



THE RAIL GRID AT NALC

THE RAIL GRID:

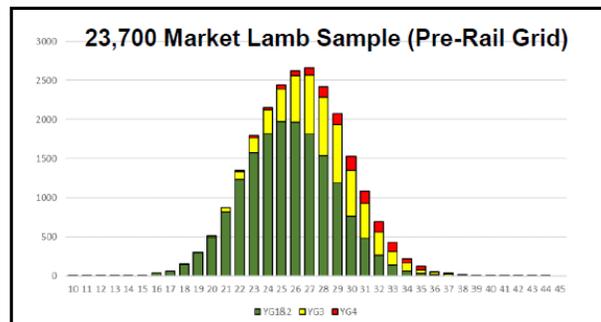
Our One-Page Breifier on *Selling Finished Lambs to NALC* provides the basics for NALC's payment system and outlines how to target for the grid. This breifier will get into more detail on the dynamics of the grid and the objectives.

OBJECTIVES – HOW IT WAS DESIGNED:

The purpose of the grid is to reward producers with higher quality livestock and uniformity over those that have areas of improvement. This will encourage more consistent size and quality at the plant to help with future growth.

The top right graph clearly shows that as lambs get heavier, they also get fatter. Of the carcasses 30-31 kg, about half are overfat, while only 20% are overfat with just a few less kilograms.

Tightening the bell shape distribution of the weights will improve uniformity among consumers, a key barrier currently to Canadian lamb growth at foodservice and to a lesser extent at retail.



Lamb Price Schedule

the "DiFoTiS" principal:
Delivery in Full, on Time, in Specification

Grid Template

Typical average is \$15-20/head less than the flat price

	Carcass weight		GR
	Minimum	Maximum	4 - 18 mm
Caution Zone	20.0	23.9	Base Price
Lower Target	24.0	27.0	Base Price
Upper Target	27.1	30.0	Flat Price
Caution Zone	30.1	32.0	Flat Price

Discounts

YG3: GR 19-23 (\$0.30/kg) Under Finished: <20 kg (\$0.50/kg)

YG4: GR 24+ (\$0.50/kg) Super Heavy: >32 kg (\$20/head)

YGC: GR 0 - 3 (\$0.50/kg) Dirty: (\$0.20/kg)

Flat Price = Base Price x 27 kg
and usually rounded up.

For example:
\$9.00 Base price = \$245
\$10.00 Base price = \$270
\$11.00 Base price = \$300

Note: we will still provide a 3% tolerance on the super heavy discount.

In 2021 we simplified the grid to make it clearer and easier to predict carcass value. It is shown above. We created a large target of 24.0 to 30.0 kg, 27 kg average. This is reflected Lower and Upper Targets. Generally an average quality delivery should land approximately \$15 less than the Flat Price (Base Price x 27 kg). Some lambs will be over fat and about half the load will be under 27 kg. If a producer exceeds this benchmark, it will represent a premium for delivering better quality lambs and/or more uniformity.

Intentionally we flattened the \$/lamb above 27 kg. This provides a manageable sorting window while decreasing \$/kg on heavier lambs reduces incentives to push them heavier. It is fair and workable for the producer and the plant. Please note that 30.1 to 32.0 is not a target, its kept high to be a temporary buffer to allow time to adapt to the new grid and yields.

5-Pillars of the updated Rail Grid:

- 1) Simpler grid
- 2) Strong floor pricing
- 3) Market adjustments increase pricing
- 4) 1–3 year contracts
- 5) Rinse & Chill enhanced yield

EVERYTHING YOU NEED TO KNOW:

- ✓ Manage weight. On a live basis it's a huge 12 kg or 27 lb target.
- ✓ 80% of the overfat issue is solved by weight control. Feeding and genetics are the refinement tools.
- ✓ If not enough \$/lamb but good \$/kg – lambs are too light.
- ✓ If you don't like the grid, work with NALC to suggest changes. 100% of NALC's lambs are on the same grid.
- ✓ A 3% tolerance eliminates discounts on carcasses over 32 kg for up to 3% of the load.