Effects of Lamb Promotion on Demand and Imports

Dr. Oral Capps, Jr.  Professor and AFCERC Co-Director, Texas A&M U.
Dr. Gary W. Williams  Professor and AFCERC Co-Director, Texas A&M U.
Ms. Trang Dang  TAMRC Research Assistant, Texas A&M U.

Agribusiness, Food, and Consumer Economics Research Center

Department of Agricultural Economics
Texas A&M University System
College Station, Texas

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Two Key Questions

• Have producers benefited from paying their checkoff dollar assessments?

• Has the checkoff program really enhanced the demand for AMERICAN lamb?
FIRST KEY QUESTION:

Have Producers Benefited from their Checkoff Dollars?
RETAIL BENEFIT-COST RATIO

The additional lamb industry sales per $ spent on lamb promotion

Pre-ALB (1978/79-2001/02)
$26.9 return per $1 spent

ALB (2002/03-2008/09)
$44.1 return per $1 spent
CONSUMPTION EFFECT OF LAMB PROMOTION

The additional total lamb consumption generated per $ spent on lamb promotion

Pre-ALB (1978/79-2001/02)
5.7 lbs per $1 spent

ALB (2002/03-2006/07)
7.9 lbs per $1 spent
How Much of the Additional Retail Sales Dollars Go to Producers?

USDA estimates share of retail dollar earned by livestock producers (2003-2008):
- Beef: 46.2%
- Pork: 28.7%
- Lamb: Not estimated by USDA

The return to sheep producers if they earned the same share as:
- Beef producers: $20.39 per dollar spent
- Pork producers: $12.68 per dollar spent

The return if they only earned 10%:
- $4.14 per dollar spent
Main CONCLUSIONS

- ALB promotion programs continue to generate a high return per dollar spent.
- ALB has nearly doubled the return per dollar spent on promotion.
- The high BCR indicates that the program is heavily underfunded.
- An increase in the assessment rate would generate a large return for every additional dollar of assessment paid by the industry.
What About Imports?

Lamb Production, Consumption, and Imports, 1996-2007

- Consumption: Red line
- Production: Green line
- Imports: Yellow line

Years: 1996 to 2007

Lbs carcass wt: 0 to 450

Graph shows trends in lamb production, consumption, and imports from 1996 to 2007.
Import Share Analysis Results

- **Key Drivers** of the import share are the U.S. lamb price and the exchange rate.

- ALB lamb promotion has a statistically significant and **NEGATIVE** effect on the import share of U.S. lamb consumption.

- A 10% increase in promotion **reduces** the import share by 0.9%.
What These Results Mean

✔ The Checkoff boosts lamb demand
- **Adds** to the increase in good years
- **Slows** the decline in demand in bad years.

✔ The Checkoff boosts not just **TOTAL** lamb demand, it boosts demand for and loyalty to **AMERICAN** lamb

✔ **ALB** promotion works against forces that push/pull Australian and New Zealand lamb into U.S. markets.
Our Goal Is To Support Your Efforts In Promoting American Lamb

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We Appreciate the Opportunity to be of Service to ALB and the Lamb Industry