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Kumanu Lamb – How to capture a premium for the world's best lamb

Key Issue

How can the Kumanu Lamb supply chain capture a consumer premium for the credence and other value added attributes of its products?

New Zealand Lamb

New Zealand is globally recognised for producing and exporting high quality lamb meat. During the period 2014-2015, New Zealand for instance exported 50,000 tonnes of lamb meat to China and 80,000 tonnes to Europe, of which more than half to the UK (Beef+Lamb New Zealand, 2015). Despite this leading position in lamb exports, significant proportions of New Zealand lamb enters the food service sector and is delivered to hotels, restaurants and institutions where it is frequently, not identified to the consumer as being of New Zealand origin. Frozen lamb may also be sold defrosted in retail butchers or manufactured into supermarket-ready meals. This can also be the case for New Zealand chilled lamb exports. Most chilled lamb is repacked in the market into supermarket retail packs with the retailers' own branding. This lack of identification and branding can mean that the product effectively becomes a commodity.

Kumanu Lamb

This was something second generation lamb farmer John Chapman hoped to change. For John Chapman, raising some of the world's best lamb is not just a job. It is a philosophy and a way of life. He is a leader in the Kumanu initiative which was started in 2013 by a group of farmers in New Zealand who want to improve and change lamb farming. All farms participating in the Kumanu project are family-owned farms that pay high attention to the wellbeing of their stock, social responsibility and meat quality. This focus on animal care and welfare has led to high-quality and highly sustainable lamb meat. Supplying Kumanu as farmer is demanding and difficult, but this way of farming is what makes Kumanu different from any other lamb produced. The Kumanu lamb are raised under an innovative measuring and grading system, named StockCare, which is devised by farmers themselves and leads to a low pH on meat. This low pH level is achieved by creating a stress free environment for the animals. The farmers work in close collaboration with veterinarians and are passionate in caring for their animals. The farmers have to comply with high standards that monitor the welfare of both animals and environment. As Kumanu describes itself, the high animal welfare and environmental standards lead to consistent meat quality in terms of colour and tenderness, but also soft and delicate flavour.

Taking the Product to Market

John Chapman and the other farmers recognised that the system they used not only met high standards of animal welfare and sustainability but also produced a superior eating experience. Based on this they sought to find a partner that could help them market their lamb and achieve a premium for the differentiated product they produced. ANZCO Foods, a large global meat processing company in New Zealand, was chosen as the processor and exporter partner. Martin Shepherd the ANZCO lamb

marketing manager got Kumanu in contact with sales channels in the Netherlands. A specialist Dutch trading company was given exclusive rights to import and distribute the lamb. This trading company is a family business specialised in sales and distribution of fresh and frozen New Zealand and Australian meat. The Dutch trading company has been a partner of ANZCO Foods for a long time. This company sells and distributes Kumanu lamb products to cash and carry stores, who sell the products to restaurants or other foodservice. Kumanu lamb is also supplied to several butcher shops and restaurants directly, all in the Netherlands.

Progress so far

John Chapman's biggest disappointment is that Kumanu is yet to achieve a consumer premium for their lamb, despite the programme running for three years. Most of the supply chain actors agree that Kumanu products should be sold with a differentiation, niche marketing strategy. John wants Kumanu to target high-end customers and end consumers who are willing to pay a price premium for high quality and social and environmental value-added. All the Kumanu supply chain actors recognize that consumers are primarily willing to pay a price premium for a perceived high eating quality, and the environmental and animal welfare aspects are less important but help to add value to the story behind the product.

John feels that Kumanu does not yet target the right high-end customers, because not all retailers sell Kumanu with a price premium and treat Kumanu lamb as a premium niche product. Instead, most of the current customers sell Kumanu as a commodity meat product. Also at importer level, Kumanu is treated as a commodity product, because Kumanu is not priced with a premium price. In order to target the niche group of high-end consumers Kumanu wants to focus on, John believes Kumanu should start with carefully selecting customers who want to tell the Kumanu story to consumers and sell Kumanu with a higher price in the market. He feels this is the only way to capture a consumer premium for Kumanu lamb on the market.

Another issue is a lack of consistent supply from the farmers. The New Zealand farming systems rely on an all grass diet. This means that supply volumes can fluctuate depending on feed supply. Traditionally farmers have not committed to supplying specific volumes at specific times. These supply volumes have to become consistent, which requires better planning of supply volume deliveries, commitment of all supply chain actors towards consistent supply and stricter agreements with farmers.

There is also a requirement for improved communication and feedback provided by the importer to the other Kumanu supply chain actors, all the way to the farmers. The importer is the main actor in the supply chain from which the supply chain should get its market information. There is also a need for improved communication of supply volume fluctuations between the Dutch trading company and its customers. It is important to inform the importer and customers about what volumes of Kumanu are available and ask them what kind of volumes and cuts the market demands for a certain period. There is also a need for better communication towards the processing plant about volumes supplied for a certain period.

Future Challenges

The main challenge for Kumanu is to reach consumers who are willing to pay a premium, by choosing the right customers, and explain to them the value-added attributes of Kumanu. It appears that the current customers are not willing to pay a premium price for Kumanu to the Dutch trading company, which implies that these are not customers the Kumanu supply chain should be targeting. In order to focus more on customers and end consumers that might be interested in the value-added attributes of Kumanu lamb and willing to pay a premium price, it is important to start investigate targeting more markets, and also the New Zealand domestic market.

The value-added attributes of Kumanu lamb incorporate the story and quality of the product. This includes the family owned nature of the farms, the animal welfare and environmental standards and how these have a positive impact on the quality of the meat. John Chapman is convinced that they are producing some of the worlds best lamb however, translating this into a premium that ensured that the farmers got rewarded for their efforts and the quality of the product had proved more difficult than he had ever imagined. They had learnt a lot in the three years of the project yet many challenges still remained.

Exhibits

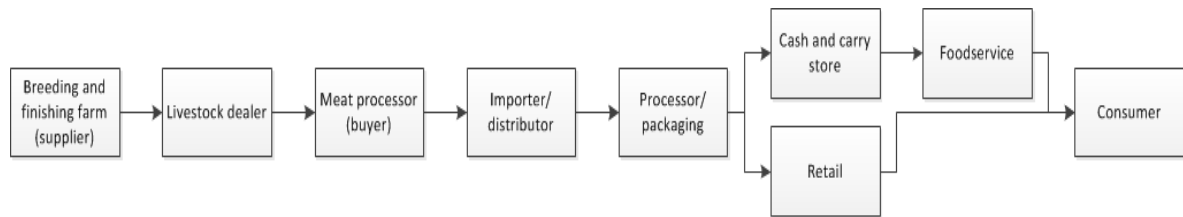


Figure 1: Kumanu Lamb Supply Chain

Netherlands Lamb market

Lamb is consumed infrequently in the Netherlands. Total consumption is a mere 1.4 kg per capita per year. This compares with 41 kg of pig meat per person per year. There are approximately 1 million sheep in the Netherlands. Approximately 200,000 lambs are exported to other European countries each year. The Netherlands imports about 23,000 tonnes of lamb mainly from New Zealand. Lamb tends to be consumed in restaurants rather than at home.

The Kumanu Programme

The Kumanu programme has the following requirements:

1. Wherever possible we will work to ensure our standards are specific and measurable, supported by research and open to the public for inspection.
2. We have regular inspections to ensure that farms are compliant with all existing legislation and delivering on our promise.
3. Our animal health programmes are preventative wherever possible and will ensure rapid diagnosis and treatment of injury and disease.
4. Traceability to the farm of origin is apparent throughout.
5. All of our people handling stock are highly competent and well-trained, as continuing education is part of our programme.
6. All risks – to either the welfare of the animals, the environment or our staff – are identified and they become points of critical control for livestock production.
7. Our Kumanu programme is designed to generate information, expertise and dialogue; enabling continuous improvement.

The Five Promises of Kumanu

1. **Our Promise to our Livestock.** We will always handle our livestock with respect and kindness and ensure their adequate nutrition. Their welfare is our

responsibility, our contract to them. It is our responsibility to be adequately prepared and to act promptly in the event of adverse conditions and animal health challenges.

2. **Our Promise to the Land.** As the land's guardians we will ensure the wise use of natural resources and control of weeds and pests – thus caring for the needs of future generations. Environmental and sustainability standards are an integral part of our contract to the land, our customers and our communities.
3. **Our Promise to Our People.** True sustainability for our farms is part of a greater whole – including the wellbeing of those we work with and the social, economic and educational communities we are part of. It is our responsibility to provide for ongoing development of our employees and play an active and positive role in fostering our local communities.
4. **Our Promise to our Customers.** We will maintain a close and responsive relationship with our partners and customers, always upholding excellence in consistency of supply, food quality and safety, with integrity and openness of practice.
5. **Our Promise to our Practice.** We will diligently use measuring and recording systems to provide ongoing improvements to our farming business, while increasing our understanding of the welfare of our animals and our environment. We believe excellence in animal welfare and environmental standards is complementary with efficient farm production. We go beyond minimum standards and strive for continuous improvement in the welfare of our animals, our environment and productivity.