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THE CREATION OF DAKOTA LAMB GROWERS COOPERATIVE

David Merwin
CEO, DAKOTA LAMB GROWERS COOPERATIVE

Introduction:

Dakota Lamb Growers Cooperative (DLGC) is in the business of producing, processing, distributing and marketing Natural Lamb meat. We distribute our product nation wide to up-scale retail grocery stores, natural food stores and white tablecloth restaurants. We have developed a system, which allows us to consistently produce and deliver large quantities of consistent high quality product – and do it efficiently.

We have identified the factors, that contribute to a consistent “great eating experience” and we employ all of them. To employ all these factors we must control the production from birth of the lamb to the customer, which requires identity preservation through all the processes – all the way to the customer.

We do not own any assets except our brand name and reputation. DLGC employs two people - an administrative assistant and myself. We coordinate the activities and keep the records of 14 different segments of the process. Ownership, contracting or fee for service and quality incentives are the tools used to accomplish the tasks efficiently.

History:

The concept of growers taking charge of there future began at another growers cooperative meeting in 1996. The first step was a feasibility study for a processing plant, which revealed it would require 20,000 lambs per year to break even and there was already excess processing capability available. Lamb processing plants were closing down due to excess capacity and inefficiency. The conclusion was not to proceed with building a processing plant or contribute more to problem.

DLGC incorporated in 1999 with 7 growers serving as the board of directors; had it's first equity drive in 2000; developed it's first customer in March 2001, which we still have; completed it's second equity drive in March 2002; obtained its first positive gross margin in June of 2002. It has been a slow difficult process and would not have progressed without the strong commitment made by the growers.

DLGC is a closed cooperative, which means only capital contributing members may market their lambs through the cooperative. There are 184 growers scattered over the four states of ND, SD, MT and MN. These 184 grower members have committed to delivery 20,273 lambs per year. Our office is in SW North Dakota and the processing center in SE South Dakota.

RESEARCH:

Research revealed – “get closer to the consumer before you give up control of your product.” There are 14 segments of the lamb meat industry. Each one provides a service and must make a profit. Each one has management expenses and production expenses. Getting closer to the consumer creates efficiency by spreading management over more segments of the industry. Another term for this is cut out the middlemen.

Research revealed – “differentiate your product from the commodity market.” The lamb meat business is a tough business to break into. We could not go toe to toe with established businesses with their experience and knowledge of the business. Natural Meat is our differentiation. It gets us in the door and quality and service keep us there.

Research revealed – “know what the consumer wants” keep in mind what the consumer wants all the while you producing, processing, distributing and marketing to the customer if they are not the same entity.

Research revealed – “develop a relationship with your customer; find out what his needs and problems are and solve them for him with your product and services”. Keep the customer with quality control and Service Service Service.

OPERATING PROCESS:

The growers deliver their lamb to a combination receiving station and feedlot, which is located a short distance from the processing center. The receiving station manager grades all the lamb in the receiving station and feedlot weekly and delivers only those qualifying for the DLGC program to the processing center. Some lambs will never qualify and are sold in the commodity market.

The combination receiving station and feedlot gives our growers financial options in feeding their lambs to qualify and address the long distance transportation expense. Not all lambs of any group qualify at the same time, but the whole group can be transported at the same time and finished at the feedlot.

Our contracted processing center is located in the South Eastern part of SD. They process “Glatt” kosher lamb, bison and beef. “Glatt” kosher is the highest standard of kosher and only uses the front half of the animal. The front half of the animal is the most challenging part to market out side of the “Glatt kosher market. Our arrangement is the processor buys all our extra fronts right at the plant. This is a very good alliance for both of us. We market our extra fronts at a good price and they have a ready supply of kosher fronts.

Marketing is the main issue in any business. Every activity of the business must be analyzed about how it affects marketing. Our expertise was not marketing lamb, but producing it. To find an experienced marketer we went to the type of customers we wanted to do business and asked them who would be the best. Most of them had suggestion and

gave us a name and phone number to make contact. Then it was just a matter of sorting them out to fit our needs and their desires.

Our commissioned Marketing Director has 25 years experience in the perishable food business and marketing Natural Meat products. He is located in a Midwest metropolitan area but travels the nation for us and two other natural meat proteins. Marketing three proteins through one entity is preferred by the customer and provides more efficient distribution for DLGC.

We use a national “less than truckload lot” transportation company, that picks up our product from the processor on Friday, takes it to their central warehouse and has it delivered any place in the nation no later than the following Tuesday by noon.

LAMB SPECIFICATIONS:

The owner-growers produce lamb to specifications stated in a written production protocol and sign a certificate they understand the production specifications. Upon delivery of the lamb they sign an affidavit they followed the protocol. The processor signs an affidavit the lamb were never commingled with any other product during processing and a complete cleanup took place before DLGC lamb were processed.

The protocol states the lambs were born and raised in the USA without antibiotics, growth stimulating hormones or fed animal byproducts. Identity preservation is accomplished with duplicate bar code ear tags and during the beginning of processing these are replaced with a single bar code carcass tag.

The grower purchases the ear tags from DLGC and DLGC records the numbers sold to each grower for reference after processing to determine the owner for payment. Weights and quality grades are recorded and correlated with the identification number and reported to the grower. The grower receives a financial incentive, when he exceeds certain carcass quality factors and he uses this information to adjust his genetics and management to increase his profit in the future.

Summary:






We are a leader in controlled production to meet the consumer’s demands. The consumer wants convenience and we supply it with product ready to cook. The consumer wants safety and we use source identification with a production protocol. The consumer wants a great eating experience every time and we control the factors, which contribute to it. The consumer wants the product year around and we supply it with our grower breeding programs. The consumer wants value and we provide it by the efficiencies of controlling the product to the consumer’s supplier.









The Creation of Dakota Lamb Growers Cooperative

David Merwin
CEO, Dakota Lamb Growers Cooperative






We are in the business of producing, processing and marketing natural lamb meat.

-  Market to upscale retail grocery and natural food stores
-  Deliver nationwide large quantities consistently and efficiently
-  Identified eating experience factors and employ them all
-  Source verified and individual identity preservation
-  Only assets owned are our brand name and reputation






History of Dakota Lamb Growers Cooperative

-  Concept was born at grower wool cooperative meeting in 1996
-  Incorporated in 1999 with 7 grower Members serving as board
-  First equity drive fall of 2000
-  First customer March 2001
-  Second equity drive March 2002
-  Positive gross margin June 2002

Demographics







-  Closed cooperative – only grower investors can market lamb
-  184 members and 20,273 subscribed lamb
-  Members in North Dakota, South Dakota, Montana, Minnesota
-  Processor located in small town in southeast South Dakota
-  Office located in small town in southwest North Dakota

Research Findings

-  Get as close to the consumer as you can with your product
-  Differentiate your product as much as you can
-  Know what the consumer wants
-  Know what the customer wants
-  Service – Service – Service

Grower Delivery



-  Grower responsible for delivery to combination receiving station – feedlot
-  Receiving station manager grades lambs weekly
-  Not all lamb in a group finish in the same week
-  Receiving station manager delivers lamb to processor
-  Lambs that will never qualify are sold at a commodity market
-  Grower has delivery options with receiving station-feedlot and transportation

Processing Center








- 🏢 Located in southeast South Dakota
- 🏢 Process GI att kosher lamb, beef, bison
- 🏢 Processor purchases extra front half of the lamb from DLGC at the plant
- 🏢 Mutually beneficial alliance

Marketing

- 🏆 Main issue of any business
- 🏆 Finding a good marketer
- 🏆 Our marketer has 25 years experience in perishable food and natural meats
- 🏆 Markets two other meat proteins with our Lamb
- 🏆 Marketing multi-species meat proteins together creates several efficiencies

Lamb Specifications






-  Lambs are raised following a written protocol signed by grower
-  Affidavits signed by the grower upon delivery that protocol was followed
-  Processor signs an affidavit lamb was never commingled with any other
-  Complete cleanup occurs before our lambs are processed
-  Label Statement: "Raised in the USA from birth without antibiotics, growth stimulating hormones or fed animal byproducts."

Identity Preservation

- 🏆 Duplicate bar code ear tags for each live animal
- 🏆 Beginning of processing ear tags are replaced with carcass bar code tag
- 🏆 Growers purchase ear tags from DLGC
- 🏆 DLGC records the numbers with the grower for future reference
- 🏆 Weight and grades of each carcass are correlated with ID number
- 🏆 Payment to grower is accompanied by carcass value report
- 🏆 Grower receive financial incentive for exceeding standards

Summary

We are a leader in controlled production methods to meet the consumer's demands.

-  The consumer wants convenience . . .
we provide it with ready to cook product.
-  The consumer wants safety . . .
we use source verification with a production protocol .
-  The consumer wants a great eating experience every time . . .
we control the factors, which contribute to it.
-  The consumer wants the product year around . . .
we supply it with our grower breeding and feed program.
-  The consumer wants value . . .
we give it by the efficiencies of controlling the product to the consumer's supplier.