



# PROCUREMENT STRATEGY AT NALC

## OUR NOT-SO-SUBTLE DIRECTION

In recent years NALC has been visible in its focus on securing spring and summer lambs under contract. This has evolved over the years to the current rail grid system with floor pricing plus a market adjustment - an amalgamation of seasonality around market pricing and breeding efficiency. Floor pricing is competitive with the 5-year Ontario market average, a period of prolonged market strength. Floor pricing provides excellent protection from seasonal or unexpected market downturns. Less visible to the general producer community is an earlier timing of significant contracts with other lamb finishers that help round out the annual supply equation for NALC when combined with our own farming effort.

## WITH MORE FARMING INVESTMENT - ONLY VISIBLE, CONTRACTED LAMBS MATTER

Large investments have been made in NALC's farming operations, following large investments for a finishing unit and plant upgrades over recent years. Market swings cripple meat selling prices, so a fall and winter downturn is not seen as a buying opportunity for a lamb processor, rather it creates negative pressure on margins for the entire supply chain. The visible effort to contract earlier and in bigger quantity is a direct result of desiring to see stable market pricing to help shore-up significant investments, especially in farming.

Lead-times between breeding and processing are also forcing NALC to forward manage most livestock supply, both in finished lambs and feeder lambs. Between breeding and weaning is generally 29 weeks and another 13 to 17 weeks to grow and finish lambs for the plant. There is a finite supply of pen space in the finishing operation every fall – and only one customer for NALC – our plant in Innisfail. The Innisfail plant wants to process a uniform amount of lambs every week, with production increases around holidays and events. As a result, decisions on breeding have 42-46 week lead times and need to be timed with external supply to create an environment of reasonably uniform processing at Innisfail.

## CONCLUSION – TWO PROJECTS

The first conclusion is the launch of a “Growth Group” producer network for producers under a finished or feeder lamb contract. While contracting summer supply in January seems very early - with 46 weeks lead time, it's already too late. So instead we will foster development within the current group of producers, stay in regular contact, and grow as a group. Should other producers wish to join we will assess on a case-by-case basis.

The second conclusion is launching long-term feeder lamb contracting. Rather than rely on auctions or other sources of feeder lambs we plan to establish strong relationships with commercial breeders across Western Canada. Through information exchange and sharing cost savings around scheduling and farming procedural coordination we plan to offer premiums over market prices.

How do cash or auction lambs fit into the supply equation? The best price should be a contract price but the plant will assess cash buys as a buying opportunity when lambs are available. Otherwise NALC must stay focused on developing committed supply and maximizing market opportunities.

### EVERYTHING YOU NEED TO KNOW:

- ✓ The best pricing from NALC is through contracting feeder and finished lambs in advance
- ✓ NALC is focusing on a “Growth Group” of producers for year-round supply.
- ✓ Feeder lamb procurement will be focused on farm direct procurement
- ✓ Auction buying must be curtailed.

**FOR MORE DETAIL OR QUESTIONS PLEASE TALK TO OUR PROCUREMENT TEAM**

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