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Factsheet

MARKETING SHEEP AND LAMBS

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Sheep marketing is the job of assembling, sorting, transporting, slaughtering, processing and pricing sheep and/or lambs and distributing their subsequent products. Marketing in the Caribbean is a complex and costly job, complicated by the fact that sheep and lamb production is widely dispersed over each country in the region, that farmers generally have small flocks and that the sheep enterprise is generally an appendage to other farm enterprises or to non-farm activities.

The relatively small volume of sheep meat (mutton and lamb) marketed within each Member State by itself places sheep meat at a distinct disadvantage relative to other meats (beef, chicken, pork and fish) from the point of view of butchers, abattoir management, supermarkets, specialised meatshops, hotels, restaurants, etc.

It is therefore important that the producer understands the various marketing alternatives and different methods of pricing and marketing.

MARKETING METHODS

Within CARICOM there are not many marketing alternatives for sheep and/or lambs or for mutton. In general, however, the marketing alternatives call for different methods of marketing and pricing; hence the need to consider the various factors involved and to compare alternatives before making a marketing decision.

DECISION LEVELS

The marketing process embraces four decision levels.

- deciding on a cash (spot) or contractual sale.
- deciding on a method of price negotiation.
- deciding if the sale is to be on a live or carcass basis.
- knowing and understanding the terms of individual transactions.

CASH OR CONTRACTUAL SALES

Cash (Spot) Sales

Cash sales for sheep and lambs are normally found in the "traditional" marketing channels in the region. In general, most middlemen, (traffickers, butchers, speculators) operate on a cash basis. In addition, most auctions, terminal and direct marketing transactions, both on a live and carcass basis, operate on a cash (or spot sale) basis.

Prices under the spot sales mechanism are negotiated either on a live or carcass basis by individuals through private or public negotiations, through co-operative group activities or by some method of formula or contractual pricing arrangement.

Advantages to cash sales

- Price is determined quickly.
- Title is transferred promptly (ownership passes from seller to buyer immediately).
- Marketing costs, if any, are known and paid soon after the transaction.
- Farmer receives payment immediately or withina few days.

Contractual sales

While contracting for the advanced delivery of (weaner) lambs and slaughter lambs is common within the sheep industries of several developed countries, this mode of sale is almost non-existent within CARICOM. There are, however, isolated cases in which farmers have received part-payment on a particular animal with the understanding that the buyer will take delivery at a particular point in time in the future, when paying off the outstanding balance.

Pricing under contractual sales may be determined in a number of ways which are not knowingly practised within the region.

Both the advantages and disadvantages of contracting would need to be considered by each party before reaching any decision on a contract-selling arrangement.

PRICE NEGOTIATION

In general, there are four ways in which sheep and lamb prices are established. These are:

- Private treaty
- Auction
- "Offer and acceptance"
- Formula and/or forward contract-pricing

Within the major sheep producing countries of the world, these methods are used in varying degrees at different levels of sheep and lamb marketing. Each method has advantages and disadvantages for the parties involved. Within CARICOM, private treaty is most prevalent. In fact it is still believed, even on a worldwide basis, to be the most common method used to establish sheep and lamb prices.

There seem to be some isolated incidences of "offer and acceptance" selling within CARICOM. Some farmers dispose of their lambs in this way to supermarkets in Barbados.

Tobago has the unique distinction of farmers coming together to publicly auction their sheep. On the other hand a large farmer in Barbados recently sold over 200 head by auction.

Private treaty

As the name suggests, this method of sale embraces a private negotiation directly between buyer and seller. This transaction generally takes place on the farm where most live animals are sold.

Auction

The act of auctioneering essentially puts buyer against buyer, without the sellers becoming actively engaged in the pricing process. Once the volume is large enough to operate an efficiently-sized market and attract sufficient buyers, auction selling is quite a satisfactory method of pricing. It is obvious that the act of having several buyers bidding against each other is advantageous to the sellers.

Offer and acceptance

Offer and acceptance pricing is a method whereby sellers make offers to buyers to supply given quantites of specified products. The buyer then has the option of refusing or accepting the offers made by individual sellers. It is important to note that in this situation, several sellers are bidding against each other. This is advantageous to buyers.

Formula pricing

Formula pricing is almost completely opposite to pricing by auction or private treaty negotiations, since prices are related to some other price base through a formula. This method of sale is quite common throughout the livestock industry of the developed world, particularly at the wholesale level.

LIVE vs CARCASS SALES

Live sales either through a private treaty arrangement, an auction or formula pricing have continued to be the most common way in which sheep and lambs are sold.

However, increasingly, producers in the major sheep producing nations have the option of marketing slaughter lambs on a carcass basis. This of course requires thorough knowledge of the way in which live lambs will grade on a carcass-yield/"cut-up" basis. This is so because carcass-pricing systems are designed to reward producers with lambs having a high carcass yield and to seriously discriminate against lambs with low yielding carcasses.

The practice of carcass-based sales is likely to increase as emphasis is placed on the use of carcass yield grade/ "cut-up" standards.

VARIATIONS IN INDIVIDUAL TRANSACTIONS OR TERMS OF TRADE

Individual producers must consider several factors when making a decision on marketing sheep and lambs. These include:

- prevailing market price
- weighing conditions
- time before receiving payment
- risk involved in marketing in a given manner or to a particular person or market
- cost of transportation
- amount of shrinkage involved
- sorting and grading practices before weighing and pricing

It is inevitable that each farmer establish their own guidelines and procedures to follow in deciding how and where to best market their sheep and lambs.

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