

# Quantifying the Nontraditional Lamb Market in the United States

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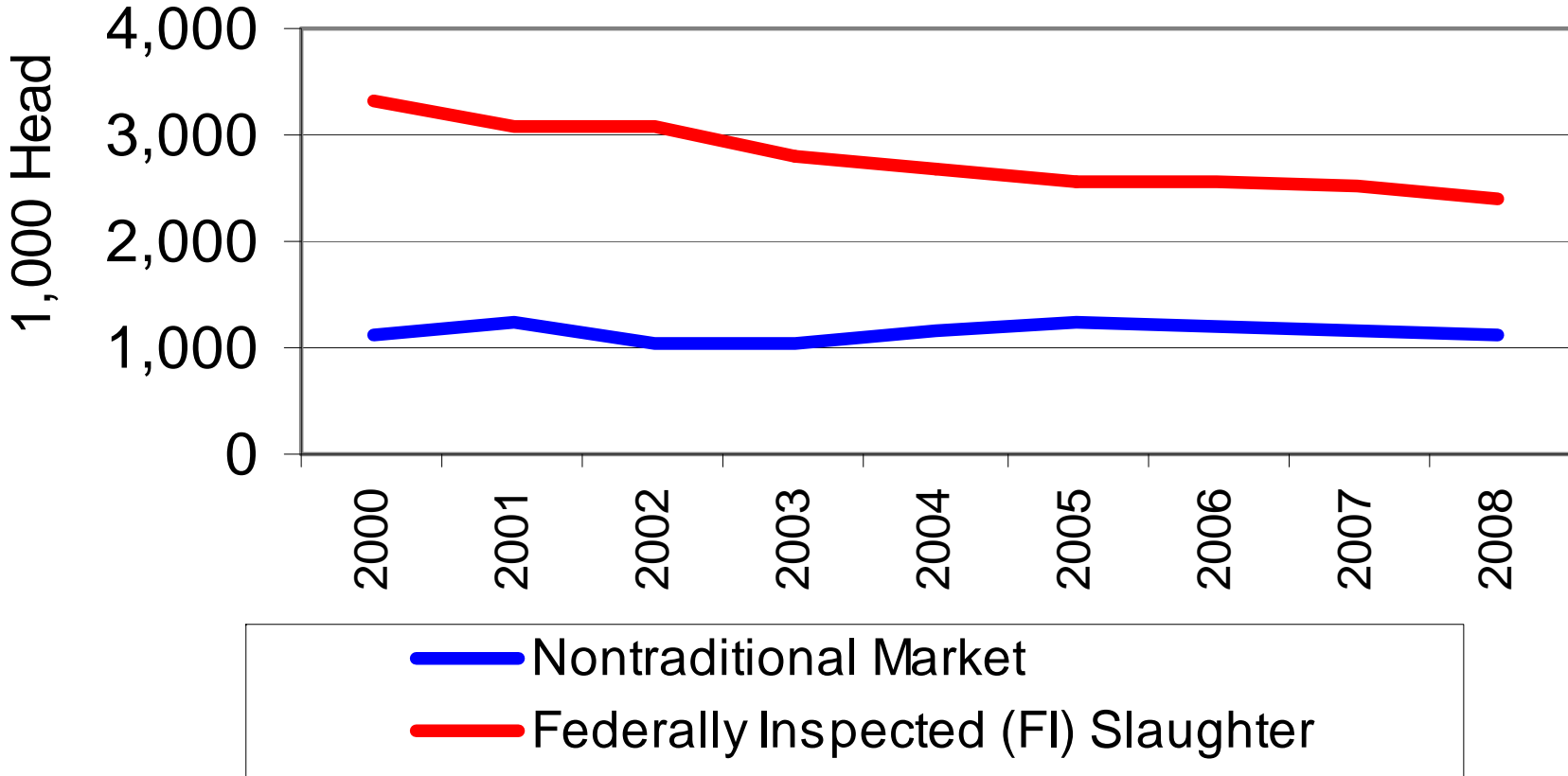
Prepared for ASI with ALB collaboration

January 22, 2010

# Background

- Discrepancy exists between federally inspected (FI) slaughter numbers and the estimated lamb crop (less 5% for losses).
- Between 2004 and 2008 we estimated this discrepancy at nearly 1.2 million head per year compared to 2.5 million head in FI slaughter.
- While FI slaughter has declined, this nontraditional market has held steady.

# Federally Inspected Slaughter & Estimated Nontraditional Market Volume



# Research Method

- Phone survey of top lamb packers.
- Phone survey of smaller, primarily ethnic packers.
- Phone survey of Agricultural Marketing Service (USDA) reporters at San Angelo & New Holland Auctions.
- Survey of producers.
- Survey of ethnic consumers.

# TOP PACKER SURVEY

## Top Packers Already Engaged in Marketing to Ethnic Markets

- All packers have or have had some experience in both Kosher and Halal slaughter.
- Some packers have significantly increased their 'natural' slaughter, but among the top six, there is no organic slaughter.
- Some packers currently slaughter goats, or have in the past.

# Important Point #1

- Volume of lamb channeled into nontraditional markets – defined as ethnic & custom slaughter – by top packers is estimated at nearly 11,000 head/week (566,800 head per annum).
- This equals roughly 25% of ave. weekly FI slaughter (44,000 head/wk).
- ‘Natural’ product estimated at 3,100 head/week.

# Smaller Packer Survey

- Lamb dressed weights ranged from 30 lbs. to 60 lbs., typically lighter than the 70-lb. dressed weight averaged by the top 5 packers.
- Packer markets were generally wholesale and not retail direct to consumers.
- Packers varied in the volume of lambs slaughtered: from 30 to 40 head a week up to 500 head per week.

# Auction Survey

- Auctions in San Angelo & New Holland dominant sheep & goat auctions.
  - In 2008, San Angelo sold 79% more sheep (192,000) than New Holland (107,000).
- Approximately 30 dealers--agents for others--buy routinely at San Angelo – mostly Hispanic & Middle Eastern in origin.
- San Angelo: Dealer will buy for a variety of different markets (grocery, restaurant, packer) in different cities.
- San Angelo dealers each buy about 500 head/mo., which equates to 15,000 head/mo., or 94% of the auction's volume annually.



# More Auction Highlights

- New Holland: 60 to 80 sheep and lamb buyers each week that includes a handful of dealers (5 to 6).
- Each buyer buys fewer than San Angelo, 30 head/week.
- New Holland: The bulk of the buyers are supplying their individual grocery stores and/or meat markets and having the sheep custom slaughtered.

# Demand Characteristics at Auction

- Meat yield is the most sought after characteristic.
- Buyers will buy most anything to fill orders. Cleaner, healthier receive premiums.
- Hair sheep increasingly popular (sometimes receive the highest prices in San Angelo).
- Buyers will take all weights, but less than 100 lbs. preferred. Kosher 100 lbs. to 130 lbs.
- Demands during holidays more specific.

## Important Point #2

- An estimated 300,000 head are likely channeled into the ethnic market through livestock auctions.
- Meat yield important demand factor.

# Producer Survey

- A total of 20,467 sheep and lamb producers received the survey, 488 responded.
- The response of 488 producers is statistically significant and thus nationally representative of all U.S. producers.

## Important Point #3

- An estimated 995,370 lambs sold direct from producer to consumer from the farm.
- This compares to FI lamb and yearling slaughter in 2008 of 2.3 million head.
- This means nearly 1 million lambs are missing from national production data.
- National statistics underestimate lamb production in the U.S.

# How Was Direct Marketing Number Calculated?

- Survey provided ...
  - Percentage of producers that sell direct to buyers by different ethnicities and
  - Average number of lambs sold by producers direct from the farm by ethnicity.
  - Multiply the two and sum.
- For example
  - 31% of producers surveyed reported selling lambs direct to White customers for own/family consumption with an average 20 lambs selling direct to White consumers equals 510,446 lambs per year.

# Direct Marketing Activities

- Of the nearly 1 million lambs in direct marketing:
  - A maximum 300,000 lamb-equivalent head are sold as cuts from the farm,
  - About 200,000 lambs are sold through on farm slaughter and
  - About 150,000 lambs are sold through farmers' markets.

# Distribution of Producers Selling Direct Marketed Lamb by Ethnicity of Buyer

- Percentage of producers that sold lambs to the following ethnicities/race for own/family consumption:
  - Hispanic or Latino, 16%
  - Middle Eastern, 9%
  - White/Caucasian, 31%
  - Other, known ethnicity, 1%
  - Unknown ethnicity, 3%



# Meat Yield Most Desirable Lamb Characteristic Across Ethnic Groups

- 64% of producers thought meat yield was most important for Hispanic buyers,
- 52% of producers believed this of Middle Eastern buyers and
- 62% of producers believed this of White buyers.

# Direct Marketing at Lower than Ave. FI Slaughter Weight, 139 Lbs.

	Min. Lbs.	Max Lbs.
Hispanic or Latino	84	116
Middle Eastern	71	107
White/Caucasian	85	124
Other buyers, ethnicity specified	81	108
Unknown ethnicity	80	116

# Direct Marketing Represents Sales Outside Traditional, Commercial Channels

- Producers believe the following lamb characteristics motivate direct sales (in order of total mentions):
  - Grass fed
  - Natural
  - Healthy
  - Local
  - Consistency
  - From a known, trusted source where lambs are cared for
  - Unavailability of American lamb in local grocery stores.

# Consumer Survey

- Targeted sample of ethnic consumers.
- Survey included all ethnicities and races EXCEPT the 65% of the population that call themselves both non-Hispanic/Latino and White.
- Survey included all consumers that speak a foreign language at home.

# Incidence of Lamb Consumption Higher for Minority Groups

- Zoomerang surveyed a total of 878 ethnic/minority consumers of which, 47% or 410 answered, yes, they had eaten lamb, mutton or goat in the past year.
- The incidence of minority lamb consumers among a profile of minority or foreign speaking consumers is 43%.
- Of ALL consumers, survey research indicates about 20% eat lamb.

## Important Point #4

- Minority/ethnic lamb consumers (about 35% of population) consumed an estimated 170 million lbs. in the past year, 58% of the 294 million lbs. of total U.S. lamb supply (including imports).

# Where Did That Number Come From?

- Survey revealed:
  - 43% of minority consumers eat lamb,
  - 73% ate lamb at home in past year,
  - 62% ate lamb away from home,
  - 3.25 lbs. of lamb is consumed per person annually at home,
  - 2.37 lbs. of lamb is consumed per person annually away from home and
  - Serving size 3 oz. (USDA)

# Ethnic Profile

- 25% of the minority lamb consumers indicated they are Hispanic or Latino in descent.
- 20% reported they are African American.
- 14% identified themselves as Chinese.
- 1% reported they are Middle Eastern.
- 23% of those survey reported they are "Other"-- African, Native American, mixed Middle Eastern.



# Religious Profile of Survey Respondents

- 55% of lamb consumers were Christian,
- 20% were a non-practicing belief,
- 3% of respondents was Muslim and
- 5% were Jewish.

# Lamb is an Everyday Meal

- 78% of minority respondents indicated that they ate lamb at home for an everyday meal;
- 6% ate lamb for special occasions such as birthdays, births, funerals, weddings and anniversaries;
- 4% for Christmas, 3% for Thanksgiving, 7% for Easter and 2% for Passover; and
- 6% of respondents ate lamb in observance of Muslim holidays (higher than 3% of population that indicated they were Muslim).

# Income

- Similar to the profile of lamb consumers across the country, 43% of minority lamb consumers have a household income over \$75,000.
- However, minority lamb consumption is relatively more constant among different income levels relative to a broader population of White lamb consumers.

What Marketing  
Strategies for Enhancing  
Industry Profitability Do  
these Results Suggest?

# Marketing Strategy #1

*Create opportunities to divert lambs from non-traditional markets into traditional, commercial market channels*

What would happen with 1 million more lambs in traditional market channels?

- ➔ More packers, increased competition?
- ➔ Scale efficiencies and reduced cost of production?
- ➔ Increased R&D in product development?
- ➔ Increased value added? (For example, more frozen entrees, pre-seasoned loins for grilling?)

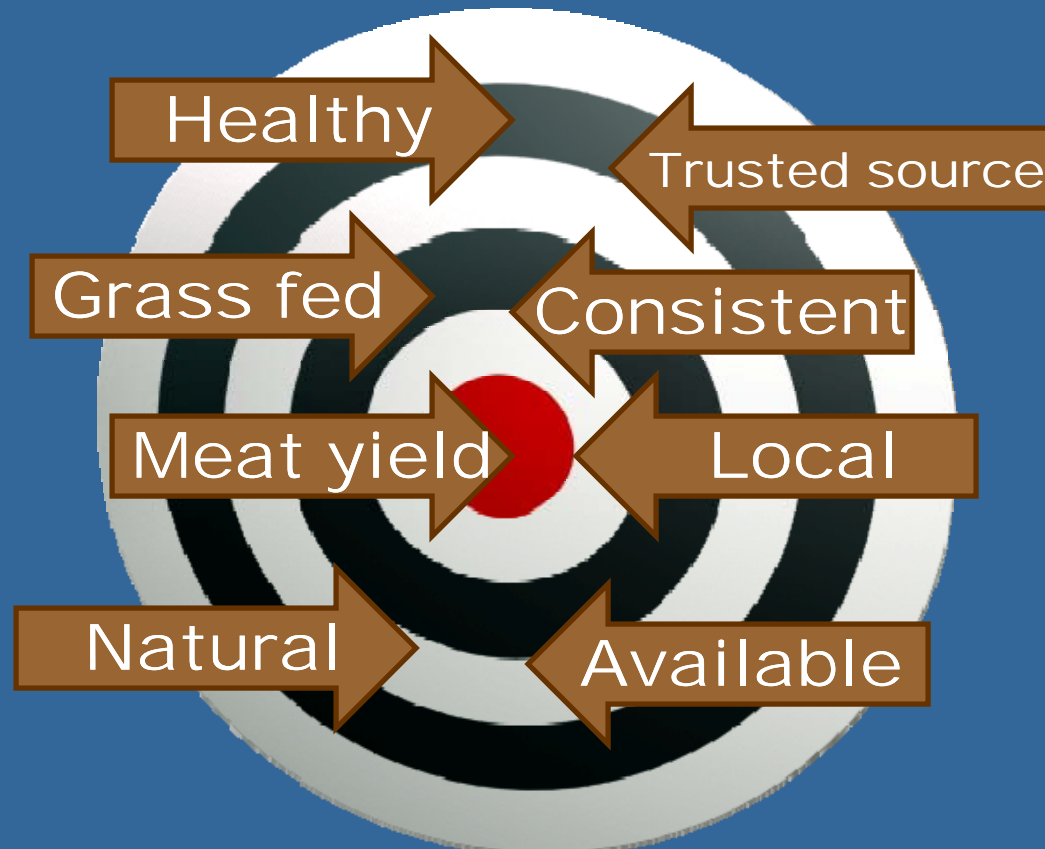
# Marketing Strategy #2

*Increase ethnic group awareness and purchase frequency by promoting the specific characteristics of American lamb that they value.*

- 44% of ethnic lamb consuming respondents eat American lamb
- 14% responded they eat imported lamb
- 42% responded that they didn't know

# Marketing Strategy #2

*Increase ethnic group awareness and purchase frequency by promoting the specific characteristics of American lamb that they value.*



# Marketing Strategy #3

*Enhance ethnic consumer awareness  
of availability of American lamb*

14% of ethnic consumers reported eating imported lamb. Why?

- 71%: Domestic lamb not available
- 13%: Quality of domestic product inferior
- 12%: Price too high



# Marketing Strategy #4

*Target ethnic lamb sales geographically*

Ethnic Lamb Consumption Concentrated in Southern California and New York City



20% of ethnic lamb consumers from California which accounts for only 7% of U.S. ethnic population



13% of ethnic lamb consumers from New York which accounts for only 3% of U.S. ethnic population

# Marketing Strategy #5

*Target retail over foodservice sales to ethnic consumers*

Nearly 75% of ethnic lamb consumers indicated they eat lamb at home

➤ 60% reported they purchase lamb from mainstream grocery stores

➤ Reasons why they shop at grocery stores:

- Convenience - the most popular reason

Equally Important {  
Low cost  
Selection  
Freshness  
Quality