



FEEDER LAMB CONTACT PROGRAM

GUARANTEED, MULTI-YEAR PRICING

After several years of focusing on finished lamb contracts for the spring and summer, the North American Lamb Company (NALC) is adding another strong option for producers on the feeder lamb side. (Another recent One-pager outlines NALC's current Procurement Strategy for 2020 and beyond.) NALC's Feeder Lamb Contract Program will offer producers a strong marketing option instead of uncertain auction or cash pricing that normally trends downward sharply into summer and fall markets.

This program aligns with the floor pricing rolled out in 2021 for finished lamb contracts providing increased pricing for out-of-season suppliers. Feeder contracts will also include a market adjustment that increases pricing when markets are higher. Feeder lambs compete with carcass lambs at times of the year, like religious holidays such as Easter or Qurbani. To temper this skewing of the feeder market there are caps to the market adjustment although this pricing ceiling would seldom be needed – the pricing window is so large that only the recent surge in late 2020/early 2021 would have exceeded this cap. For most producers the massive benefit of this contract is floor pricing during the high-volume fall feeder run – the floor price of \$2/lb is well above seasonal pricing in Western Canada most years and a ceiling of \$2.80 provides plenty of room for keeping pace to the market. Floor and ceiling pricing between January and June is also higher. Multi-year contracts are available.

SIMPLIFIED LOGISTICS

Logistical savings will also provide opportunities. Currently there are inefficiencies in the lamb buying system. An example, for producers selling at auctions there is the costs of shrink, transport and commission fees with no price guarantees. Buyers attending auctions often travel long distances and commit to trucking without knowing what will be bought. Producers and buyers transacting significant numbers of lambs are essentially subsidizing both sides of this inefficiency. NALC views it will be far more efficient to plan out trucking routes to pick up direct from farms and deliver to the finishing operation, optimizing pen capacities. Trucking costs will be reduced, and lambs will arrive under less stress and better positioned to perform.

NALC will offer to coordinate logistics for any groups of lambs 200 head or more and pick up direct from farms. Shipping costs will be locked in annually at time of contracting. Smaller groups are possible depending on logistics. Pay weights will usually be based on NALC's certified truck scale. To offset transport shrink NALC will increase the pay weight based on distance traveled, matching or exceeding the current standard of 3% shrink in the farm yard.

Success for NALC and our producers is a program that over time will replace the 10,000-20,000 external feeder lambs currently purchased through auctions, and spot purchased private arrangements. Contracted farm direct procurement will allow NALC to plan meat marketing months ahead. This program offers producers incentives through collaboration and preventing wasteful costs - securing favorable returns while protecting themselves during high market volatility.

EVERYTHING YOU NEED TO KNOW:

- ✓ Generous floor price with increased pricing based on current market
- ✓ Option to pick-up from farms
- ✓ 1-3 year contracts available protect from market crashes and beat markets
- ✓ Increased pay weight to reduce shrink
- ✓ Options on performance data at finishing and carcass quality

FOR MORE DETAIL OR QUESTIONS PLEASE TALK TO OUR PROCUREMENT TEAM