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Review of the Lamb & Sheepmeat Value Based Marketing Program

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EXECUTIVE SUMMARY

Value Based Marketing Program

- The VBM program commenced during 1990 in response to a perceived need to increase the carcass weight and lower the fatness of lamb carcasses destined for key export and domestic markets.
- This review reports the achievements of the VBM program up to 2001 and makes recommendations for the future.
- The VBM program was introduced to address lamb value based marketing. Although, more recently, sheepmeat has been included, the primary focus of this report is lamb VBM.
- Information for this review was obtained from collation of data from previous reviews undertaken of various components of the VBM program and from in-depth interviews held with participants within or outside the VBM program. Interviewees included 8 PDOs, 6 State government personnel, 5 MLA personnel, 24 producers, 11 processors, 7 retailers and 3 livestock agents.
- An important component of the VBM program has been the provision and funding of dedicated PDOs and MDOs in the major lamb producing states.
- There is strong evidence to show that over the period of the VBM program most outcomes have been achieved or exceeded:
 - Average lamb carcass weights increased 14%.
 - Impact on carcass fatness has been quantified through phenotypic data from Lambplan progeny tests although anecdotal evidence suggests there are still problems with over-fat lambs being supplied.
 - Level of OTH trading was estimated at 30% of all sales in 2000 with the VBM target for number of lambs sold OTH being exceeded by 12%.
 - Approximately 12% of all lamb sales were marketed through lamb alliances. Alliances in Vic and NSW accounted for 91% of these lamb sales.
 - Lamb producer groups accounted for a further 11% of lamb sales throughout Australia.
 - Lamb exports have nearly tripled over the course of the VBM program.
 - Introduction of new technologies including improved genetics, improved nutritional management, carcass feedback, objective carcass measurement, LIDS, introduction of grid trading and VIAscan.

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- The partial funding by MLA of PDOs and MDOs employed by State Departments of Agriculture has resulted in leverage for the MLA of approximately 1.3:1 (State:MLA) for 2001/2002.

Strengths and Weaknesses

- The following table summarises the strengths and weaknesses of the VBM program as identified from the responses given during the interview component of this review.

Strengths	Weaknesses
<i>Producers</i>	
<ul style="list-style-type: none"> • Provision of information • Up-skilling of producers • Provision of carcass feedback • Alliance initiation & facilitation • PDOs acted as change agents 	<ul style="list-style-type: none"> • Dependence on PDO by some groups/alliances • Producers desert OTH trading during periods of strong demand for livestock • Identification & placement of strong leader for alliances • Limited coverage – probably dealing with approx. 20% producers ('innovators' & 'early adopters') • Limitations of State boundaries
<i>Processors</i>	
<ul style="list-style-type: none"> • Increased lamb carcass weight (LLL) • Created opportunity to expand export market • Increased OTH purchasing • Carcass feedback • Alliance development 	<ul style="list-style-type: none"> • Overfat (very heavy) lamb carcasses • PDOs don't meet needs of all processors or lack required skills • Uniform national approach required
<i>Retailers</i>	
<ul style="list-style-type: none"> • Increased lamb carcass weight (LLL) • Provision of information • Alternative carcass cutting techniques 	<ul style="list-style-type: none"> • Resources insufficient for significant impact with smaller retailers • PDOs lack required retail skills • National approach required
<i>State Governments</i>	
<ul style="list-style-type: none"> • Leverage from States 1.28:1 • Personnel employed by States not MLA 	<ul style="list-style-type: none"> • MLA unable to achieve full control of PDOs • Reduced ability to coordinate nationally • Unable to stipulate exact location of PDO

Recommendations

- We consider there are three main strategies for the continuation of the VBM program:

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1. The focus of the VBM program to switch to the remaining 80% (estimated) of producers not actively involved together with greater involvement of processor and retailer participants.
 2. Support existing participants with the introduction of new technology and development of improved feedback and pricing mechanisms.
 3. Broaden the scope of the program to include mutton marketing and supply issues.
- Although the current roles of PDO and MDO have served the VBM program well up to this point, expansion and development of the VBM program will require an alternative approach.
 - In summary, we consider there is a need to change the nature of engagement of PDOs within the VBM program from salaried positions within State government departments to contractual arrangements with suitably skilled personnel based on defined jobs or projects. This may or may not require involvement of personnel from State governments, the inclusion of who would be based on their relative skill base in relation to the projects/jobs to be contracted within the program. Overall coordination of the projects and jobs being undertaken within the VBM program should reside with the Program Coordinator.
 - Our recommendations are summarised in the following table and described in full below.

Recommendations	Proposed Resources	
	Existing	Other
<i>Producers</i>		
1. Achieving greater adoption of VBM – Utilise livestock agents/buyers – Promote supply chain management training programs	Selected PDOs contracted on a project basis to provide training & coaching	Incorporation into EDGE training modules with delivery by 'approved' trainers
2. Support existing VBM participants – On-going support to selected alliances that are self-perpetuating	Selected PDOs contracted on a project basis	Selected consultants contracted to provide key account management on a project basis.
3. Extending VBM to other industry sectors – Expand Lambplan to address merino genetics and mutton – Facilitate breeder/feeder alliances	Selected PDOs contracted to provide extension activities Selected PDOs to provide key account management	
<i>Processors</i>		
1. Achieving greater adoption of VBM – Needs analysis & strategy development – Utilisation of MLA/AMPC processor links	Selected PDOs provide key account management on a contract basis	Selected meat industry consultants to provide key account management on contract basis Program coordinator investigates opportunity to

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Recommendations	Proposed Resources	
	Existing	Other
2. Support existing VBM participants <ul style="list-style-type: none"> - On-going support to selected alliances that are self-perpetuating 	Selected PDOs to provide key account management	use existing communication channels Selected consultants contracted to provide key account mgt. on a project basis Equipment manufacturers to be responsible for introduction of new technology
<i>Retailers</i>		
1. Achieving greater adoption of VBM <ul style="list-style-type: none"> - Key account management for main retail players - Utilisation of MLA Retail & Food Service team 	Nil Nil	Program coordinator provides key account management Program coordinator investigates opportunity to use existing resources to service independent retailers

1. Achieving Greater Adoption of VBM

- To date the VBM program has focussed on approximately 20% of the target population of producers, processors and retailers (ie, the 'innovators' and 'early adopters').
- The current strategy of using PDOs and MDOs to promote the VBM program whilst successful for the 'innovators' and 'early adopters' requires change if MLA wants to succeed in getting adoption of VBM or supply chain management by the 'early majority' and subsequent 'late majority' groups. Our recommendations on how to achieve this for producers, processors and retailers are:

Producers

- The existing PDOs are unlikely to achieve substantial increase in the adoption of supply chain management amongst producers without a commensurate increase in the number of personnel. Resources should therefore be reallocated to:
 - (i) Utilisation of Livestock Agents and/or Livestock Buyers to enable promotion of supply chain management to a broader group of producers (ie, 'early majority'). Selected PDOs could deliver appropriate training to selected Livestock Agents/Buyers and provide a subsequent coaching role. Resources would be entirely funded by MLA and managed and coordinated on a national basis by the VBM Program Coordinator.

- (ii) Promotion of supply chain management principles through appropriate training programs. It is unlikely the existing PDO resource base would be able to deliver all of the training required. MLA should utilise existing producer training programs (eg, incorporation into EDGE marketing modules, subsidised training courses run by existing 'approved' training deliverers).

Processors

- Processors were mixed in their response to the need for assistance from PDOs. We consider this largely reflects the different needs of individual processors in relation to their type of enterprise. We recommend MLA:
 - (i) Undertake a thorough needs analysis of all lamb and sheep meat processing enterprises and develop key account strategies for individual processors. These strategies should cover but not be limited to:
 - (a) Provision of scientific and technical information to 'innovators' via existing MLA communication channels.
 - (b) Delivery of in-house training programs specifically developed for livestock buyers and sales and marketing personnel.
 - (c) Assistance with alliance development on an as requested basis.
 - (ii) Change the existing PDO/MDO role to that of key account management for 'early adopters' or provide this role on a contract basis through 'approved' meat industry consultants.
 - (iii) Forge closer links with the Processing and Product Innovation group of MLA and AMPC to utilise their communication channels for accessing the 'early majority' group of processors.

Retailers

- Those retailers who have received direct support from an MDO consider they have benefited from the experience. However, if MLA is to make any substantial impact at the retail end of the supply chain either the focus must change to meeting the needs of the major retail players or a substantial investment in personnel to service all retail outlets would be required. We therefore recommend that MLA:

- (i) Provide key account management to the main retail players (eg, supermarkets and retail butcher chains) that will include a combination of 'innovators' and 'early adopters'. Determine their respective needs and develop strategies to encourage them to embrace supply chain management principles incorporating VBM.
- (ii) Utilise the existing MLA Retail and Foodservice Team to promote supply chain management to the 'early majority' segment of independent retailers.

2. Support Existing VBM Participants

- Existing proponents of supply chain management should receive adequate on-going support that includes introduction to new and beneficial technologies and pricing/contract mechanisms. This should not be misconstrued to mean that we are advocating all existing alliances should receive high levels of administrative and management support from existing PDOs. Rather we recommend that MLA:
 - (i) Provide ongoing support to those alliances and producer groups that have clearly demonstrated an ability and desire to be self-perpetuating. This support should be in the form of key account management with clearly defined objectives for each alliance.


3. Extending the VBM Program to Other Industry Sectors

- Ancillary components of the VBM Program such as Lambplan have been successful in ensuring the right product is entering the supply chain. While Lambplan has had substantial impact on the 'prime' lamb industry, other sectors within the lamb and sheepmeat industry seek assistance. We therefore recommend that MLA:
 - (i) Expand Lambplan to address mutton and LLL production from Australia's merino flock.
 - (ii) Through Lambplan and the VBM program facilitate breeder/feeder alliances that include genetically superior lambs for finishing by specialist lamb producers.

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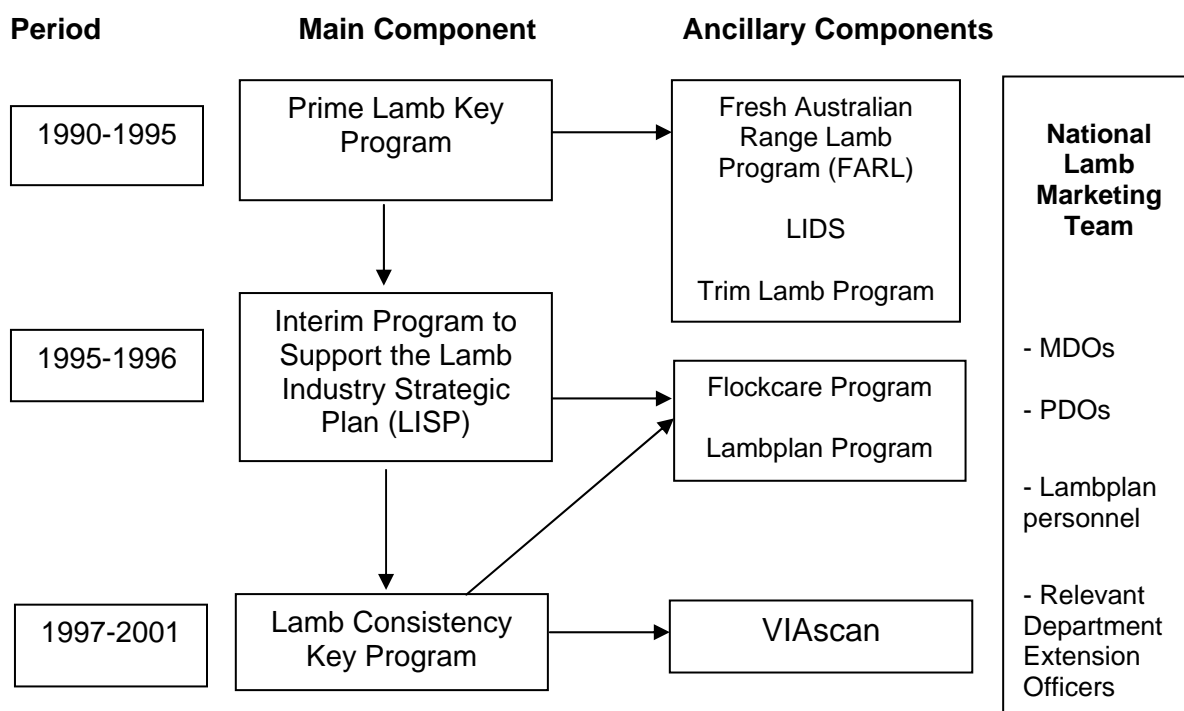
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1. INTRODUCTION

This report was prepared for Meat & Livestock Australia (MLA) and contains the results of a desktop study reviewing the role of Product Development Officers (PDOs) and Market Development Officers (MDOs) in the Lamb and Sheepmeat Value Based Marketing (VBM) Program together with the findings of in depth interviews undertaken with a range of participants within and outside the VBM program. The program was initiated in 1990 with the Meat Research Corporation's (MRC) Prime Lamb Key Program. The Lamb and Sheepmeats VBM Program has been an integral part of three major R & D programs supported by MRC and MLA over the past decade. All programs have specifically addressed the lamb industry. Figure 1 shows the components of the VBM Program.

The VBM program was initiated in response to a perceived need for the lamb industry to increase the carcase weight and lower the fatness of Australian lamb carcasses bound for key export and domestic markets.

Figure 1: Components of the VBM Program



The desktop review examines the roles and existing activities of the PDOs and the MDOs and their significant achievements. The PDOs and MDOs have been an integral component of the VBM program. The study includes a quantification of the benefit-cost of the VBM program as well as determining any leverage obtained through the funding of PDOs and MDOs.

The information obtained from the desktop review was used to structure interviews for a wide cross section of the Australian lamb and sheepmeats industry sectors to enable a thorough evaluation of the benefit-cost of the PDO and MDO role in developing VBM systems within the industry. Interviews were undertaken with PDOs, producers, processors, retailers,

livestock agents, State Departmental staff, Lambplan staff, MLA staff and industry leaders. The future roles of the PDOs/MDO and the opportunities for enhancing the VBM and other industry programs in the future have been examined.

Information for the desktop review has been drawn from reports provided by MLA and other relevant material sourced by the Alliance review team.

2. ROLES AND ACTIVITIES OF THE PDOS AND MDOS

PDOs and MDOs have either been fully or partly funded by MLA as part of the VBM program. Other departmental staff have been made available from respective States depending on the complementarity of their State programs and the VBM program.

The positioning of PDOs has been based on the location of suitable Departmental officers in NSW, Vic, SA and WA that were available to undertake this role. As such PDOs are currently located in Armidale and Cowra in NSW; Benalla and Rutherglen in Vic; Roseworthy and Naracoorte in SA and Narrogin in WA. Extension and technical staff within Tas and Qld together with the PDOs, MDOs and Lambplan staff make up the National Lamb Marketing Team.

Two MDOs were originally appointed, one in 1992 and the other in 1993. One was based in Melbourne, Victoria and the other in Sydney, NSW. In December 1998, the Victorian MDO was appointed PDO and the former position was not renewed. The NSW MDO was funded by MLA until mid 2000 and from mid 2000 until mid 2001 by NSW Agriculture and other sources. In mid 2001, with the resignation of a MLA funded PDO, the MDO assumed this position.

Early experience in the 'Large Lean Lamb' (LLL) program showed that driving supply without driving demand or driving demand without stimulating supply was unworkable. The PDO/MDO concept was designed to provide a 'push-pull' effect on the production and marketing of LLL.

2.1 MDOs

The roles of the MDOs were defined in the Mid Term Review of the Prime Lamb Key Program Report (Wrigley 1992) as follows:

- To work with processors, wholesalers and retailers to develop and demonstrate more profitable lamb handling and marketing systems.
- To be aware of the need to maintain volume as well as raise value and have access to practical financial management advice and support.
- Able to draw on earlier cutting trials from within this program and by AMLC.
- To work in harmony with and contribute to AUSMEAT and AMLC programs.
- To work with NMA in each State.
- To work with the wholesale and boning room sector of the lamb industry.

The roles of the MDOs based in Vic and NSW were complimentary, but differed in their aims which are detailed below (Anon. 2002):

2.1.1 Aims of Vic MDO

- To implement data recording and reporting systems for identifying and recording the types of lambs which are processed in Vic.
- To assist in increasing the number of Vic lambs meeting LLL specifications.
- To assist in increasing the percentage of Vic lambs marketed through VBM channels.
- To assist in the establishment and success of commercial branded lamb alliances and supply management arrangements and to increase the total number of lambs marketed in Vic through these arrangements.
- To improve feedback mechanisms and the exchange of knowledge and information between producers, processors and retailers.

2.1.2 Aims of NSW MDO

- To provide the retail expertise in the building of producer groups, producer alliances and branded product alliances.
- To demonstrate to producers product cuts, to demonstrate the importance of conformation for the end user.
- To assist at abattoir level, from lairage through to chiller, to ensure that the carcass is dressed to a very high standard, even to the point of strip branding identification.
- To present and demonstrate to the retail sector, extended product cuts, value added products and display to enhance the profitability and saleability of lamb.
- To widen the use of high value cuts by producing videos on preparatory methods, display, cooking utilisation for use in retail training, workshops and with TAFE.

2.2 PDOs

The PDOs in each State have a common task of assisting in increasing the number of lambs sold through VBM systems, through assisting producers, livestock agents, processors, retailers and consumers to work cooperatively together, however, the specific roles of each PDO differ. The tasks undertaken by the PDOs have changed little since the inception of the positions in 1993.

2.2.1 *In SA the roles of the PDOs are to:*

- Encourage producers to do what they do well and increase their level of involvement in VBM and alliances.
- Tackle lamb quality issues such as grass seeds and carcase fatness.
- Support all service industries to develop an increased presence and level of expertise in lamb.
- Assist industry groups to develop strategic and action plans.
- Increase the effectiveness of communication and feedback within the supply chain of the lamb industry.
- Assist producers and processors through times of technological and cultural change (i.e. adoption of VIAscan technology).
- Empower different sectors of the supply chain to drive their industry in the right direction.
- Improve communication networks to facilitate technology transfer within all sectors of the lamb industry through the lamb group network, SA lamb newsletters, rural media and technical field days.

2.2.2 *In Vic the roles of the PDOs are to:*

- Increase awareness and utilisation of VBM systems within the lamb industry.
- Coordinate and facilitate lamb discussion groups to improve the consistency and supply of lamb.
- Help new and established lamb alliances deal with issues such as consistency of supply.
- Work with all sectors of the lamb production chain, to aid in the transfer of information from one sector to another.
- Improve feedback systems so that market signals accurately and easily move through the lamb supply chain.

2.2.3 *In NSW the roles of the PDOs are to:*

- Promote the value of alliances to all sectors of the lamb industry.
- Assist the development of new alliances in NSW and Qld whilst maintaining established alliances in NSW.
- Promote and establish VBM within the industry until it becomes the major focus of lamb marketing in NSW and Qld.

- Assist in the establishment of marketing groups with long term goals and forward contract arrangements.
- Improve the consistency of lamb supplied to the market so that the market share is increased against other protein sources.

2.2.4 In WA the roles of the PDOs are to:

- Raise awareness, improve understanding and increase usage of VBM systems within the WA lamb industry.
- Assist existing and new lamb producer groups to set and meet marketing objectives.
- Support existing and new alliances to set business objectives, establish and maintain communication channels along the supply chain, access technical expertise and resources.
- Assist service industries in meeting market requirements for a consistent supply of LLL that will benefit the industry as a whole.
- Liaise with and assist sheep meat producer groups to better market their product.
- Install a rural media program to improve the profile of the WA lamb industry and it's achievements.
- Develop and deliver a coordinated extension program with the Sheep Meat Group (Agriculture WA).

3. ACHIEVEMENTS OF THE VBM PROGRAM AND THE IMPACT ON THE LAMB INDUSTRY

3.1 Achievements

The VBM Program commenced in 1990 with the overall objective of developing profitable lamb production systems that would provide a consistent year-round supply of LLL. There were three broad sub-programs of the VBM program, the achievements of which are summarised in Table 2.

3.1.1 Prime Lamb Program

The Prime Lamb Program (PLP) commenced in July 1990 with the objective of 'increasing the volume of lamb carcass weight production consumed in the higher value markets to 25,000t/yr by 1994, through encouraging production of LLL, which were of high quality and consistently available'. The program promoted year-round production and marketing of lambs that had carcass weights in excess of 18 kg with a fat score of 2 to 3.

As show in Table 2, in general the objectives of this program were achieved. Although no formal collection of data on the usage of high value lamb in the domestic market was undertaken anecdotal data, collected from approximately 25% of butchers in the Melbourne metropolitan area, suggested that at least 10,000t carcase weight of value added lamb (chilled boneless lamb) was being used annually in Vic alone. Of these butchers (which excluded supermarkets), 68.7% were buying some lambs in trim lamb specifications and 17.3% were using LLL. Had supermarkets been involved in this data collection it is likely that more value added lamb would have been recorded as being used.

The Lamb Identification and Description Scheme (LIDS), an objective method of describing lamb carcase weight and fatness was tested in the PLP. It was subsequently implemented through the AMLC.

3.1.2 Interim Program to Support the Lamb Industry Strategic Plan

The Lamb Industry Strategic Plan (LISP) had an overall industry target of 'achieving a value of \$2 billion by 2000'. In line with this, the Interim Program to Support the LISP set specific KPIs as shown in Table 2.

The database program developed in this sub-program was considered critical for evaluating progress to the '\$2 billion by 2000' goal. Although a number of lamb carcase trace back systems were examined, in all but one system the associated costs were considered greater than the benefits. Associated with the development of lambs marketed through alliances was the establishment of 13 and 19 producer groups respectively in Vic and NSW.

Processing works were encouraged to develop price grids that reflected carcase value in relation to meeting market specifications. Vertical alliances selling branded lamb products (BLAs) were encouraged in an attempt to increase returns to producers for both meat and skins through supply of product based on customer requirements.

Table 2: Summary of Achievements in the Lamb VBM Programs 1990-2001

Period	Program	KPIs	Outcomes
1990-1995	Prime Lamb Key Program	1. To increase the volume of production consumed in the higher value lamb markets to 25,000t per year by 1994	Achieved Estimated 78,500t of lamb (> 18 kg and fat score 2 or 3) produced in 1994 12,000t exported to high value markets in US, Canada, Japan and Europe over the period of the project (Thatcher 1994) Estimated 10,000t cwt of value-added lamb used in Vic (<i>pers comm.</i> I. Ross)
		2. Implement an objective method of describing lamb carcase weight and fatness	Achieved LIDS tested within PLP and subsequently implemented through AMLC.

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Period	Program	KPIs	Outcomes
1995-1996	Interim Program to Support the Lamb Industry Strategic Plan	1. To develop a comprehensive and user friendly database updating information of relevance to comparative market performance, Australia's competitiveness and future potential.	Achieved Database developed
		2. To have at least 10,000 lamb carcase equiv/wk marketed through alliances. -5,000/wk-Vic -5,000/wk-NSW	Achieved, NSW partial achievement - 11,600 carcasses/wk -Vic 8,700 carcasses/wk -NSW 2,900 carcasses/wk
		3. To determine in at least 4 commercial companies the marginal costs of producing consistent quality lamb products (by Dec '96)	Achieved Companies were not prepared to provide the costings required (<i>pers comm.</i> L. Thatcher)
		4. To establish new services on CALM to allow comparison from alternative price grids and a competitive auction system (by Dec '95)	Achieved CALM sold to private company that did not want to pursue this objective
		5. To examine options for a uniform, national system of tracing slaughter sheep and lambs back to property of origin	Achieved Various methods developed and tested with a satisfactory system able to be implemented if required
1997-2001	Lamb Consistency Key Program	1. To achieve a minimum of 500,000 large, lean lambs/mth for the entire year 2. To reduce variation in eating quality by 50% 3. To achieve \$2b sales revenue by 2000 - \$1.5b domestic lamb sales revenue - \$0.5b export lamb revenue	1, 3 & 4 achieved 1. Estimated 543,000 lambs marketed/mth 2. <i>Program work still being finalised or undertaken</i> 3. Total revenue lamb industry \$2.2b in 2000 - \$1.7b domestic - \$0.5b export

3.1.3 Lamb Consistency Key Program

The Lamb Consistency Key Program (LCKP) commenced in January 1997 as a continuation of the LISP that commenced in 1995. This program focused on three main areas of lamb carcass production, namely the consistency of:

1. Product supply over the long term and between seasons
2. Product type (weight and fatness)

3. Eating quality (tenderness and flavour).

The strategy was to work with the dedicated lamb industry to increase the number of businesses meeting customer needs or target market specifications.

All targets other than the reduction in variation of eating quality (which is still being pursued) were achieved (Table 2).

3.2 Impact on the Lamb Industry

The relative success of the VBM Program has been determined by measuring the change in each of the following over time:

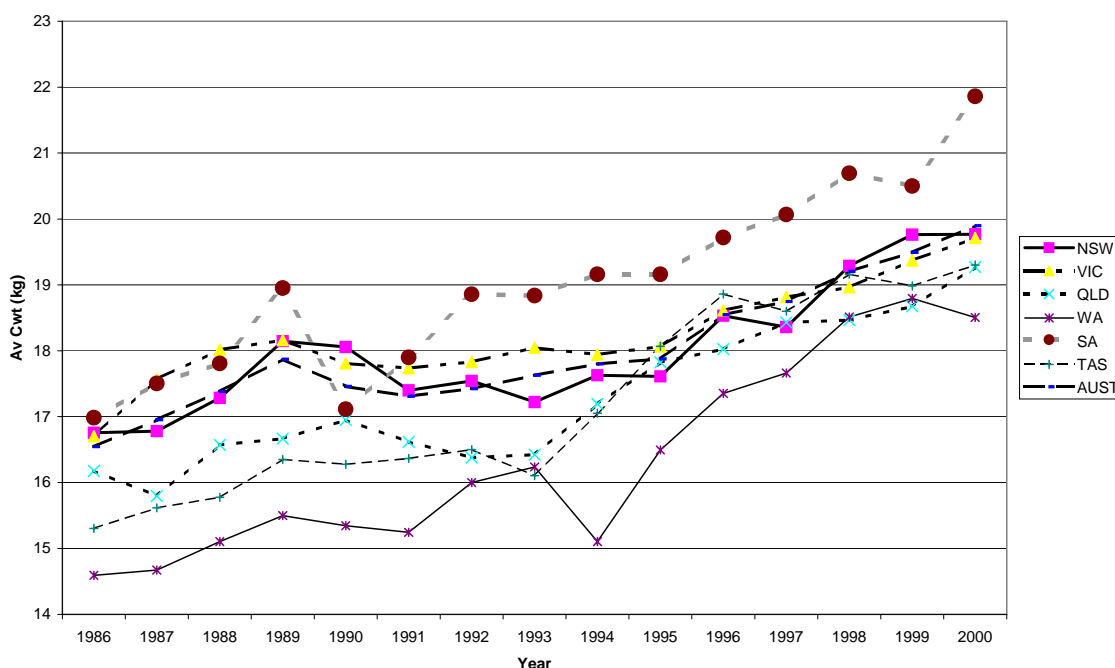
1. Average lamb carcass weight.
2. Average lamb carcass fatness.
3. Number of lambs marketed over the hooks (OTH).
4. Number of BLAs and the number of lambs sold through these alliances.
5. Number of lamb producer groups and the number of producer group members.
6. The volume and value of lamb destined for high value domestic and export markets.
7. The development and implementation of integrated feedback and information systems within lamb and sheepmeat supply chains.

3.2.1 Lamb Carcass Weight

Average lamb carcass weights for the period 1986 to 2000 are provided in Figure 2. For all States, substantial increases in average lamb carcass weights have occurred since about 1994 which would coincide with changes as a result of implementation of the VBM program. During the period 1990 to 2000 the average carcass weight of Australian lamb has increased 14% to 20.0 kg.

Average lamb carcass weights, despite trending upwards over the long term, fluctuate between years in response to seasonal conditions.

Figure 2: Average Lamb Carcase Weight 1986 to 2000 by State



3.2.2 Lamb Carcase Fatness

A study undertaken by AACM (1994) reported 14.4% of all lamb carcasses produced during 1993/94 as over-fat (ie, fatscores 4 or 5, GR 16-25mm). There was a tendency for heavier carcasses to also be over-fat with 72% of carcasses destined for a LLL specification being out of specification primarily due to fatness.

Whilst an industry survey, similar to that undertaken by AACM during 1993/94, would be useful to quantify any change in the fatness of lamb carcasses over the course of the VBM program, phenotypic data from Lambplan progeny tests suggests improvement has been made. The Lambplan data shows that over the course of the VBM program average lamb carcase weight has increased from 16 to 20kg while carcase fatness has not changed.

3.2.3 Over-the-Hooks Trading

The number of lambs marketed OTH has increased from 1990 to 2000 by an estimated 16 to 17% per annum although there was a decline from 2000 to 2001 of 47% (Table 3). Accurate figures on lambs sold OTH in 1990 are not available but were estimated to be 800,000 lambs (Thatcher, 2001b).

Table 3 indicates the proportion of lambs sold OTH for each State compared with targets set within the VBM program for both 2000 and 2001. During 2000, targets were exceeded in all States except NSW, which fell short by 15%. Overall the target was exceeded by 46% during 2000. However for 2001, despite no change in the target from 2000, actual lambs sold OTH fell short of the target by 8%. Targets were met in Vic and nearly tripled in SA but fell short in NSW and WA.

Table 3: Target and Actual Lambs Sold OTH by State during 2000 and 2001

State	2000			2001		
	Lambs sold OTH (% total)	No. lambs sold OTH ('000 hd)	VBM Target ('000 hd)	Lambs sold OTH (% total)	No. lambs sold OTH ('000 hd)	VBM Target ('000 hd)
NSW	35	1,320	1,560	22	823	1,560
VIC	31	1,860	1,400	33	1,400	1,400
SA	53	1,470	1,400	43	1,146	1,400
WA	29	580	400	18	173	400
TAS	55	330	100	na	na	100
QLD		75	-	na	na	-
TOTAL	30.2	5,635	4,860	23.1	3,542	4,860

(Source: Thatcher 2001a, 2002)

* Incomplete data

3.2.4 Lamb Alliances

Table 4 shows 26 Alliances including 20 BLAs, marketing approximately 2.3m lambs (12% national sales) had been formed by June 2001 (Thatcher 2001b).

Table 4: Lamb Alliances by State in 2001

Alliance	AUS	NSW	VIC	TAS	SA	WA	QLD
No. BLAs	20	10	4	1	2	3	0
No. Alliances without a brand	6	0	3	0	0	1	2
BLA lamb sales ('000 hd)	2,244	730	1,362	10	3	140	0
Total Alliance lamb sales ('000 hd)	2,304	730	1,375	13	13	160	13

(Source: Thatcher 2001b)

3.2.5 Lamb Producer Groups

Lamb Producer Groups provide a forum for discussing innovative change throughout the lamb supply chain. They focus on discussion of the technical aspects of lamb production and marketing, arrange links with formal Alliances and manage collective Producer Initiated Research and Development Schemes (PIRDS).

From a zero base in 1990, 78 lamb producer groups involving over 2,100 producers have been formed within the VBM program (Table 5). Collectively these Producer Groups marketed approximately 2.0m lambs or 11% of the national turnoff during the year ended June 2001 (Thatcher, 2001b). Of the 78 producer groups, 28 (36%) had a formal Plan for operation of the group.

Table 5: Lamb Producer Groups by State in 2001

Alliance	AUS	NSW	VIC	TAS	SA	WA	QLD
No. Producer Groups	78	25	20	1	17	10	5
No. Group Members	2,118	542	569	9*	375	567	56
No. Groups with plans	28	6	6	1	10	3	2
Total lamb sales ('000 hd)	1,981	423	630	13	336	512	67

(Source: Thatcher 2001b)

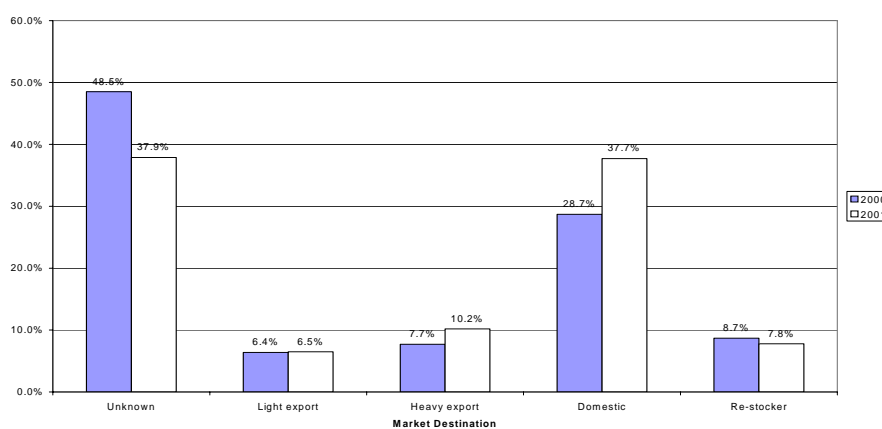
* This Group has 27 additional producers who supply lambs to the group but are not official members.

3.2.6 Volume and Value of Lamb for Domestic Consumption and Export

As shown in Figure 2, during 2000 and 2001, 52% and 62% respectively of lambs sold were produced for specific target markets (Anon 2001a).

Large, lean lambs (>18kg cwt, fatscore 2/3) destined for the domestic market and heavy export market accounted for 37% and 48% respectively of all lambs marketed in 2000 and 2001 (Anon 2001a).

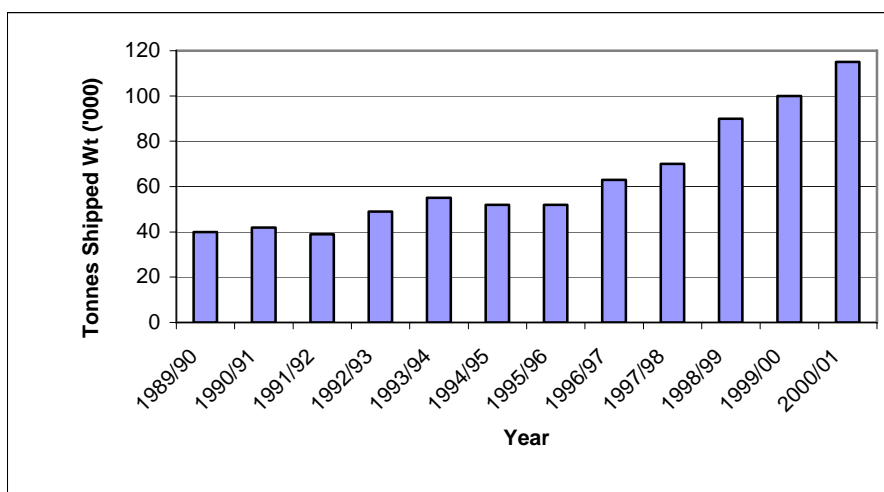
Figure 2: Market Destinations for Lambs – 2000 and 2001



(Source: Anon 2001a)

Lamb exports have risen from 40,000t shipped weight in 1989/1990 to nearly 115,000t shipped weight during 2000/2001 (Figure 3). There has been a substantial growth in lamb exports since 1994/1995 coinciding with the increase in lamb carcass weights reported in Figure 1.

Figure 3: Growth in Australian Lamb Exports from 1990 to 2000



Source: AFFA

3.2.7 Integrated Feedback and Information Systems

Since 1990, VBM resources have been provided for a number of projects that address market signal issues. Objective measurement of lambs, the LIDS, the development of marketing systems that reward lamb producers who meet market requirements and a feedback mechanism from the customer to the producer, have all been developed. These initiatives are supported and promoted by the PDOs and MDOs.

New technologies (eg, NLIS, VIAscan) to enhance feedback and allow more effective communication throughout the supply chain continue to be evaluated and promoted by the PDOs and MDO within the VBM program.

3.2.8 Changes in Sheepmeat Productivity

The focus of the VBM program has been on the lamb industry. Since 1990 a number of changes have occurred in the Australian sheepmeat industry although average carcass weight for mutton has basically remained static (20.7kg cf 21.1kg). These changes include:

- Exports of mutton have increased (20%) from 1.5m tonnes shipped wt in 1990 to 1.8m tonnes in 2000.
- The value of mutton exports in the same period has increased 77% from \$212m to \$375m.
- Domestic consumption of mutton per capita has declined 29% from 8.2kg to 5.8kg.

4. REVIEW OF PDO/MDO ROLES

A key component of the success of the VBM program has been the introduction and support of PDOs and MDOs within State Departments. This section provides a more in-depth investigation of the PDO/MDO concept in order to determine:

1. The achievements of the VBM program.
2. Relevance of the role played by PDOs/MDOs.
3. What level of leveraging is obtained from the current association with State Departments.
4. The future roles of PDOs and MDOs and opportunities for more efficient delivery of this service and/or its expansion.
5. How the VBM program should be funded in the future.

A series of questionnaires tailored to the specific sector being interviewed (ie, producers, abattoirs, processors, retailers, agents, Government) were used to provide quantitative data that could be used to analyse the progress that has been made and help make recommendations for the future of the VBM program. An example questionnaire is provided in Annex 1.

The following system was used as the basis for scoring each question within the survey proforma:

Score	Comment
0	Nothing in place
1	Process documented but not implemented
2	Process in place but falling short of requirement
3	Process in place and exceeding requirements
4	Considered best practice

Table 7 provides a breakdown of the number of interviews undertaken by respondent type.

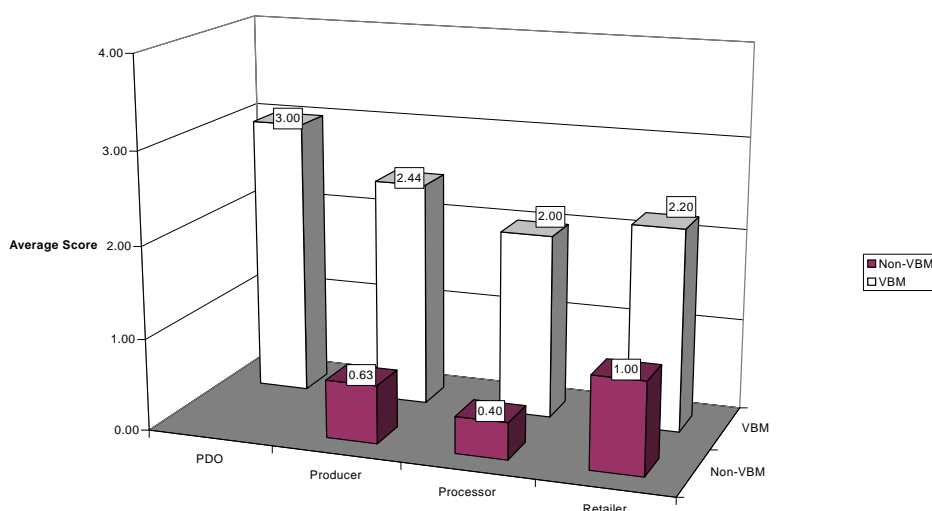
Table 7: VBM Review Interview Matrix

Respondent	Number Interviews		
	VBM Participant	Non VBM Participant	Total
PDO/MDO	8	-	8
State Government	6	-	6
MLA	3	2	5
Producer	16	8	24
Processor	5	6	11
Retailer	5	2	7
Stock Agent	-	3	3
Other	1	-	1
Total	44	19	65

4.1 Achievements of the VBM Program

Participant scores for the achievements of the VBM program are provided in Figure 4. As expected the average score per industry group was substantially higher for those actively participating in the VBM program than those that weren't. On average PDOs scored the VBM program as having achieved more than any of the industry groups (ie, producers, retailers and processors). All PDOs scored 3 for this item while producer, processor and retailer responses (within VBM) ranged 0-3, 0-3 and 1-3 respectively.

Figure 4: Average Score by Industry Group of the Achievements of VBM



The main achievements stated by the respective industry groups, participating in the VBM program are provided in Table 8.

Table 8: Main Achievements of the VBM Program by Industry Group

VBM Program Achievement	Proportion of respondents (%)			
	PDO/Govt	Producers	Processors	Retailers
Move to OTH selling	66.7	0	40.0	0
Alliance development	58.3	31.3	60.0	0
Upskilling producers	33.3	62.5	20.0	60.0
Increase lamb carcase wt.	33.3	6.3	0	20.0
Grass seed issue	0	6.3	20.0	0

All VBM participants within the industry sectors surveyed supported the available qualitative data (section 3.2) that achievements had been made in the lamb industry as a result of the VBM program. A move to OTH selling, the development of supplier alliances and the empowerment of producers to utilise new skills and technologies (eg, genetics, nutrition, live animal assessment) were seen as beneficial although their respective importance varied between industry sectors.

Few respondents identified the increase in lamb carcase weight as reported in section 3.2.1 as an achievement of the VBM program. There was no mention of any achievement in reducing the level of fatness of lamb carcasses. Addressing the issue of grass seeds was identified by respondents from South Australia as a significant achievement of the VBM program in that State.

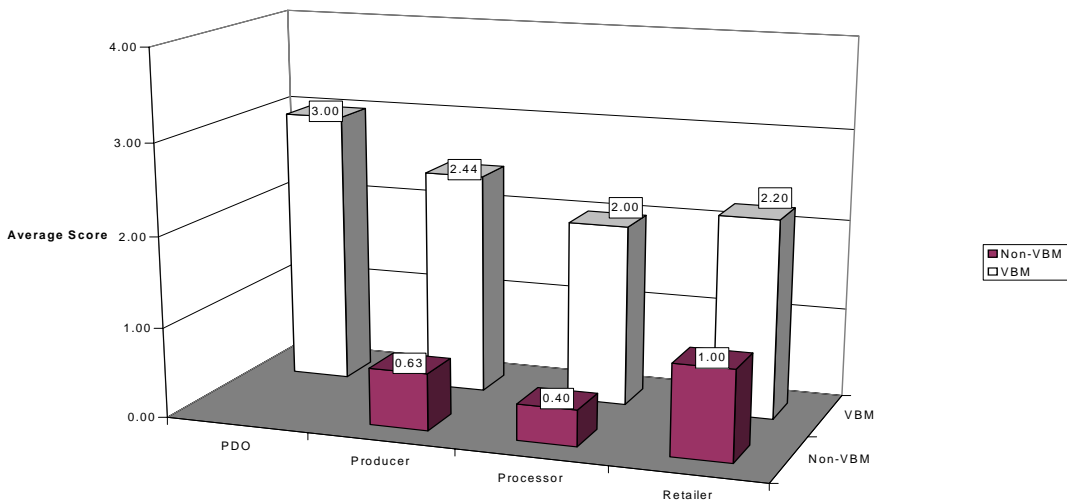
4.2 Relevance of the PDO and MDO Roles

Figure 5 provides a comparison between industry groups of their perception of the relevance of the PDO and MDO roles. Those actively participating within the VBM program had a better understanding of the role played by the PDO and MDO and therefore scored higher than those outside the VBM program.

Scores for individual PDOs ranged from 1.50 to 3.00 suggesting not all PDOs fully understood their relevance to the VBM program. This is discussed further in section 5.3. For those respondents within the VBM program, producer, processor and retailer responses ranged 1.5-3.0, 0.3-2.8 and 1.3-3.0 respectively.

Across all industry sectors most respondents required PDOs to be practical, to be good facilitators and to possess strong communication skills. They also thought PDOs should have a good understanding of both on- and off-farm production systems.

Figure 5: Relevance of the PDO and MDO Roles by Industry Group



4.3 Success of the PDO and MDO Roles

The overall effectiveness of the PDOs and MDO are presented by industry group in Figure 6.

The relevance of the PDO/MDO role to the respective industry groups, participating in the VBM program is provided in Table 9. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.6-2.6, 1.8-2.8, 1.2-2.3 and 1.7-2.4 respectively.

Figure 6: Overall Success of the PDO and MDO Roles by Industry Group

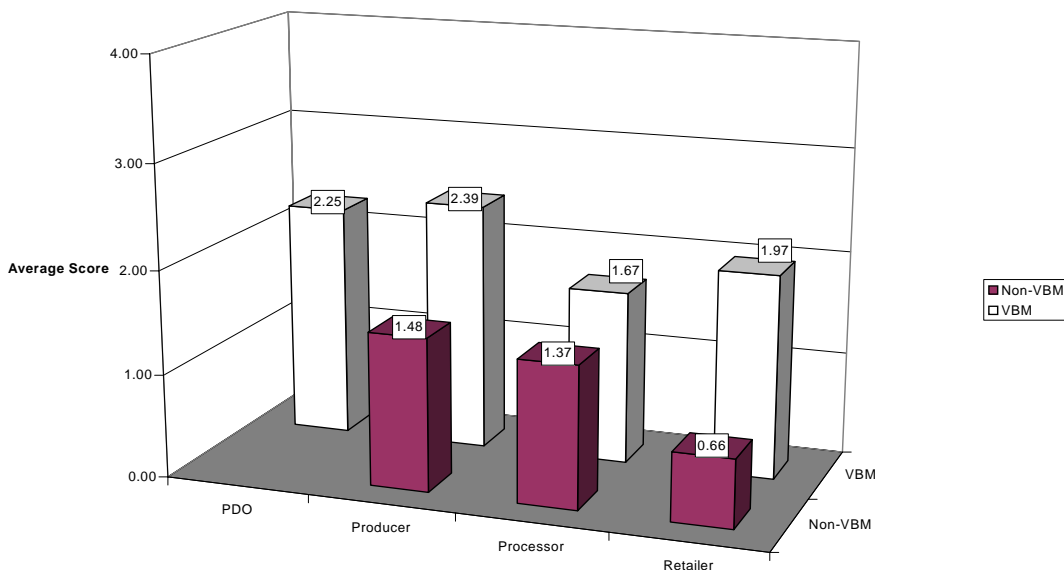


Table 9: Effectiveness of the PDO/MDO Role by Industry Group

Item of Relevance	Proportion of respondents (%)			
	PDO	Producers	Processors	Retailers
Utilisation feedback & producing to specification	71.4	18.8	20.0	60.0
Change agents	57.1	56.3	40.0	20.0
Alliance/network development	57.1	37.5	40.0	60.0
Information source	42.9	50.0	40.0	60.0
Business & management skills	28.6	18.8	40.0	20.0
Being paid according to what was produced	14.3	25.0	20.0	0

Most PDOs considered their relevance to the lamb industry focussed on assisting producers to interpret feedback and produce to specification, acting as change agents through the introduction of new technology (including marketing, genetics, nutrition, Viascan), and, the development of supply networks and alliances.

The majority of producers considered the relevance of PDOs as assisting with the introduction of change in the industry and as an information source.

Most processors were reserved in their support for PDOs but retailers involved in the VBM program saw PDOs as relevant for the provision of information and development of supply networks and/or alliances.

This element is examined in more detail in sections 5.3.1 to 5.3.5.

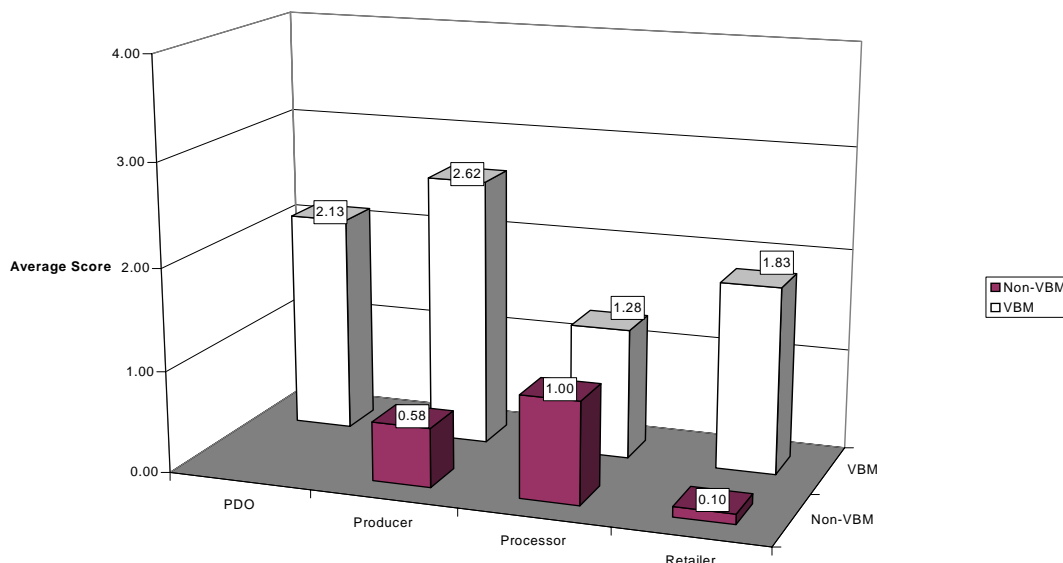
4.3.1 PDO Effectiveness

Producers considered the PDOs to be far more effective than processors and retailers (Figure 7). For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.8-2.5, 1.6-3.3, 0.1-2.4 and 0.8-2.7 respectively.

In general, the processors interviewed saw themselves as more effective than PDOs in supporting and maintaining market supply chains. This may reflect the relevant skills of individual PDOs or highlight a need to better understand the requirements of individual processors and deliver targeted solutions using key account management strategies.

Most PDOs considered they lacked skills to adequately operate at the processing and retail sectors of the supply chain. Furthermore, some PDOs have been in the role for a relatively short period of time and are therefore still establishing their networks.

Figure 7: Effectiveness of the PDO and MDO Roles by Industry Group



Respondents were asked to score PDOs on their ability to facilitate change, introduce new technology and assist in the development of industry strategies. Average scores by industry group are provided in Table 10. Producers and retailers in the VBM program were similar in their average scores given to the effectiveness of the PDO's particularly in relation to the ability of the PDOs to facilitate change and assist in the development of industry strategies. On average processors scored the effectiveness of the PDOs much lower than producers and retailers although within each group the range of individual scores varied from 0 to 4 for each item.

Most respondents considered there should not be any restrictions on the mobility of PDOs and that their placement should be based on geographic or lamb production regions rather than State boundaries. Coordination should continue through the MLA appointed VBM Program Coordinator.

Table 10: Average Scores of PDO Effectiveness by Industry Group

Item of Effectiveness	Av Score (0 lowest, 4 highest)			
	PDO	Producers	Processors	Retailers
Ability to facilitate change	3.2	3.0	1.8	3.2
Introduction of new technology	3.4	2.9	1.8	2.8
Development industry strategies	2.9	2.9	2.2	2.4

The on-going utilisation of PDO/MDOs would benefit from production of a skills matrix that matched the collective PDO/MDO skills against the joint skills required for the VBM program. Training could be provided on an 'as-required' basis to address any deficiencies in the skill base.

4.3.2 Monitoring Performance

The average score for this element was 2.38 for PDOs (range 1.4-2.9) and 2.39 for State government personnel (range 1.0-2.9). All respondents considered that the work programs

and targets of respective PDOs were set in conjunction with MLA and that the existing system of milestone reporting was adequate for monitoring performance.

In some instances PDO's were concerned that they needed to answer to two bosses namely the State Department and MLA and that this could at times result in conflict with respect to the utilisation of their time. There were limited methods for recording work activities by time spent other than broad-based timesheets.

All PDO's and State Departments considered they had played an important role in the increase over time in the average carcase weight of lambs and the level of lambs sold OTH. Although it is difficult to quantify the impact of PDOs on these KPIs, it is our opinion that they have played a significant role in the change that has taken place in the industry, particularly with respect to lamb production aspects.

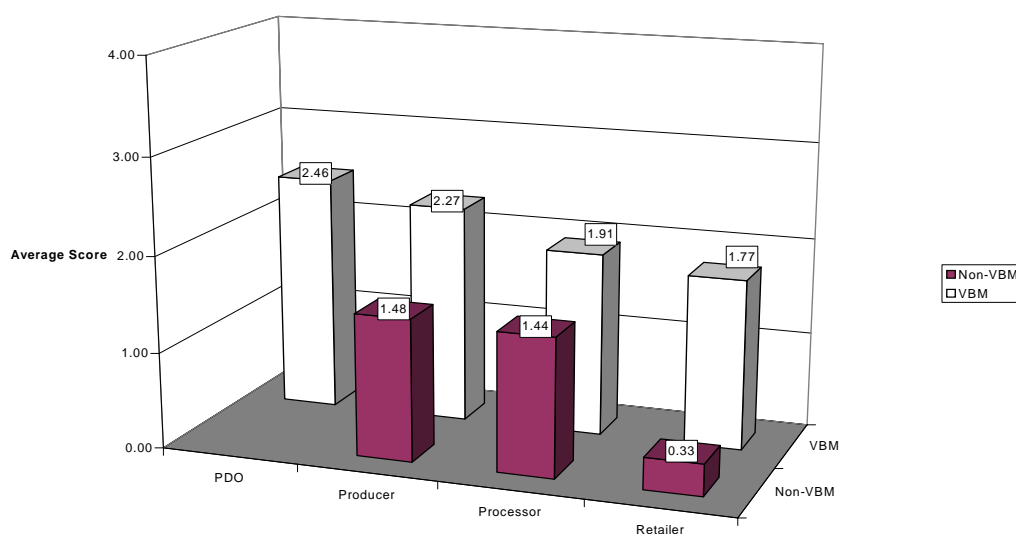
4.3.3 Alliances/Producer Groups

Figure 8 provides the average scores by industry group for the successful formation of and benefits received from participation in producer groups and alliances. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.9-3.0, 1.6-3.0, 1.0-2.4 and 1.5-2.0 respectively.

It would appear that PDOs and producers consider producer groups and alliances have been more successful than processors and retailers who probably only have exposure to alliances.

As shown in Table 8, producers see the value of the VBM program in increasing their skill levels. This may suggest a progressive change in the industry from obtaining new information through producer groups with the input of PDOs, to the development of alliances with the input of both PDOs and MDOs, to a full commitment to market supply chains that include the input of MDOs together with processors and retailers.

Figure 8: Success of Producer Groups and Alliances by Industry Group



The relative commitment of group/alliance members to the entity was seen by PDOs, producers and processors as the primary factor for the on-going success of the entity (Table

11). PDOs and producers also considered it important for a successful group/alliance to have a strong leader and/or facilitator within the group. In some instances this role might be played by the PDO but it was seen as preferable to ensure an appointment other than the PDO was made for the long-term success of the group/alliance.

We see it as essential to the cost-effective use of a PDO's time to ensure there is a planned phase-out of PDO involvement in established alliances and producer groups over a defined time period. Based on past experience the involvement of a PDO in an alliance or producer group should be based on the critical success factors of established operational groups. These criteria should be used as the basis for a planned evolution of involvement of the PDO within a producer group or alliance.

Table 11: Requirements for the On-going Success of an Alliance/Producer Group by Industry Group

Item of Effectiveness	Proportion of Respondents (%)			
	PDO	Producers	Processors	Retailers
Commitment/compatibility of the group	100	81.3	60.0	0
Leadership/facilitation	100	43.8	0	20.0
Communication	42.9	31.3	20.0	40.0
Financial incentive/benchmarking	28.6	18.8	20.0	40.0
Business plan/structure	28.6	18.8	20.0	0

Information sharing and improved financial returns were seen to be the primary benefits from involvement in a producer group/alliance.

In general, producers valued most the involvement of the PDO in the initiation and facilitation of producer groups and alliances, and saw them as a valuable technical resource. Processors and retailers were less likely to see the PDO as a valued contributor to supply alliances. This supports comments made above and highlights a perceived lack of commitment of producers to alliances when there is strong demand for lambs (ie, producers demonstrate a keenness to revert to saleyard selling when demand for lamb is high).

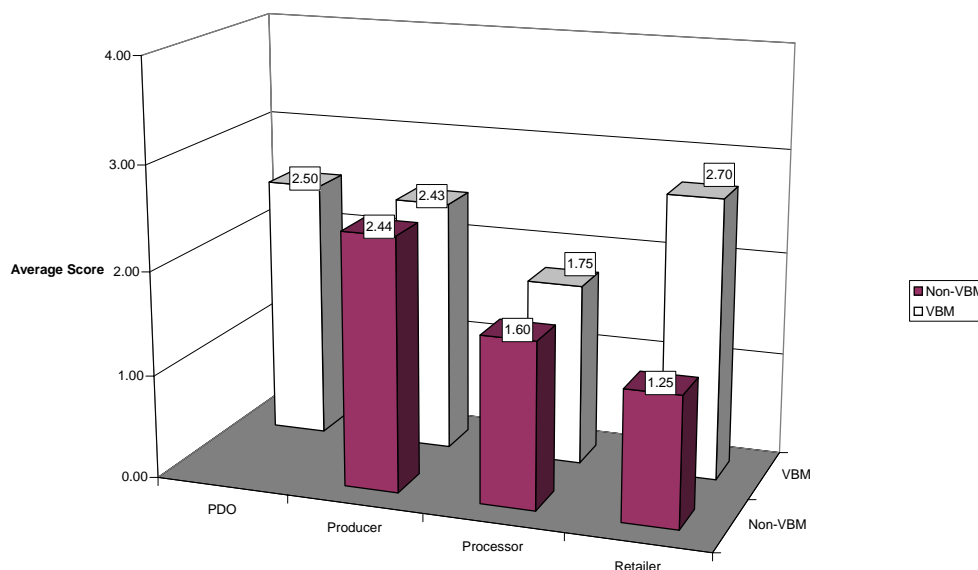
Over time and in an attempt to encourage the uptake of the VBM program by other producers it should be possible to utilise the services of suitably trained personnel other than PDOs (eg, livestock agents).

The primary reasons for the demise of producer groups and alliances was seen as the absence of a strong leader and/or the commitment given the group/alliance by all participants within the supply chain.

4.3.4 Large Lean Lamb

Figure 9 provides the average scores by industry group for the impact of production of LLL has had on the domestic and export industries. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.5-3.0, 1.0-3.0, 0-2.0 and 2.5-3.0 respectively. One processor claimed they did not know what the impact of LLL had been on either the export or domestic markets. For all other processors their average scores for this item ranged from 1.5-2.0.

Figure 9: Impact of Large Lean Lamb by Industry Group



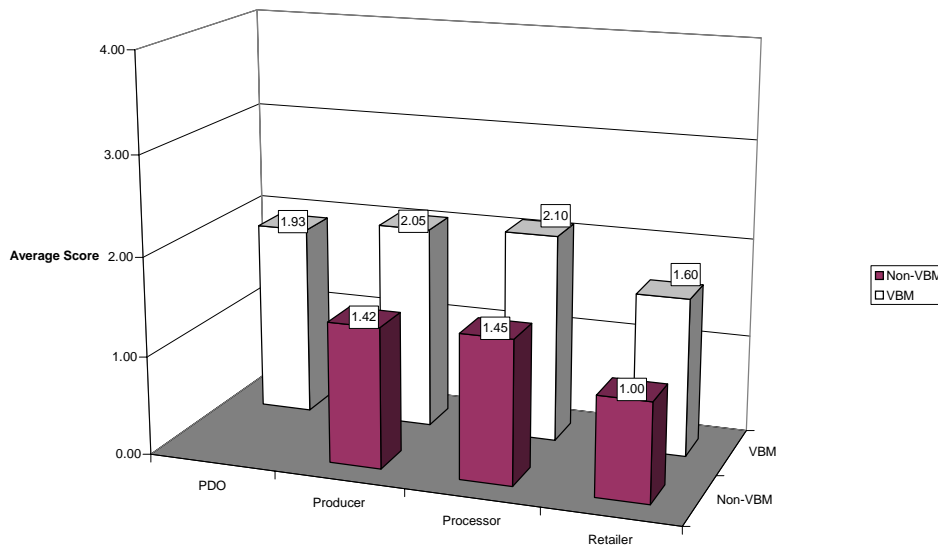
All industry groups, other than processors, considered LLL had had a big impact on supply and sale of lamb to the domestic and export markets. Export processors considered LLL had had a major impact in their markets while domestic processors placed less importance on LLL. Nevertheless, retailers within the VBM program provided good support for LLL claiming it had allowed them to be more innovative and to present lamb in a number of different cut formats (eg, Trim Lamb) not employed by traditional meat retailers.

Some respondents expressed concern that although advances had been made in increasing the average carcase weight of lamb that limited progress had been made in the reduction of carcase fatness. We were unable to quantify this claim with respect to a limited change in carcase fatness during the time of the VBM program.

4.3.5 Feedback

On average, producers and processors in the VBM program rated the importance of receiving feedback on the performance of lambs processed more highly than PDOs and retailers (Figure 10). The lower score of PDOs was a reflection of them scoring the importance of feedback for all industry groups rather than producers, processors and retailers that only scored for their respective group. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 0.7-2.6, 0.3-3.0, 2.0-2.5 and 0.3-2.7 respectively.

Figure 10: Importance of Feedback by Industry Group



The main issues raised in relation to the use of feedback between processors and producers include:

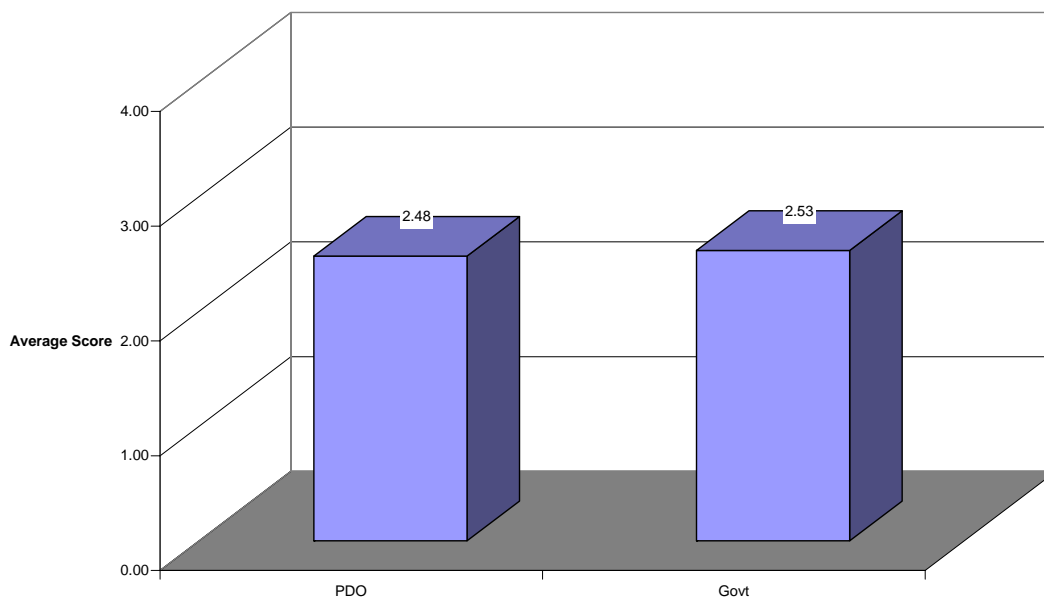
- Feedback assists producers in their decision making process to change management and breeding practices to better meet market specifications.
- Feedback provides clear signals of what market specifications should be targeted.
- Processors are better able to identify high performance producers and supply advice to lower performing producers.
- Stock agents demonstrate a reluctance to pass any feedback to their producer clients.
- Feedback typically only received where producers sell over-the-hooks.
- Feedback has been well promoted to processors and producers while there is a general awareness of its availability amongst retailers and stock agents.
- PDOs have played a major role in the uptake of feedback particularly amongst producers and processors.

It would appear that systems for the feedback of information from processor to producer are well in place albeit subject to a producer selling OTH. We consider the focus for feedback should now switch to provision of carcass quality information (eg, meat colour, fatness etc) from retailers and food processors to producers. A pilot program could be introduced and tested by working with established supply chains within the VBM program.

4.4 Leveraging Obtained from association with State Departments

The assistance provided by MLA has typically been at least matched by respective State Governments for the delivery of the VBM program (see section 4). Although MLA contributes more to the VBM program than the funding of PDOs, Figure 11 shows that PDOs and State Government personnel consider MLA receives substantial leverage for the VBM program through delivery via the State departments.

Figure 11: Leverage Obtained from State Departments



Key issues made in relation to leverage included:

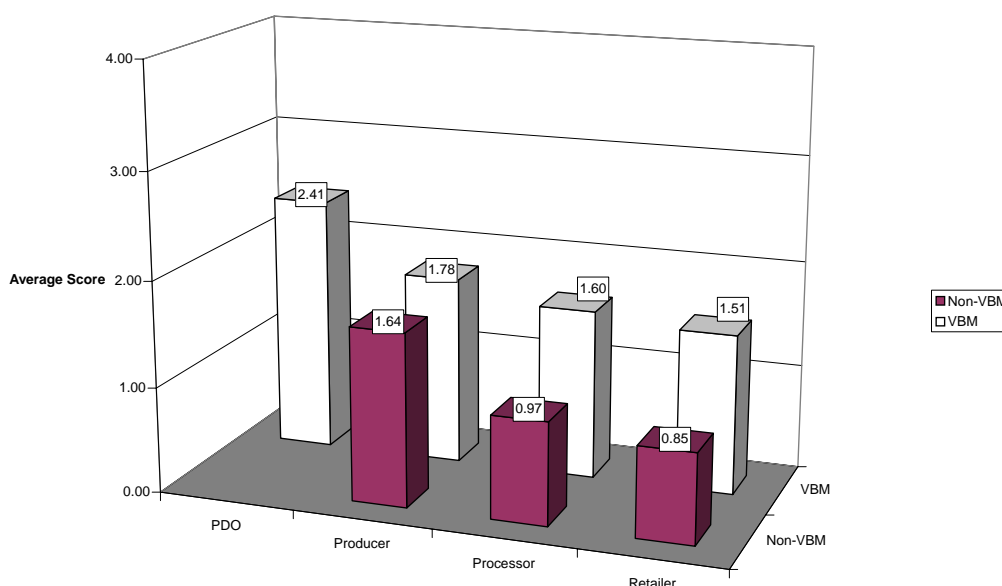
- Despite the leverage obtained from the states there needs to be a National focus in relation to the placement of PDOs so that they are based in regions for maximum impact. Minimal leverage is obtained in Tas which does not receive MLA funding for a PDO position, however, in Qld a portion of State funding (estimated \$100K) is reported to be allocated to VBM programs despite no direct funding from MLA for a PDO. (Any leverage obtained by MLA from either Tas or Qld was not reported in section 4).
- Under the existing regime, PDO skills and knowledge need to be shared across State boundaries.
- Typically there is a close relationship between the objectives of the VBM program and respective State based programs. However an anomaly does exist in WA particularly in the manner in which projects and staff are administered within Agriculture WA.
- Some PDOs are not working 100% of their time in the VBM program and this could reduce their overall effectiveness in relation to the program.

4.5 Future Roles of the PDO and the MDO

Figure 12 provides the average score by industry group of the future role PDOs and MDOs could play for the advancement of the VBM program. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 2.0-2.8, 1.1-2.7, 0.4-2.1 and 1.1-2.0 respectively.

PDOs were far more optimistic about the role they could play than other industry groups, however, this is examined in more detail in sections 5.5.1 to 5.5.3.

Figure 12: Future Role of PDO/MDOs by Industry Group



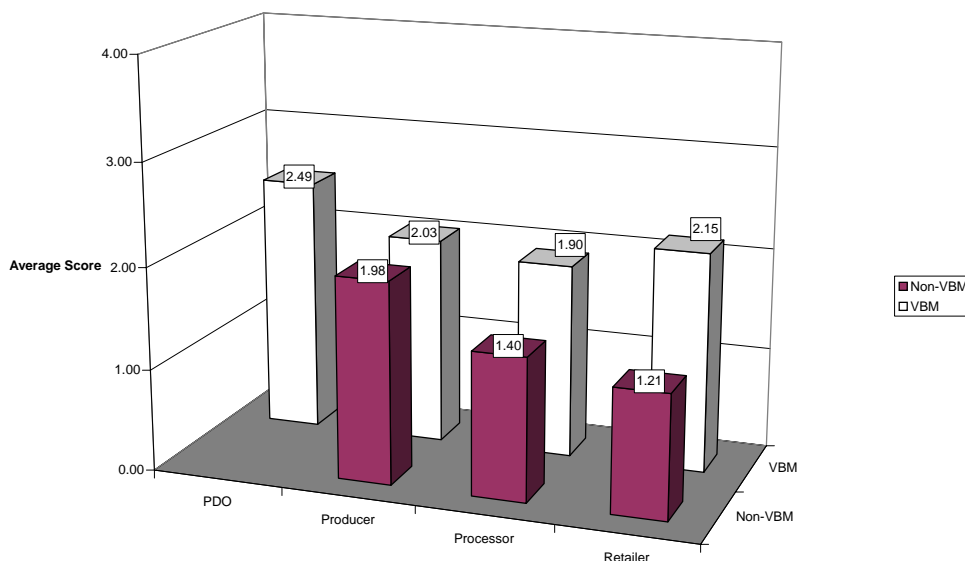
4.5.1 Role of PDO and MDO

Figure 13 provides the average score by industry group of the role PDOs and MDOs could play for the advancement of the VBM program. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.9-3.0, 1.0-2.7, 0.8-2.5 and 1.5-2.7 respectively.

The main issues raised by respondents in respect to role played by PDOs were:

- PDOs, producers and processors all saw a need to expand the VBM program to a broader group of producers than were currently involved. We consider this is unlikely to be achieved with the existing resource base.
- Undertaking a needs analysis of all segments within the supply chain was seen as important by most producers, retailers and some PDOs.
- PDOs, processors and retailers considered there was a need to place greater emphasis up the supply chain than had occurred in the past.

Figure 13: PDO and MDO Role by Industry Group



With respect to MDOs, the main issues were:

- A need to continue working with retailers in the development of new product concepts that would assist increasing consumer demand for lamb.
- Expansion of the MDO role to other States.

Contingent on budget constraints, we consider MLA should consider focussing on the larger retailers (eg, supermarket chains) in order to get a higher return from their investment.

Furthermore, consideration should be given to the utilisation of the MLA Retail and Food Service Team as MDOs to expand the VBM program to a broader group of retail and food service clientele.

Most respondents (88%) considered there was a need for PDOs to be involved in dissemination of information on new technology and being involved in its introduction, particularly where that technology had already been proven.

Most PDOs (75%) considered carcass competitions should only be run where they were based on VBM principles or could be used as an education tool, however, 62% of producers saw them as limited value or a waste of time.

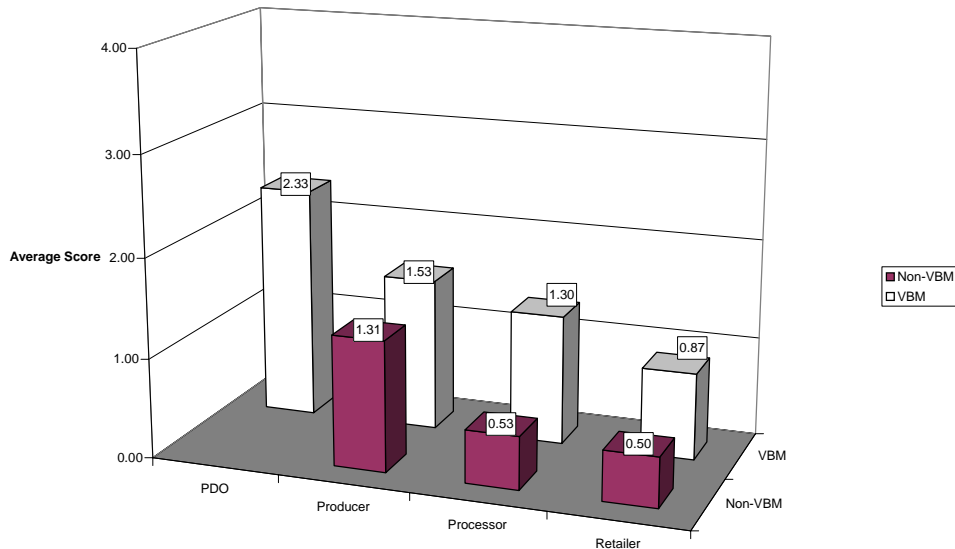
4.5.2 Role of Agents

Figure 14 provides the average score by industry group for the role of livestock agents in the VBM program. For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.7-2.7, 0.7-3.0, 0-2.0 and 0-1.7 respectively.

The responses by industry group shown in Figure 14 suggest that other than for PDOs and some producers there was little to be gained from involvement of livestock agents in the VBM program. Notwithstanding this, we therefore consider there could well be an opportunity to utilise livestock agents to develop networks amongst those producers who are currently

outside the VBM program. The alternative would be to increase the number of PDOs thus increasing the overall cost of the VBM program.

Figure 14: Role of Agents by Industry Group



Although no respondents considered livestock agents could undertake the full role of the PDO because of their perceived lack of independence in the marketing process, they do offer a potential resource that is already well networked with producers and could easily assist in the uptake of VBM providing they could see a benefit for themselves.

The major issues that would need to be addressed if agents were to be utilised in expansion of the VBM program include:

- Clearly identify needs and requirements through consultation with senior management of all livestock agencies.
- Specifically involve livestock agents in the roll out of genetic improvement (EBVs) and feedback technologies to producers.
- Provide a range of training for livestock agents including live animal assessment and OTH selling workshops.
- Ensure training is provided to livestock agents in a non-threatening environment (ie, do not combine producer and agent training days and consider 'within company' agent training days).
- Target the younger livestock agents who are less likely to have developed a strong traditional outlook.
- Promote use of livestock agents in the formation of producer groups rather than alliances where processors and retailers may consider agents have a commercial interest and are therefore not independent.

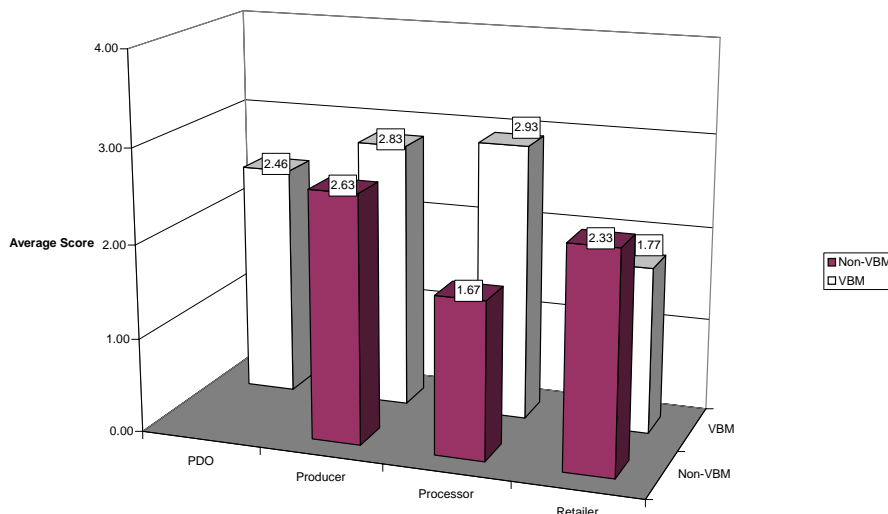
- Identify livestock agents with good facilitation and communication skills to lead producer groups with coaching provided by their local PDO.

In addition to working with livestock agents, PDOs should separately build similar working relationships with processor livestock buyers. The intention would be to have these livestock buyers develop supplier alliances while the livestock agents work with producer groups.

4.6 Funding of the PDO and MDO Roles

All industry groups were united in their support of on-going funding for the roles of PDO and MDO, however, retailers were less likely to have an idea of how resources should be best spent (Figure 15). For all respondents within the VBM program, PDO, producer, processor and retailer responses ranged 1.5-3.0, 2.0-3.0, 2.7-3.0 and 0-2.5 respectively.

Figure 15: Funding of PDO and MDO Roles by Industry Group



Most respondents (61%) supported funding for both PDOs and MDOs based on a 50:50 model for MLA:State government. However the remaining respondents preferred a funding model that would deliver a more national approach than was currently perceived through the MLA:State government funding model. Within these respondents a majority saw producer funds supporting the role of PDO while processor funds supported the role of MDO.

The issue of continued leverage from State governments where MLA funds are provided should be considered in light of the need:

- for a national coordinated approach to utilisation of PDOs and MDOs based on geographic regions.
- to target key accounts (eg, Coles, Woolworths).
- for some or all States to utilise PDOs for programs of State importance that are outside of the VBM program (eg, environmental and sustainability issues).

To ensure resources were spent in a manner to ensure the greatest chance of success, 43% of respondents considered some form of public-private good model should be used based on

extensive consultation, another 16% considered extensive consultation of the private good should be undertaken while 38% of respondents did not offer an option or were unsure how funds could best be spent. We consider respective time inputs to individual groups and alliances should be based on the potential impact of that group. (eg, bringing Coles and/or Woolworths on board should be given commensurately more time and effort than dealing with a single retailer alliance).

Most respondents were keen for greater industry say in how funds were spent. This might be achieved through inclusion of suitable industry representatives at National meetings of the Lamb Development Team. Separate sessions including either producer, processor or retailer representatives could be used to ensure targets set and strategies developed were relevant to current industry developments and needs.

5. CONCLUSIONS AND RECOMMENDATIONS

This review has shown there is a general consensus of support for the continuation of the VBM program albeit this is greatest amongst producers and possibly retailers. Most targets set during the course of the VBM program have been met or exceeded. Those that have not been met tend to reflect poorly defined targets.

We consider there are three main strategies for the continuation of the VBM program:

1. The VBM program should target the remaining 80% (estimated) of producers not actively involved together with greater involvement of processor and retailer participants.
2. Support existing participants to move to margin-based pricing within supply channels, incorporation of additional quality criteria into feedback and margin based marketing mechanisms.
3. Broaden the scope of the program to include lamb finisher, merino lamb and mutton marketing and supply issues.

Although the current roles of PDO and MDO have served the VBM program well up to this point, expansion and development of the VBM program will require an alternative approach. Our recommendations for the continuation of the VBM program in relation to addressing the three broad issues listed above are made in sections 6.1 to 6.3.

In summary, we consider there is a need to change the nature of engagement of PDOs within the VBM program from salaried positions within State government departments to contractual arrangements with suitably skilled personnel based on defined jobs or projects. This may or may not require involvement of personnel from State governments, the inclusion of who would be based on their relative skill base in relation to the projects/jobs to be contracted within the program. Overall coordination of the projects and jobs being undertaken within the VBM program should reside with the Program Coordinator.

5.1 Achieving Greater Adoption of VBM

Although the adoption of new technology (eg, Lambplan, LLL) appears to have had a widespread adoption throughout the industry, as evidenced by the increase in average lamb carcase weight whilst maintaining average lamb carcase fatness, the adoption of other

aspects of the VBM program (eg, OTH trading, supply chain management) appears to have been confined to approximately 20% of the target population namely the 'innovators' and 'early adopters'. The characteristics of different groups within producers, processors and retailers in their adoption of new products or concepts such as VBM can be likened to general marketing principles as discussed by McCarthy and Perreault (1984) and summarised in Table 13.

Table 13: Characteristics of Customer Groups in the Adoption of New Products

Group	% of Population	Characteristics
Innovators	3-5	Risk takers, 1 st to adopt, able to apply & understand complex information, Business firms usually large & specialised, rely on impersonal & scientific information sources
Early adopters	10-15	Opinion leaders, unlike innovators tend to have fewer contacts outside their own community, Business firms tend to be specialised, greatest contact with salespeople
Early majority	34	Risk avoiders, look to early adopters for success of concept, Business firms tend to be average size and less specialised, information seekers
Late majority	34	Sceptical & cautious, traditional outlook, Business firms tend to be smaller-size & conservative, little use of marketing sources of information
Laggards	5-16	Suspicious of new ideas, very traditional, cling to status quo

The current strategy of using PDOs and MDOs to promote the VBM program whilst successful for the 'innovators' and 'early adopters' requires change if MLA wants to succeed in getting adoption of VBM or supply chain management within the 'early majority' and subsequent 'late majority' groups. Our recommendations for how to achieve this within the producer, processor and retailer sectors and the reasons for them follow:

5.1.1 Producers

The existing PDOs are unlikely to achieve substantial increase in the adoption of supply chain management amongst producers without a commensurate increase in the number of personnel. Resources should therefore be reallocated from funding of State-based PDO positions to:

1. Livestock Agents and/or Livestock Buyers to enable promotion of supply chain management to a broader group of producers (ie, 'early majority'). Selected PDOs could deliver appropriate training to selected Livestock Agents/Buyers and provide a subsequent coaching role. Resources would be entirely funded by MLA and managed and coordinated on a national basis by the VBM Program Coordinator. The strategy should address:
 - Obtaining commitment from senior management.
 - Development of tailored training programs for delivery in-house to individual companies. Training programs should be tailored to meet the specific needs of individual agencies whilst not compromising the VBM program.

- Training programs to cover but not be limited to technical and market issues, interpreting and understanding feedback, and live animal assessment.
 - Targeting the younger, less traditional personnel within individual agencies and with the support of senior management undertaking a training needs analysis.
2. Mass promotion of supply chain management principles through delivery of appropriate training programs to access the 'early majority'. It is unlikely the existing PDO resource base would be able to deliver the level of training required. MLA should investigate the opportunity to utilise existing producer training programs (eg, incorporation into EDGE marketing modules, subsidised training courses run by existing 'approved' training deliverers).

5.1.2 Processors

Processors were mixed in their response to the need for assistance from PDOs. We consider this largely reflects the different needs of individual processors in relation to their type of enterprise. We recommend therefore that MLA:

1. Undertake a thorough needs analysis of all lamb and sheep meat processing enterprises and develop key account strategies for the major processors. These strategies should cover but not be limited to:
 - Provision of scientific and technical information to 'innovators' via existing MLA communication channels.
 - Delivery of in-house training programs specifically developed for livestock buyers and sales and marketing personnel.
 - Assistance with alliance development on an as requested basis.
2. Revise the existing MDO role to that of key account management for 'early adopters' or consider provision of this role on a contract basis through 'approved' meat industry consultants.
3. Forge closer links with the Processing and Product Innovation group of MLA and AMPC to utilise their communication channels for accessing the 'early majority' group of processors.

5.1.3 Retailers

Those retailers who have received direct support from an MDO consider they have benefited from the experience. However, if MLA is to make any substantial impact at the retail end of the supply chain either the focus must change to meeting the needs of the major retail players or a substantial investment in personnel to service all retail outlets would be required. We therefore recommend that MLA:

1. Provide key account management to the main retail players (eg, supermarkets and retail butcher chains) that will include a combination of 'innovators' and 'early adopters'. Determine their respective needs and develop strategies to encourage them to embrace supply chain management principles incorporating VBM.
2. Explore any opportunity to utilise the existing MLA Retail and Foodservice Team to promote supply chain management to the 'early majority' segment of retailers.

5.2 Supporting Existing VBM Participants

Although we recommend the primary focus of MLA be on attention to 6.1 we recognise the need to ensure existing proponents of supply chain management receive adequate support that includes introduction to new and beneficial technologies and pricing/contract mechanisms as they come to hand. This should not be misconstrued to mean that we are advocating all existing alliances should receive high levels of administrative and leadership support from existing PDOs. Rather we recommend that MLA:

1. Provide ongoing support to those alliances that have clearly demonstrated an ability and desire to be self-perpetuating. This support should be in the form of key account management with clearly defined objectives for each alliance.
2. Ensure these alliances continue to prosper and expand through the introduction of new technology, exposure to alternative supply chain pricing and contract mechanisms, and the provision of strong communication channels.

5.3 Extending the VBM Program to Other Industry Sectors

Ancillary components of the VBM Program such as Lambplan have been successful in ensuring the right product is available for effective supply chain management. While Lambplan has had substantial impact on 'prime' lamb industry, other sectors within the lamb and sheepmeat industry seek assistance. We therefore recommend that MLA:

1. Pursue expansion of Lambplan to address mutton and LLL production from Australia's merino flock.
2. Through Lambplan and the VBM program promote and develop long-term breeder/feeder alliances that include genetically superior lambs for finishing by specialist lamb producers.

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