

Student 1: Low Excellence

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An example of a NZ business that has succeeded in adding value to their product through innovation of the value chain is A Lamb Business (ALB) which is a NZ owned co-operative that was started in 2006 by a group of farmers who were determined to find a breed of sheep that were suited to the high country and would thrive in that environment. ALB has used genetic testing and scientific developments to find a mix of Romney, Texel, Finn and Perendale sheep that have a particularly high level of omega 3. This breed is called Te Mana which has got intramuscular fat rather than fat that is distributed on the outside of the cut of meat. This means that the cuts of lamb can stay tender when cooked which is appealing to many chefs and has many health benefits for the consumers because of the high omega 3. ①

The value chain for ALB starts with selected farmers who all share the same views on how they farm and are interested in breeding a sheep that is different to the market sheep. Farmers of the Te Mana lambs are the most important step in the value chain of ALB as without the farmers there would be no product to sell. Because ALB is also a co-op business meaning that the farmers have shares in the business, without these shareholders there will be no ALB business. There are 50 farmers who currently produce Te Mana lambs for the business. These farmers have worked with geneticists and scientists to come up with this breed and discover that by feeding the lambs on chicory for 30 days before they leave the property the amount of omega 3 is increased. ①

After these 30 days on chicory the lamb is sent to the freezing works to be killed. ALB have formed a partnership with Alliance freezing works meaning that Alliance has agreed to cull their stock separately, package and sell separately from all the other breeds of sheep that go to the processing plants. This is the second step in the value chain. Together they have come up with an electronic ear tag that is able to determine where the animal came from and that it is part of the ALB breed. This allows Alliance to keep the breed of sheep separate from normal stock. When the animal enters the freezing works it is culled, the rump and lamb racks are cut and sold on to restaurants. None of the animal goes to waste so the cuts that are not ideal are sold to pet food companies. ④

The third step in the value chain is the product going from Alliance freezing works to the customers which are restaurants or, to a much lower extent, pet food companies. ALB are very selective about where they sell their meat to, as they want to keep it as an upmarket product. There are only around 60 restaurants around the world that sell Te Mana lamb to consumers. The meat is very desirable for these chefs because of the high omega 3 content and the intramuscular fat. High omega 3 means that the lamb is healthier for consumers than other standard lamb cuts. The intramuscular fat is ideal for the chefs because when it is cooked the fat that is marbled through the meat rather than sitting around the outside of the meat. This enables the meat to stay tender throughout the cooking process and the juices stay in the meat so the chefs can consistently cook the meat perfectly. These attributes mean that the chef can prepare the product and sell it to diners for a premium price than what any normal range of meat would sell for. ALB do not supply Te Mana lamb to the supermarkets as this will cheapen the brand. The idea is to keep Te Mana lamb as a premium product and charge a premium price for it. At this stage in the value chain the animal carcass creates 35% more value than what any normal carcass would make. ② ⑥

The final step is when the meat reaches the consumers. Consumers can only buy the meat from 60 restaurants around the world. Because ALB have come up with a way through genetics to improve the eating experience, increase health benefits, flavour, consistency etc consumers are willing to pay a higher price for the cuts of meat compared with what they would for other cuts. High omega 3 in an animal is appealing to meat eaters as omega 3 provides many health benefits. Te Mana lambs have just about as much omega 3 in them as salmon which is well known for being high in this same fatty acid. Te Mana lamb also contains more polyunsaturated fats (good fats) than other lamb cuts which have more saturated fats. The fat in these cuts are intramuscular instead of being around the outside of the cut of meat which helps to make the eating experience better as the meat is kept succulent instead of drying out easily. PH levels in lambs is very important as it determines the taste of the lamb. Te Mana lamb have a low pH which means the taste of their meat is more favourable for eating. ②

ALB's focus on increasing the omega 3 content in its meat is an example of the company being innovative in order to add more value to their product. This innovation came about because ALB ran a progeny test through a whole flock of rams and traced back to one ram that produced offspring who have a high omega 3 content and intramuscular fat. ALB realised that these were desirable traits for a lamb, so they kept his male offspring to breed from. The rams were sent to the 50 farms that supply to ALB. These farmers crossed the high omega 3 rams with Finn, Romney, Texel, Perendale ewes to start with. The more they have bred the higher the amount of omega 3 will be in the lamb because by now both parents will have omega in their systems. While ALB was testing, they found that if they finished the lambs off on chicory it boosts the omega 3 content even more. Many other farmers and companies are using genetic programs to acquire a certain breed or characteristics, but no one can have this exact same breed as what ALB has as they own this breed. This means that no one can compete against them with the exact same product. For ALB to increase their income even more they could cross their high omega with a high offspring rate. This would mean that they could produce more offspring that are high omega from less ewes. ① ⑦

ALB's innovation through a breeding program has added greater value to the product as it has created a breed of lamb that has a point of difference compared with any other breed meaning they are then able to charge more for their product. Many consumers these days are very health conscious and very ethically minded. Te Mana lamb has many health benefits such as high omega 3, low pH and polyunsaturated fats in the cuts of meat. This appeals to many consumers who want meat that has less of a negative impact on their health. These people are more open to paying a higher price for their meat cuts. As there is no other lamb like Te Mana ALB can charge a higher price per kilogram.

2

It is important to ALB that their farms minimise their impact on the environment. For example, many of their farmers are using environmental plans or using strategies such as planting natives, fencing waterways etc. This allows ALB to ethically maintain the image of clean green farming. This is appealing to the consumers because there is a lot of negativity about farming having such a detrimental effect on the environment. This adds value to ALB meat as restaurants learn the story about the farming practices behind Te Mana meat and are willing to pay more for the product because of the point of difference. ALB farms also pride themselves on being ethical towards their stock. The farmers like the ewes and lambs to live stress free lives. One practice is to separate ewes from their lambs just before they go onto the truck, so they do not have the extra stress for days beforehand. Having low stress stock also helps improve the taste of the meat so it is a win-win situation by keeping their stock stress free. Ethical farming is also helping to meet the market's future needs as people are starting to only want to buy products from companies who can prove that they have treated their animals in a humane way. The traceability process ALB uses provides customers with a background story about where that exact piece of meat has come from and gives an insight into the farms' environmental and animal-care practices. Traceability meets market needs as customers of high-end products such as Te Mana lamb have come to expect the ability to learn all about the meat they are buying.

5

Another way that ALB has met market needs is by using a natural breeding program to obtain their high omega 3 lambs rather than a genetically engineered program. This is a unique selling point for ALB because again, this is a more ethical way to breed the lambs. People will see it as a more natural way. This breeding innovation has an impact on the whole value chain not just one specific part. With the breeding program that ALB runs it impacts the first stage of the value chain hugely. Farmers must work with geneticists and scientists to ensure that their stock is still carrying the high omega 3 gene which can have an impact on them as it can mean that there is more work involved than just having any regular breed. A positive impact that this innovation has on the farmers is because ALB is a co-operative business the money goes back to the shareholders (farmers) and because ALB can charge 35% more per carcass than regular lamb the farmers benefit financially.

6

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The consequence of this is that the farmers are getting a higher economic return from income and profit than farmers of other market breeding lambs. This enables them to put money back into the farm to grow their businesses. Another way that this is influencing farmers is the business is continuing to expand meaning that they will need to employ more farmers. This has a positive social effect as it is providing jobs for people.

7

The next step in the value chain is Alliance freezing works. The breeding innovation affects the freezing works because they need to keep the Te Mana lambs separate from the regular lambs. [Further detail of freezing works processes has been omitted from this exemplar.] The consequence for the freezing works is the need to invest money into the separation system. But this would have been economically worth it as they are getting all the Te Mana lambs to cull which is bringing in a large income.

4

The next step in the value chain is the distribution. Te Mana lamb value chain is different to the usual chain for market lambs as the business can skip a step and supply straight to top end markets. ALB eliminates the step of going to the supermarkets and foodstuffs for distribution and will just go straight to restaurants where it is sold to consumers. The distribution stage of the chain has been affected by the innovation because without the selling point of having high omega 3 they would not be able to get into these high-end markets. By skipping the distribution step through supermarkets and foodstuffs, ALB can charge a higher price for the lamb as Te Mana is seen as an exclusive product.

3

ALB has realized that the demand from their products is high, so they have started to increase the amount of stock that they are producing. They started in 2006 with only one high omega 3 ram, now they have 250,000 breeding ewes. Realising that the unique makeup of the Te Mana breed is desirable to consumers and farmers, ALB is currently seeking more farmers to expand the company. This allows the product to meet future needs as more meat will be produced and will be able to be supplied to new restaurants who want Te Mana on their menus. This is meeting the market's future needs because the market for meat is always going up and down and when the price for lamb drops ALB will still be able to make a reasonable income from what they are selling. Also, because they are charging more per carcass, they can invest some of that money into other ways to meet future needs. For example, they could invest some of the extra earnings into environmental protection. They may be able to purchase more land, maybe dairy land. This will have a positive effect on the environment because sheep farming is less intensive on the land than dairying so by converting to sheep it will benefit the land.

5