

Effects of Lamb Promotion on Demand and Imports

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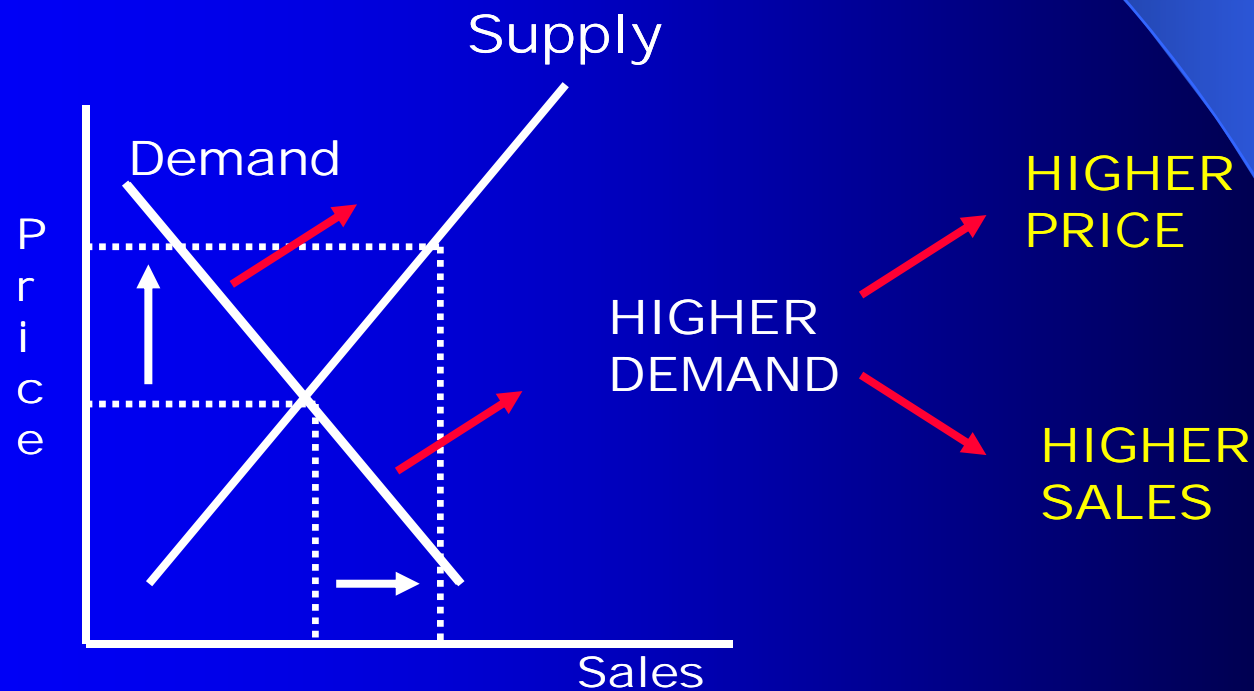
LAMB COUNCIL SESSION
JOINT SESSION WITH THE AMERICAN LAMB BOARD
AMERICAN SHEEP INDUSTRY ASSOCIATION ANNUAL CONVENTION
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Two Key Questions

- 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

BENEFIT-COST ANALYSIS

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.



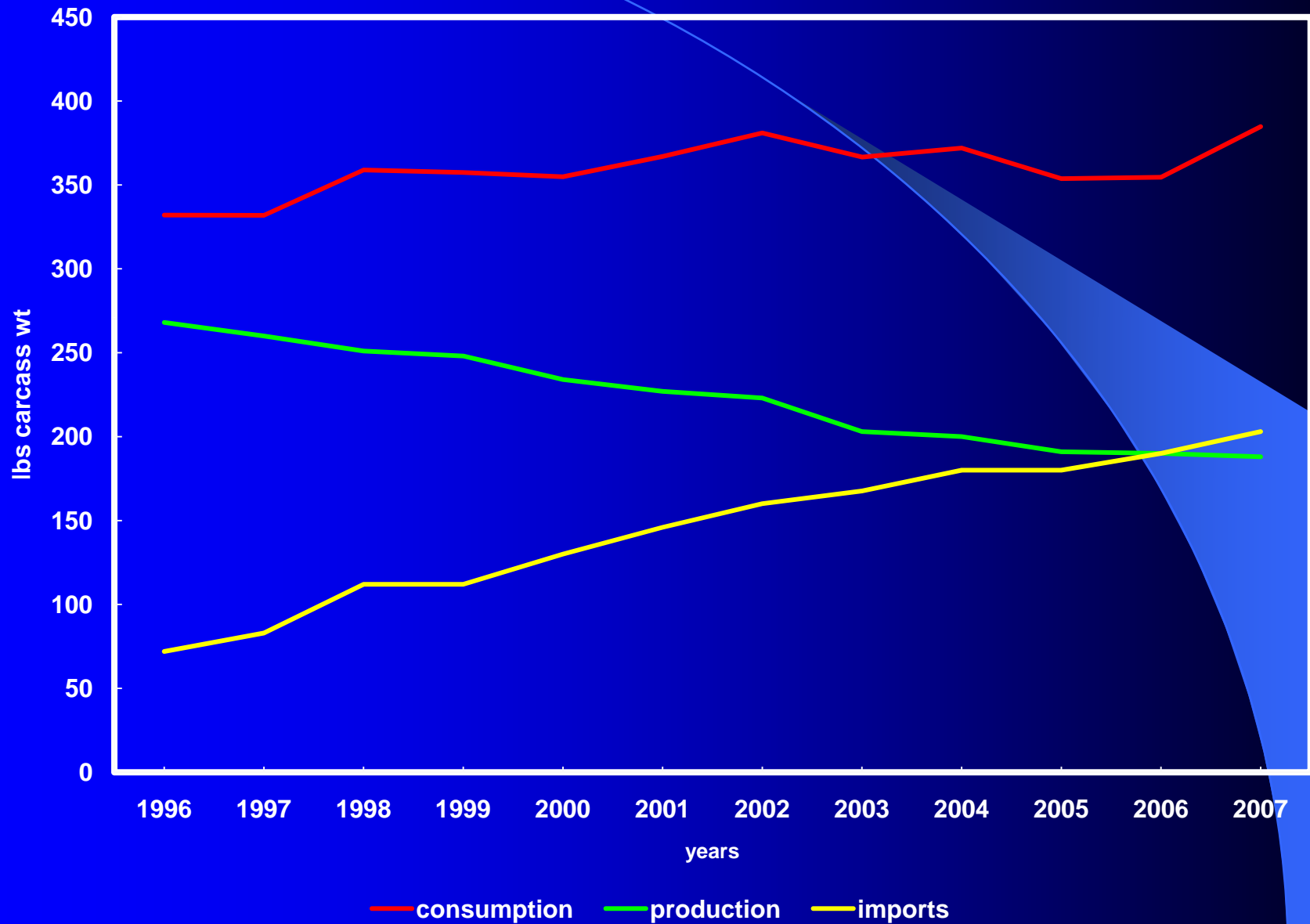
The high BCR indicates that the program is heavily underfunded.



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



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*

Agribusiness, Food, and Consumer



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