



SELLING LIVE (AS A COMMODITY)

LIVE PRICING:

Live pricing on finished lambs to NALC still happens. There are producers who are used to live pricing or demand live pricing as a way of doing business with NALC. A common thing we hear from these producers is “Just give me a bid for my lambs when there are ready”. We don’t blame them - many lambs are still traded that way. There are times of the year, mostly early summer, where lamb companies are desperate for lambs and the power to negotiate rests in the hands of producers with supply. This can limit the transaction to a very basic commodity attribute – the live weight.

While auction markets and the brokers selling east have no option to transact deals other than a live buy - NALC as a meat processor, with our home in Western Canada, we can focus on quality. Yield, meat quality and uniformity are paramount to a meat operation’s profitability and customer satisfaction. NALC has made big progress on yield improvement and revenue capture by selling almost all of the possible cuts, sundries and byproducts but the overall economic outlook is only as good as the quality of the livestock arriving at the plant. It is critical the attention shifts to the producer community to pay close attention and strive to improve wherever possible. Continuous improvement is a team effort.

AVERAGING DOWN:

Livestock cost in the cooler relies heavily on yield, level of finish, fat thickness and uniformity. Animal health plays a key role in byproduct capture and meat yield. With a live purchase all these variables are unknown which leaves the risk to the plant, reducing the price the plant is willing to pay. With a rail purchase the quality becomes known, which means the base price can be higher and producers with better quality will be paid more. Most producers are proud of the quality of their lambs and have gone in the direction of rail pricing, reaping the rewards it can bring.

OUR INNER CIRCLE:

In recent years we have been focusing on creating an “Growth Group” among the producer community. It is well known we are doubling our production over the next 3-5 years. External supply and year-round lambing are a key piece to this initiative, and we’ve been rolling out contracting drives for summer supply the last five years. There is no other effort more important to our forecasting and planning – when we can plan summer production, we can add new retail customers for year-round business. Producers willing to contract and supply lambs priced on carcass quality form our Growth Group. We will build these producers into our supply community and expand our own farms based on working with this supply. In the future we see little benefit in planning with producers that want a price only when lambs are ready for the market. We may still buy live, but only as an opportunity, not an intentional procurement strategy.

RECENT CHANGES:

As of 2019, commodity-based transactions (live buys) no longer result in carcass data sharing, consistent with other meat industries. Health discounts are also converted from their equivalent rail discounts. Rinse & Chill® fees are not applied since live buys miss out sharing the yield benefit.

EVERYTHING YOU NEED TO KNOW:

- ✓ Pricing is \$/kg on NALC’s live scale
- ✓ No premiums for quality
- ✓ Max average pay weight of 56.7 kg
- ✓ 6% Discounts on carcasses over 30 kg
- ✓ Modest discounts on health issues
- ✓ Discounts and disposal fees for fetuses
- ✓ Limited 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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