farmers couldn't put an exact figure on it but felt it was worth another $\frac{1}{2}$ - 1kg on their carcass weight which equates at \$6/kg to around \$3 - \$6 per lamb.

As well as a better yield, the farmers thought that by having same day kill there was:

- Less chance of bruising
- Less dehydration
- Less stress on the animal
- Better for animal welfare/ethics
- Resulted in a better product
- Created a "feel good" factor amongst the farmers

Farmer 3 thought that companies that had the same day kill were more efficient because they did not have to maintain yard space and therefore should be able to pay more back to farmers. As well as this, he said that same day kill came at no extra cost to him, so he might as well have it.

Farmers 6 and 10 supplied companies that did not have same day kill, but they would have liked it as an option and thought that in the future their companies might offer it.

4.7 Marketing

All of the farmers in the survey took an interest in where their stock were destined, especially lambs and they realised marketing has a direct influence on how much the company pays the farmer. Farmer 9 liked to know where his lambs were going and what the company was trying to achieve with their marketing strategy. He wanted his company to specify what markets they were targeting.

Farmer 5, who supplied a co-op, got his information on how the company was marketing through the media and also company newsletters. He expected the company to have a good marketing plan so that the entire product produced was sold, ensuring good returns for him. He also enjoyed the fact that any profit the company made between him and the market, he received.

Farmer 3 was particularly interested in the marketing policy of the company that he was supplying. He was looking for a company that was *“doing something different and selling to someone other than the supermarket.”* He wanted a company that was *“not playing with the big boys”* so that they were not forced into competing to sell product against others.

4.8 Local works

Although local works ranked quite low in its importance to farmers and played a limited role in what they received financially for their lambs, the farmers interviewed thought it was valuable to supply locally for a number of reasons.

From the community aspect farmers liked the fact that local people were employed and were spending back into the local community keeping it vibrant and helping keep services like doctors, sporting clubs and schools healthy. Often they would know people that worked at the meat company and talking to them on a regular basis make them feel like part of the team.

Supplying local works was felt to be more efficient by a number of the farmers. Three of them mentioned the growing importance of carbon footprint and they saw supplying local works a small way in which they could minimise their footprint. Farmer 1 said *“Fossil fuel is a finite resource and we need to be more careful how we use it. I want a transparent price without freight to encourage the use of local plants.”*

Farmers 1 and 8 enjoyed supplying a local works which enabled them to see their lambs being processed easily and has allowed them to visually assess what they have produced while standing on the processing line with the grader.

Often these farmers would go and see their lambs on the chain as a matter of interest and look for such things as:

- Liver fluke
- Yield
- Conformation
- Facial eczema damage
- How much trim was being cut off

Having a local works also meant that the lambs were on a truck for much less time than if they were going to a plant several hours away. This was an animal welfare issue for Farmer 1. He did his best to keep his stock in top condition on his property and he did not want to compromise this by putting them on a truck for longer than was necessary.

Two other farmers who did not rank local works in their rankings also felt that it would be preferable to send stock locally for the reasons stated above.

4.9 Other

Four of the farmers interviewed raised issues that were important to them but could not be fitted into the categories outlined above.

4.9.1 Farmer 10

Farmer 10 had an overarching theme during his interview which he called *“Reward for Commitment.”* A lot of what he covered during his interview was also what the other nine farmers were saying during their interviews, but Farmer 10 did not want to separate out the issues. He wanted to be fairly rewarded for committing his stock to a particular processor. He

was prepared to supply information as early as possible on stock numbers, weight and when he could supply these to the processor and keep them up to date so that they knew if he was going to be able to fulfil this commitment or not. He wanted an integrated value chain where there was sharing of knowledge about markets. He felt processors should have transparency on their margins so that any profit was shared across the value chain. In his eyes, honesty and transparency were the key features of a good relationship between the processor and farmer.

Reward for his commitment meant having space available and the processor making a reasonable effort to kill when the stock were booked and receiving a fair price. This farmer was not so interested in the price that he was paid, but for him it was more about the margin that he could generate between buying the animals and selling them. He really wanted to concentrate on growing his stock and having the company say to him, *“Here is what your margin will be if you put on a kg of meat. You will receive this much/kg.”*

From his point of view, he then just had to concentrate on growing those lambs as fast as possible. This farmer actively sought out a company that was using an integrated approach to marketing their lamb and was in the program for the period that it was running. He believed he needed to get closer to the consumer. Although he was supplying a processor of his choice, he was not receiving same day kill nor was he supplying a local works, both features he would have liked.

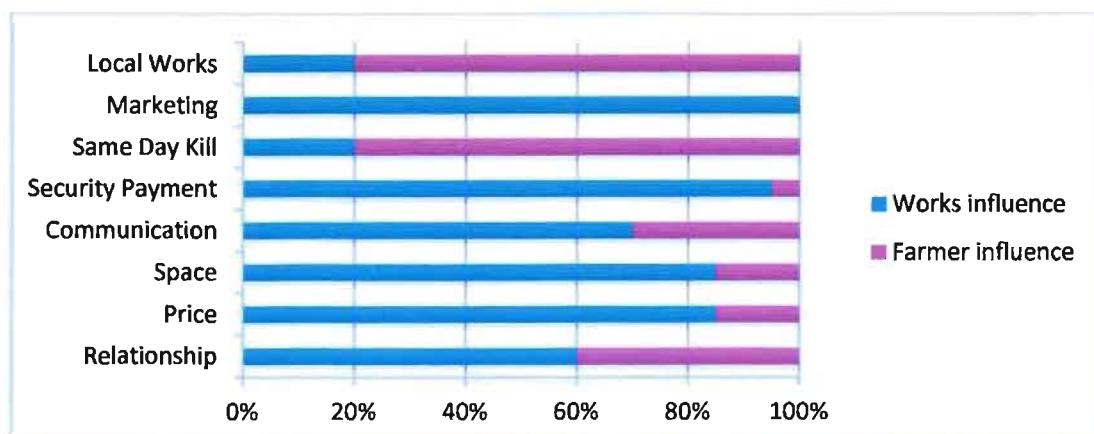
Three of the farmers ranked other factors as important that did not fit into the other 4 categories. Farmer 4 was interested in having an integrated value chain that evened out the pricing between breeder/finisher/works. He wanted someone to develop a value chain that meant everyone was getting rewarded evenly along it.

Farmer 6 was interested in making sure the trucking systems were efficient and on time to ensure lambs were not hanging around yards waiting and losing condition and weight. One of the farmers said that it was important for him to be supplying a co-op as he liked the model where profits are returned to the farmer.

4.9.2 Control

In figure two I have attempted to capture the amount of control that the farmers felt they had in their relationship with their meat company around each issue that they thought was important.

Figure 2 Influence farmers can have on issues that are important



Some of the issues the farmers had direct control over were if they supplied local works or chose a company that had same day kill. Marketing they had no control over at all as this was solely a company issue and of the other important issues, the farmer's had varying degrees of influence on them. The only way a farmer can have any influence on security of payment is by choosing a company that he thinks is in a strong financial position but this can be quite a subjective choice.

Based on this small sample when farmers think about what is important when supplying meat companies they should focus on the things that they can control. Farmers in this survey used what influence they could to try and manage their relationship with the processor to give them benefits in the things that they had little control over such as price and space. The only way they can do this is through relationship and communication.

As with anything the more control we have over something the more comfortable we will be staying with it. Farmers supplying meat companies will be no different.

5. Conclusion

Price as a driving factor of what is important to farmers when supplying meat companies is becoming less relevant for lambs. Where only a few years ago farmers were happy to have the agent come to the farm and pick his lambs and drive away I think there has been a real change in the attitude and understanding of what farmers want out of companies. Farmers understand that there are some things that they can control which affect the price they receive from their processors.

There was awareness amongst the farmers that they can make a difference by producing a high specification product that is fit for the market. Part of the process of awareness most likely came from 10 years of low returns for producers who really had to try and understand how they could add the maximum value to their product.

Relationship is inextricably linked to communication and is by far the most important issue for farmers. Security of payment and marketing are the two issues that the farmer has little control over. Local works, same day kill and space are able to be influenced and managed to varying degrees by the farmer to have a positive outcome on the price he receives from the processor

There was a real feeling amongst the farmers that they do have an amount of control over how they sell and to whom they sell their lambs. Farmers understand that they control the ultimate decision as who they sell to and if they don't like how they are being treated they can change processors.

There is a strong link also between relationship and killing space available during peak killing times. Farmers place a lot of emphasis on being a loyal client who informs processors of killing intentions by forward booking so that they can be sure of getting stock away when they want to. They know that they have very little control over how much space is allocated to them but would like to be able to influence this more as a payback as part of having a good relationship with the processor.

Local works and same day kill were factors that farmers have a lot of influence over by choosing which processor they will send their lambs to. All of the farmers that were supplying a local works felt it was a real bonus that they had a company that was local that had a same day kill and was also one that they had a good relationship with. All these reasons made it easier for them to make a decision on whom to supply.

If we are to move forward as an industry and try and *“remove the traditional imbalance of power between sector participants”* as the Red Meat Sector Strategy suggests, then there are some key issues that processors and farmers need to be aware of if they are to have efficient and aligned procurement.

Processors

- Build a relationship with farmers through communication on a regular basis
- Reveal as much as possible about the market so farmers understand what they need to produce
- Keep kill sheets simple and get them to the farmer quickly
- Be as transparent as possible about the financial position of the company
- Have same day kill
- Be transparent with pricing

Farmers

- Choose a company that has good communication with its farmers
- Commit supply of stock to one company
- Inform processor of expected numbers that will be supplied
- Provide information on expected time of supply of stock to company
- Supply fit for market animals

Collaboration between processor and farmer is essential if they are both to have a future that sustainably profitable. This must start with a relationship between the two parties that is based on good communication, trust and transparency. Farmers want reward for commitment and if they can do this with a company that they trust then they will be loyal to that company and this will lead to companies having a much more secure supply of stock which in turn will make marketing in the international market place easier.

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7. Glossary

Relationship	The interaction between farmer and stock agent or meat company.
Price	The amount of money received for supplying animals to the processor.
Space	The space made available by the processor for the farmer to kill stock.
Communication	The transfer of information between the farmer and meat company/agent.
Security of Payment	Guarantees the farmer will be paid for livestock sold.
Same Day Kill	Prompt kill, not sitting at processor yards for long periods.
Marketing	What the company is doing to sell the product in the market.
Local Works	The closest processing plant to the farmer.

8. References

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