Quantifying the Nontraditional Lamb Market in the United States

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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

![Graph showing Federally Inspected (FI) Slaughter and Nontraditional Market Volume from 2000 to 2008. The graph indicates a decline in FI slaughter and a steady volume in the nontraditional market.]
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 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

  - 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.
<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Min. Lbs.</th>
<th>Max Lbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic or Latino</td>
<td>84</td>
<td>116</td>
</tr>
<tr>
<td>Middle Eastern</td>
<td>71</td>
<td>107</td>
</tr>
<tr>
<td>White/Caucasian</td>
<td>85</td>
<td>124</td>
</tr>
<tr>
<td>Other buyers, ethnicity specified</td>
<td>81</td>
<td>108</td>
</tr>
<tr>
<td>Unknown ethnicity</td>
<td>80</td>
<td>116</td>
</tr>
</tbody>
</table>
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.

- Healthy
- Trusted source
- Grass fed
- Consistent
- Meat yield
- Local
- Natural
- Available
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
  - Low cost
  - Selection
  - Freshness
  - Quality

Equally Important