



SELLING FINISHED LAMBS TO NALC

RAIL PRICING:

As a meat industry, calculating carcass value on the rail is the ideal way for producers to realize the best return. NALC has moved away from live purchases in 2019 to help increase pricing paid to producers as it removes the need to average down the price to offset the risks associated with live buys. Live buys shift quality risks to the plant for issues related to animal health, finishing quality, dirtiness, poor genetics among other issues outside of the plant's control, often entirely related to operations on the farm.

Yield, meat quality and uniformity are the three main determinants of carcass value - all three are in control of the producer, mostly through weight management.

THE TARGET:

In simplest terms aim for an average carcass weight of 27 kg within a 6 kg window. The structure of the grid is based on a typical average carcass value between 24.0 and 30.0 kg, including typical rates of overfat (19+ mm) and flat pricing on heavier carcasses. For example, a rail price of \$11/kg should result in an average carcass value of \$10.55/kg or \$285/lamb for carcasses within this 6 kg range. This difference between \$10.55 and \$11 is therefore a premium for better quality and uniformity. Some producers with tighter weight sorts and leaner carcasses will average closer to the base price. As we improve as an industry and focus on carcass quality, we will average closer to the base price. It is a large target range, roughly 12 kg live or over 27 lb live! Additional detail on the rail payment grid and conversion table is covered in a One-Page Briefer on this topic.

INCREASED YIELDS WITH RINSE & CHILL®:

Yield is the difference between the live weight of the lamb and the hot dressed weight of the carcass. At NALC yields have increased in 2019 by about 1.5 – 2.3% approximately as a result of enhanced dressing caused by Rinse & Chill® installed December 2018 and improvements to the harvest process at the plant. The technology is being studied as seasonality seems to play a role but yields on finished lambs that were normally 48.5% should reach 50.5% or higher. This means that with Rinse & Chill® yield improvement increases revenue by \$8-11 per lamb for the producer. In 2020 NALC dropped the \$5 fee, which previously helped offset the costs associated with the technology.

RECENT CHANGES:

With the rollout of the new payment grid we provide full carcass reporting detail for all rail priced lambs linked to CSIP tag information. We have also rolled out an infrastructure for tracking health information and when deliveries contain unusually high incidence of health issues like pneumonia, cysts or other defects we have modest discounts to offset direct costs. Offals and byproducts are a major piece of sustaining high livestock prices, in the neighbourhood of \$20 per head in some cases. To bring attention to this important value piece we have begun reporting incidence on reports and discounting when unusually high rejects occur. Typical discounts are in the \$5/lamb range, below the actual cost of the occurrence in most cases. These discounts are subject to change and review.

EVERYTHING YOU NEED TO KNOW:

- ✓ Pricing is \$/kg on the hot dressed rail
- ✓ Premiums of \$0.50-\$0.60 cents for beyond expected value
- ✓ Huge 24-30 kg target (27 lb live!!)
- ✓ Enhanced yield = \$8-11 more revenue per lamb
- ✓ Modest discounts on health issues
- ✓ Disposal fees for fetuses
- ✓ All carcass data provided
- ✓ DiFoTiS: Delivery in Full, on Time, in Specification

FOR MORE DETAIL OR QUESTIONS PLEASE TALK TO OUR PROCUREMENT TEAM

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