

# Hill Lamb Collaboration Nets Rewards For Farmers

**Collaboration can offer real commercial benefits for all those involved in a supply chain. It can help them overcome real obstacles to success and open up access to new markets. But it takes commitment, a clear understanding of the benefits and risks and the ability to appreciate that some of those benefits may be longer-term.**

**For a group of sheep farmers from the hills of Argyll and Bute, the chance to achieve a guaranteed price for their lamb carcasses was one of the main drivers behind a successful experiment which led them to form a co-operative and develop a brand for their produce. The farmers received assistance from the Argyll and Bute Agricultural Forum and the C2 project.**

The hill farmers wanted to secure more stable, viable returns from blackface hill lambs, which are smaller than other breeds. In 2008, with the help of the Argyll and Bute Agricultural Forum and the C2 project, they identified a potential market for the produce - supplying quality, local lamb to schools in the area through Argyll and Bute Council.

Whilst procurement guidelines for the public sector are strict, a pilot project allowed the Council to be more flexible in its approach and also allowed all of the parties to test the product and the chain.

The most effective way of achieving success was to utilise existing proven supply chain partners - farms, slaughterhouse, processor, wholesaler - rather than individual farmers trying to access the market on their own. Key to this approach was the wholesaler, Forteith, which was the last link in the chain and which

prepared and supplied the lamb to the schools' market. At the time, Forteith was also developing local Argyll brands for pork and venison for the retail and restaurant trade, and the lamb was also sold into these markets. Forteith has a butchery facility, chillers and freezers, and access to 1500 trade customers within a 100 mile radius of Oban, so made an excellent partner in the project.

One of the essential elements of the pilot project was an agreement, at the outset, on a price per kilo for the lamb, reached by the farmers and Forteith. In return, the lambs had to reach an agreed quality specification so that all those in the chain achieved maximum value.



The pilot was instrumental in establishing the financial viability of the project and was run with 250 lambs. Today there are 12 farmers involved in the project, who have formed a co-operative with the assistance of SAOS.

## Reaching the Specification

Because hill sheep are smaller than their lowland counterparts, they need to be finished away from the hills on improved grazing – this brings them up to the specification required by the market. This happens over the autumn and winter months. During the pilot, the farmers contracted with

other farmers in the Scottish lowlands to finish their lambs, rather than selling them. This meant that they retained ownership of the lambs until they reached the wholesaler. Forteith then supplied diced shoulder of lamb to the Council, with more expensive cuts going to hotels and restaurants. Complementary to this was the supply of burgers to ferry operators, Caledonian MacBrayne. All of this formed an ideal basis for carcass balance.

In the following year (2009/10), 400 lambs were put forward for finishing. However, the farmers encountered a number of difficulties. All 400 lambs were being finished at the same location, where the grazing was not at the standard it should have been. The severe winter weather also had an impact.



Says Fergus Younger, Development Manager for the Argyll and Bute Agricultural Forum: "The weather meant that the lambs had to be fed with supplementary concentrate feeding. Added to this, the quality of the grazing had an impact on the quality of the produce."

As a result, some of the lambs were sold as forward stores (for others to finish), which reduced the return to the farmers. The

remainder were finished in batches and sent to Forteith.

Says Fergus: "The group learned two valuable lessons from this experience. Firstly, that it is too risky to finish all of the lambs in one place and, secondly, that autumn finished lambs return more than those finished in the winter because they cost less."

As a result, and because Forteith has freezing capacity, the group is concentrating in 2010/11 on finishing lambs in the autumn and late spring, when the grazing is better, which reduces costs and improves quality.

Forteith has agreed to take 300 lambs in the autumn for freezing, at no cost to the farmers. More will be returned to Forteith in January and April 2011. Payment to the farmers for the produce is scheduled for April, the beginning of the local tourist season, which also sees a rapid increase in sales.

This solution was jointly agreed by the partners. It helps the farmers to keep their cost base down and to plan ahead by managing their cost base effectively. This, in turn, helps them to develop more stable businesses.

In the current season, 500 lambs are being finished at three separate locations. Each grazing is managed by a group of three farmers who have responsibility for ensuring that their animals meet the specification required by Forteith.

Says Fergus: "This helps minimise the risk of increased costs and reduced profits for the group and also helps them manage the timing of when each batch is finished and returned."

For the farmers, co-operation is essential to the success of Argyll lamb. Angus McFadyen, who farms at Kilninver near Oban, is one of the co-operative members.

He says: "We could see that collaboration was the best way forward for us as we have fewer options than farmers in other areas. We have

to contend with poor soil and grazing, high rainfall and the fact that we have to send our lambs off the farm for finishing. Collaboration is essential for us to create market opportunities for ourselves”.

He adds that the project, while it involves its own risks, is a much less precarious route to market than if individual farmers attempted to do it alone.

“ If one farmer decided he wanted to increase the returns for his lambs, he would have to send a lot more of them for finishing, with all the associated risks, and then be subject to the vagaries of the open market when he came to sell them for slaughter,” says Angus.

“By doing this as a group we’ve each only had to place a small proportion of our lambs for finishing together. This means that the risks are spread. It also means we have been able to negotiate a price in advance with a wholesaler because we offer scale, which makes more commercial sense for all of us.”

For Angus, it also means that he and the other farmers involved can plan ahead because of price stability. Although there will be some years when the market will offer a better price, Angus believes these will be outweighed by the years when a lower price is on offer.

### **Growing the Product**

For John Forteith, Senior Partner of Forteith Foodservice, the attraction of working in partnership with the farmers was obvious. In the last three years he has begun working with local producers to develop a range of premium branded local food, sold exclusively by the company under the Argyll brand.

He was approached by Fergus Younger to take part in the project as part of a proven supply chain. This was based on the company’s success in the local market and its reputation and scale, which was integral to the pilot project with Argyll and Bute Council.

John had already had good results with Argyll branded venison and pork as part of the company’s offering.



Says John: “There is a market shift towards quality goods, with excellent provenance. This type of product adds value to our business by giving us an element of exclusivity. This helps protect us against our larger competitors by giving us a differential.”

His relationship with the farmers is one of partnership. “We discuss the price the farmers need to achieve,” he says. “I then do some research to establish that it is a sensible price for the market. Both of us need to make a margin.”

To get the product into the market place in the first place, Forteith reduced its margin.

Explains John: “If a new product is over-priced, then sales growth will be slow. If the price is set just above market rate, then people will pay that for a premium product. This is even more important in the current market.”

Forteith also assists new suppliers with marketing – for established suppliers, around 1.5% to 2% of their margin should be set aside for marketing. For the Argyll farmers, as new suppliers who have yet to build critical mass, this is not feasible. But as the product begins to sell in volume, they will become responsible for supporting the product marketing.

## Building on Success

Sales of the Argyll branded lamb through Forteith have increased by 170% in the first six months of 2011, compared with the same period in 2010.

However, Fergus Younger is confident that the market for the produce is bigger than is currently being serviced. This is outside the local area, for example in the central belt, and the co-operative is now looking to expand the brand.

Forteith is about to open a new cutting plant, which will increase capacity. The company will also help the co-operative to develop new outlets for the produce outside the local area.

Says Fergus: "The Argyll and Bute Agricultural Forum has developed a good story about food from the local area, built on provenance and quality. We have also focussed on the fact that hill farming has positive benefits for the sustainability of the environment."

For all the parties involved with Argyll Lamb, collaboration has brought real, tangible benefits. Stability, increased profits and the sharing of risk are at the heart of a successful project.

**For further information about the C2 project, visit [www.ctwo.org.uk](http://www.ctwo.org.uk)**

**For information about this case study please contact Fergus Younger at the Argyll and Bute Agricultural Forum on 01586 552502**



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