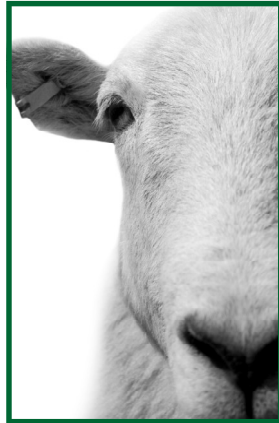


# Ontario Wants Ewe

Emerging Trends and Opportunities in  
Ontario's Lamb and Goat Industry



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## EXECUTIVE SUMMARY

Ontario's lamb and goat industries are in the midst of unprecedented growth. Data from various sources indicates that both sectors will continue to grow for many years to come. What makes these industries particularly attractive to both new producers, as well as to established producers who would like to expand operations, is the fact that favourable ethnic population trends, producer retirement trends and declining flock and herd sizes all suggest that the time to enter the lamb or goat sectors has never been better. The opportunities are so great that both sectors can accurately be characterized as "success stories waiting to happen."

Although both sectors offer incredible opportunity, they are not challenge free. New, as well as experienced producers must evaluate past practices and adapt to the current market place. Rather than adhere to a business model that promulgates isolation and that is often perceived as predatory, new and experienced producers should strategically align operations to deliver added value to the consumer, while simultaneously increasing revenues and margins. In other words, business practices should strive to utilize value chain management as opposed to supply chain management strategies.

By utilizing value chain management practices, all constituents along the value chain (producer, feeder, auction house, abattoir, wholesaler and retailer) can better meet the needs of the consumer. Rather than force a product through to the consumer – a product the consumer may not want – the consumer should pull a product along the chain through demand. Research clearly shows that Ontario consumers want Ontario grown lamb and goat. However, the serious shortfall in producers of Ontario lamb and goat means that the consumer is not receiving the product they desire. Consequently, many lamb and goat value chains cannot function as efficiently and profitably as they might otherwise.

It is hoped by those in the lamb and goat industries that this shortfall in producers can be remedied and that the supply of Ontario lamb and goat can significantly increase in the years to come.

*Ontario's lamb and goat sectors are emerging as premiere farming sectors in the province.*

*Lamb consumption will outpace the consumption rates of all other meat in Canada.*

## **PART I: OPPORTUNITY**

Ontario's lamb and goat industries are emerging as the premiere farming sectors in the province. Unprecedented and increasing demand for both lamb and goat products make both sectors "success stories waiting to happen."

Lamb and to a lesser extent, goat consumption rates can accurately be characterized as burgeoning. Surging consumer demand brought on by favourable ethnic population trends, an aging population and declining flock populations have attracted the attention of the Canadian Sheep Federation (CSF), Ontario's Goat Breeder's Association (OGBA) and the Ontario Sheep Marketing Agency (OSMA). All agree that Ontario's sheep and goat sectors are poised to see significant growth over the next five years.

The appeal of the two sectors to potential producers becomes even more striking in the face of current producer retirement trends. Many producers have retired or are on the verge of retirement. New producers will need to emerge and fill the vacancies created just to maintain Ontario's current production numbers.

In short, the Ontario lamb and goat industry offers, as the CSF has indicated, "Huge opportunities...to grow markets, increase value for all stakeholders, and secure the prosperity of the industry for the future." The current market offers incredible opportunities for new producers to enter the industry as well as for established producers to expand operations and to capitalize on the growing lamb and goat sectors.

### **Lamb and Goat Industry Trends**

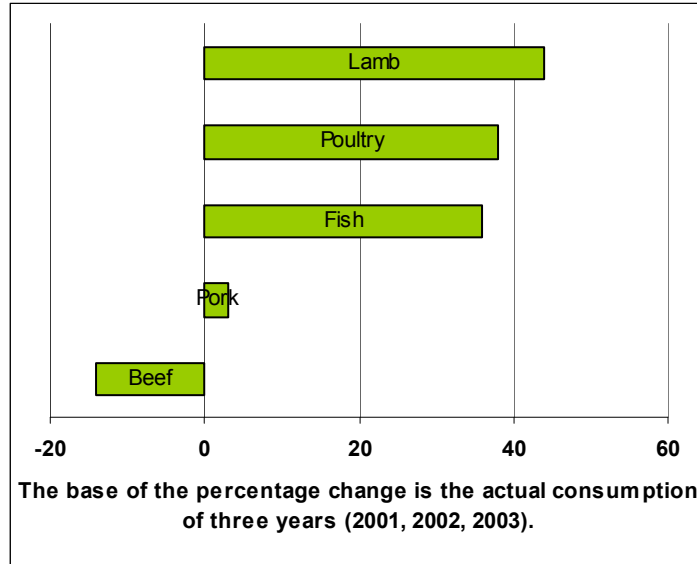
#### *National Context*

The Canadian lamb and goat industry has entered a unique and desirable phase in its development. Few Canadian industries can claim that market demand for their product outstrips supply — such a claim can be made by the lamb and goat industry.

Between 1997 and 2007, lamb consumption in Canada increased by 63%. According to CSF, the per capita consumption of lamb in Canada grew to 1.21 kg in 2006. This steady increase in consumption is expected to continue for many years to come. In a recent study, on behalf of Agriculture Canada, Serecon estimated that lamb consumption rates would increase by more than 44% by 2020. Lamb consumption will outpace the consumption rates of all other meats: poultry, fish, pork and beef. Figure 1.1 summarizes the expected percentage change in meat consumption to 2020.

*The demand for goat meat clearly exceeds the supply in Canada — a poll of local butchers showed “there is never enough meat.”*

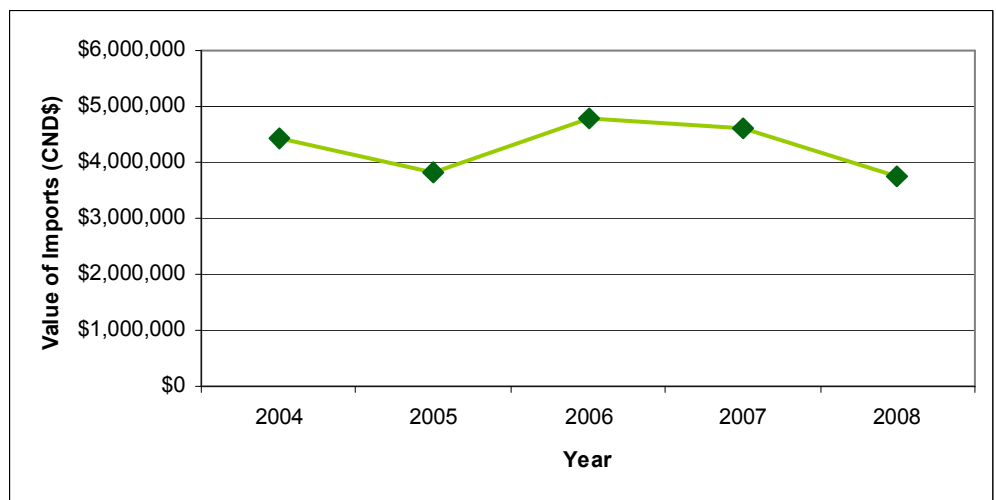
**Figure 1.1: Canadian Meat Consumption Projections, 2003/2020**



Source: Agriculture Canada, **Canadian Food Trends to 2020**

Like the lamb sector, the Canadian goat sector also appears poised for growth in the years to come. Although catering to a much smaller consumer base than lamb, the Canadian goat market is quite robust. The demand for goat meat clearly exceeds the supply in Canada — a poll of local butchers showed “there is never enough meat.” Although the data related to goat consumption rates in Canada is sparse, the steady volume of goat meat (chevon) imports from around the world, especially New Zealand and Australia (see figure 1.2) as well as the increasing size of the Canadian goat herd (see figure 1.5), clearly suggests that consumption of chevon is steadily increasing.

**Figure 1.2: Value in Canadian Dollars of Goat Meat Imports from All Countries**



Source: Agriculture and Agri-Food Canada, **Imports from All Countries**

**Buying Local:  
A Sustainable Ontario Trend**

As Ontarians grow more conscious of the environmental impact of their food choices, their desire to buy local has grown exponentially.

The aging baby boomers, and their children, are evermore conscious of the environmental footprint left by their food choices.

Current research shows that Ontarians prefer to consume not only locally grown produce, but also the meat of locally raised animals, including lamb and goat.

To them local means: fresher, tastier and healthier. It also means their environmental footprint is significantly reduced.

*Changing demographics throughout Canada mean that more people are eating lamb and goat more often.*

***The Ontario Context***

Like the nation itself, Ontario is also experiencing incredible demand for lamb and, to a lesser extent, goat products – the shortage of both, though, is more acute and immediate in Ontario.

These shortages have created incredible opportunity for new and established producers. Three specific trends have created this unique opportunity. They are:

1. changing demographics,
2. changing lamb and goat flock sizes, and
3. a reduction in the number of producers.

**Growing Ethnic Populations**

Changing demographics throughout Canada mean that more people are eating lamb and goat more often.

Ethnic immigrants are the highest consumers of lamb and goat, and represent the fastest growing demographic segment in Canada. Serecon estimates that within the next decade one out of every five persons will be a visible minority; this translates to between 7 and 9.3 million Canadians. More significantly, many of these new Canadians are arriving from regions in the world where lamb, mutton and goat are a staple meat for consumption or used in religious practice.

West Asian, Korean and Arabian immigrants are the fastest growing populations in Canada – all of these cultures are lamb consuming cultures. For example, people immigrating to Canada from the Asian region are from cultures where lamb and mutton make up 26% of meat consumption. Similarly, those arriving in Canada from southern Europe, the Middle East, southeastern Asia and parts of South America are consumers of goat. Multiple sources have suggested that over 60% of red meat consumed worldwide is goat meat.

What is clear about this trend is that as new immigrants arrive in Canada from traditional lamb and goat consuming nations, the domestic demand for lamb and goat meat in these ethnic markets will continue to increase.

The influx of ethnic immigrants has specific consequences for Ontario. Statistics Canada reports that Ontario has been and will remain the province of choice for newcomers to Canada. In the 2006 Census, more than half (53%) of the 1.1 million newcomers who arrived in Canada between 2001 and 2006 chose Ontario as their home. Most of these foreign-born Ontarians lived in the metropolitan area of Toronto (68%). While an additional 18% chose to reside in other parts of southern Ontario. The top source countries for recent

### Ethnic Holiday Demand for Lamb and Goat Meat

Peak lamb and goat consumed periods in Ontario follow ethnic religious holiday. Please note the chart below does not record the dates of the holidays as they change form year. Please consult a religious holiday calendar for current and projected holiday dates.

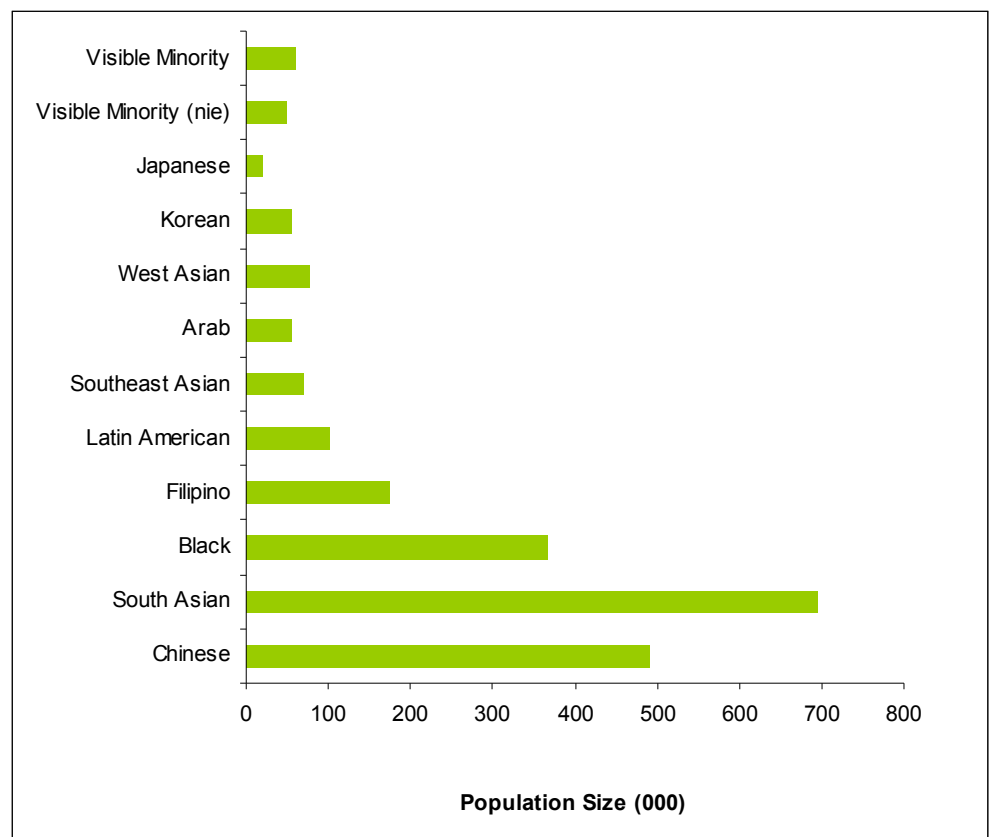
Religion and Holiday	Lamb (lbs)	Goat (lbs)
<b>Islamic</b>		
Eid ul-Adha	60-80	60-95
Murharramn	Mutton	n/a
Mawlid al-Nabi	All	All
Ramadan	60-80	45-100
Eid ul-Fitr	68-80	45-100
<b>Jewish</b>		
Passover	30-55	n/a
Rosh Hashanah	60-110	n/a
Chanukkah	60	n/a
<b>Christian</b>		
Roman Easter	30-45	45-70
E. Orth. Easter	40-55	45-70
Christmas	30-50	45-70

Source: <http://www.gov.mb.ca/agriculture/livestock/goat/pdf/ethnicdemandforlamb2.pdf>

*Ontario's Ewe flock inventory has declined by 13% since 2004.*

immigrants to southern Ontario were India, China, Philippines, Pakistan and Sri Lanka (See Figure 1.3). Ontario's attractiveness to ethnic immigrants is not expected to subside. Statistics Canada projects that well over 100,000 immigrants will arrive to Ontario well beyond 2030. The total number of ethnic immigrants arriving to Ontario during this time period will exceed 2.5 million.

**Figure 1.3: Ethnic Populations in Greater Toronto**



Source: Statistics Canada, 2006 Census

### Flock Size Trends

Given the rising demand for lamb brought on by a swelling ethnic population in Canada, it is not surprising that ewe flock sizes have steadily declined over time (see Figure 1.4). The latest sheep statistics released by Statistics Canada show that this trend persists but also reveal that the decline is slowing. Since 2004, ewe inventories have decreased in every province, except for Quebec and PEI. Quebec's flock size has remained stable and PEI's flock size has grown by little more than 200. Two of the largest producing provinces, Ontario and Alberta have experienced inventory declines of 13% and 17.5%, respectively. The recent increase in ewe size in all provinces, excluding New Brunswick and Newfoundland, can be attributed to producers' readying flocks for religious celebration in the latter part of 2009.

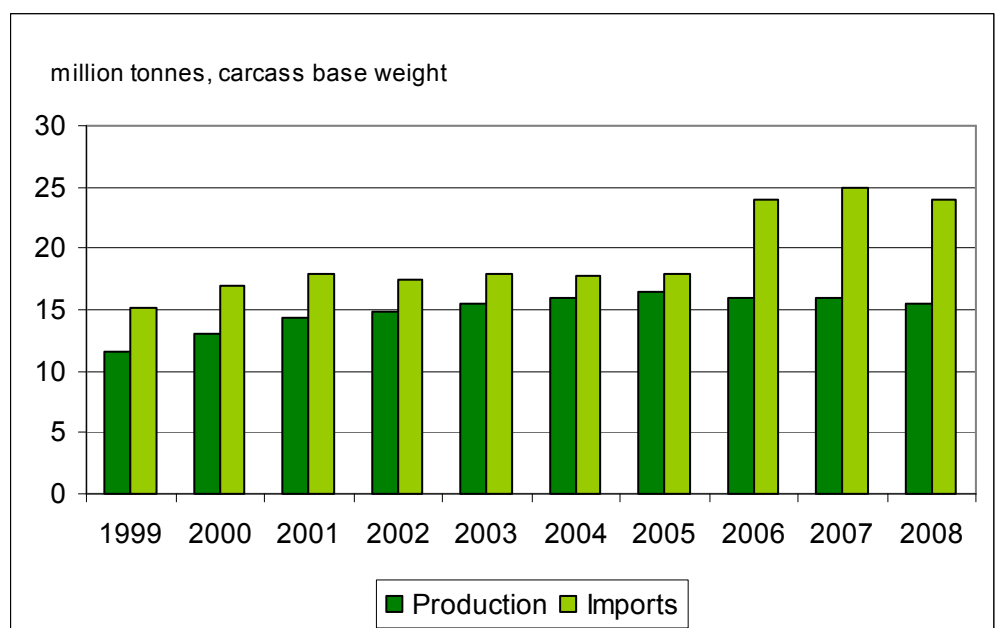
Figure 1.4: Canadian Ewe Flock

Province	2009	2008	2007	2006	2005	2004
British Columbia	26,300	25,600	29,900	32,000	32,280	32,100
Alberta	84,600	80,100	96,300	96,100	101,500	102,600
Saskatchewan	52,900	49,400	51,700	51,000	62,200	61,700
Manitoba	34,500	33,200	33,900	34,500	39,900	41,500
Ontario	160,000	159,200	159,500	158,900	177,800	183,600
Quebec	171,300	166,000	167,800	170,600	167,000	170,000
New Brunswick	3,500	4,000	3,600	3,800	4,100	4,400
Nova Scotia	12,000	11,000	11,500	12,200	12,800	12,700
PEI	2,000	2,000	2,000	1,900	1,800	1,800
Newfoundland	1,800	2,000	1,900	2,200	2,600	3,000
<b>Total:</b>	<b>548,900</b>	<b>532,500</b>	<b>558,100</b>	<b>563,200</b>	<b>606,200</b>	<b>613,400</b>

Source: Statistics Canada, July, 2009

Sheep import data demonstrates a final trend that reveals the strength of demand for lamb in Canada. For well over a decade, lamb and mutton imports have been greater than domestic production (see Figure 1.5). Canadian producers have only been able to partially meet local and regional demand. What they have not been able to meet has been supplied by imports.

Figure 1.5: Lamb and Mutton Production versus Imports, 1999-2008



Source: Statistics Canada, Sheep Statistics, 2009

*In 2008, Canada imported about 22 million tonnes of lamb; domestic production barely hit 15 million. There is no doubt about it, there is abundant room for new producers.*



*Since the demand for chevon remains very strong in Canada, there is more than ample room for new and existing Canadian producers to grow their markets.*

Unlike the ewe inventory, the goat inventory has increased in size over time. As figure 1.6 reveals, from 1981 through 2006, the Canadian goat inventory has increased by close to 98%. The three largest provincial herds belonged to Ontario, Quebec and Alberta. All three provinces witnessed their goat flocks increase by 67%, 135% and 276%, respectively. The sustained and growing demand for goat chevon and dairy products has resulted in increased inventory. Even though goat herd sizes have increased, the volume of goat meat imports has not waned. This suggests that demand for chevon remains strong in Canada and that there is ample room for Canadian producers to grow their markets.

**Figure 1.6 Canadian Goat Herd**

Province	2006	2001	1996	1991	1986	1981
British Columbia	13,091	18,759	13,121	9,172	7,713	8,795
Alberta	29,113	42,270	32,960	15,656	12,470	10,567
Saskatchewan	11,793	15,797	7,968	8,511	5,722	4,317
Manitoba	13,159	12,637	7,213	5,895	3,663	4,684
Ontario	76,114	62,310	45,258	33,405	32,460	45,500
Quebec	30,870	27,337	15,445	12,317	11,853	13,111
New Brunswick	1,119	1,172	806	547	448	816
Nova Scotia	2,111	2,051	2,572	2,313	911	816
PEI	229	324	227	114	272	348
Newfoundland	99	194	249	186	276	296
<b>Total:</b>	<b>177,698</b>	<b>182,851</b>	<b>125,819</b>	<b>88,116</b>	<b>75,788</b>	<b>89,839</b>

Source: Statistics Canada, **Alternative Livestock on Canadian Farms**

It is evident that there is a great deal of opportunity for Ontario producers to expand production and to capture a greater portion of the domestic lamb and goat market. The demand for both will not diminish anytime soon; in fact, as data reveals, demand should continue to grow. The critical question becomes whether Ontario producers are going to supply the market or whether they will be displaced by competitors from abroad.

### Ontario Producer Trends

In a recent study on the Ontario sheep industry, OSMA makes a number of observations about the current state of lambing in the province and the prospects for its future growth. Like other sheep organizations, they recognize that the Ontario sheep sector is likely to see significant growth over the next five years - perhaps in the range of a 30% to 40% increase in the number of market lamb. Such growth is enviable but is worrisome at the same time given some recent Ontario specific producer trends.

In its composite report titled "Ontario Sheep Industry Survey," OSMA

*OSMA predicts the Ontario sheep sector will grow between 30% - 40% over the next five years.*

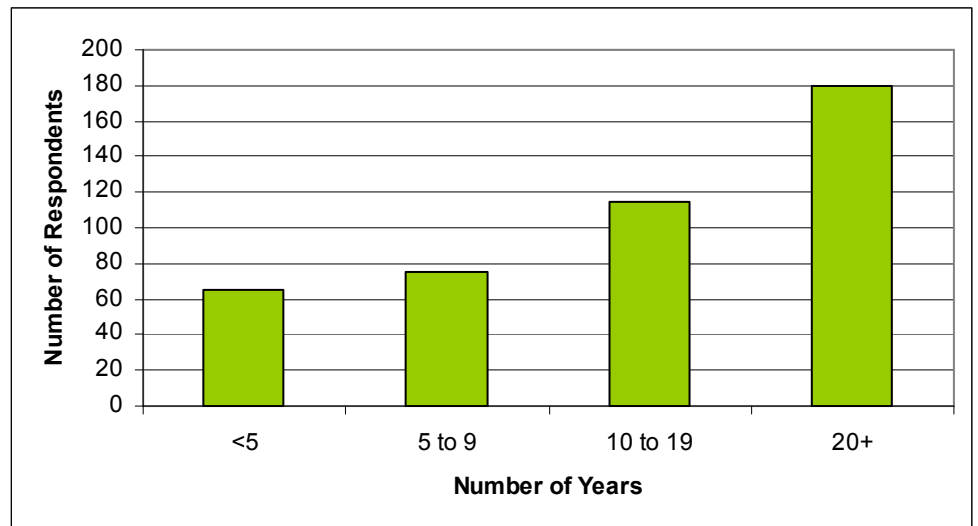
*High retirement rates amongst current Ontario lamb producers could have significant consequences on lambing in Ontario. It could provide incredible opportunity for those who wish to enter the lambing sector.*

points out that the industry is divided into two distinct groups. The first group is comprised of flocks being farmed as a lifestyle choice. These hobby or enterprise farms generally have small flock sizes; the producers of these small flocks represent the vast majority of all producers in the province. The second group is comprised of larger and growing operations that focus on commercial viability. This group of commercially focused flock producers provide to market the vast majority of lamb. According to this report, only 15.4% of all producers in the province bring to market excess of 500 lambs. Yet these producers provide close to 80% of market lamb.

What is particularly worrisome to those in the industry is that many of the producers in both groups are preparing to retire or decrease their flock numbers, especially those with more than 20 years of experience raising sheep. According to OSMA approximately 20.6% of producers surveyed were planning on retiring. A similar number of producers were either content with their flock size or planned on reducing it. The consequence of both in the short to intermediate term would be a measurable drop in Ontario's domestic supply of lamb.

Additionally, there is a notable absence of newcomers to fill the void left by retiring producers.

**Figure 1.7: Number of Years Involved in Sheep Production**



Source: OSMA, Ontario Sheep Survey

As Figure 1.7 indicates, approximately 40% of Ontario producers have been in the sector for over 20 years, and it is from this pool that retiring producers will come. Additionally, the large flock operators tend to have more experience in the sheep industry and, consequently, belong to the 20+ year's cate-

gory. Once the retirements start to accelerate in this category, there appears to be very few experienced producers to replace them.

In closing, the Ontario sheep industry faces growing demand but a reduced supply from a declining number of producers. As a result, there is incredible opportunity for both new producers to enter the lamb and goat sector as well as for established producers to expand operations and to maximize profitability.

*Without doubt, opportunity and profitability abounds for those who can adapt to the evolving Ontario lamb and goat market place.*

#### **Supply Chain Management (SCM)**

The traditional supply chain pushes a product through to the consumer. Each link in the lamb chain – producer, auction, processor, retailer and consumer – is primarily focused on improving business specific operations. Little attention is paid to consumer needs. In this management system, square pegs (the lamb) are often forced into a round hole (the consumer market).

#### **Value Chain Management (VCM)**

In a value chain approach, it is the consumers that pull a product through demand. In a sustainable value chain, businesses work together to reach a common goal – to provide consumers with a product they want. By doing so, all members of the chain work more efficiently, effectively, cooperatively and develop the strategies necessary to increase market share and profitability.

## **PART II: EVOLUTION**

To meet the growing demand for both lamb and goat products and to maximize profits, all participants in Ontario's lamb and goat value chains, including those new to the sector, will need to evaluate past practices and adapt to the current market place.

Although both sectors are not challenge free, opportunity abounds for those who are willing to evolve. Rather than adhere to a business model that promulgates isolation and that is often perceived as predatory, all members of the value chain should strive to strategically align operations to deliver added value to the consumer, while simultaneously increasing revenues and margins. Improved communication and reporting systems processes as well as producing predictable and consistent lamb and goat sizes are critical to effective value chain management and continued market-focused improvements.

Newcomers to the sector face an additional layer of challenges. They must weigh the benefits and costs associated with conversion or start-up against production issues and profitability. For them, entering either the lamb or goat sector and leveraging the chain for profitability is more risky. However, given current and projected market demand for both lamb and goat these risks are significantly reduced.

Without doubt, opportunity and profitability abounds for those who can adapt to the evolving Ontario lamb and goat market place.

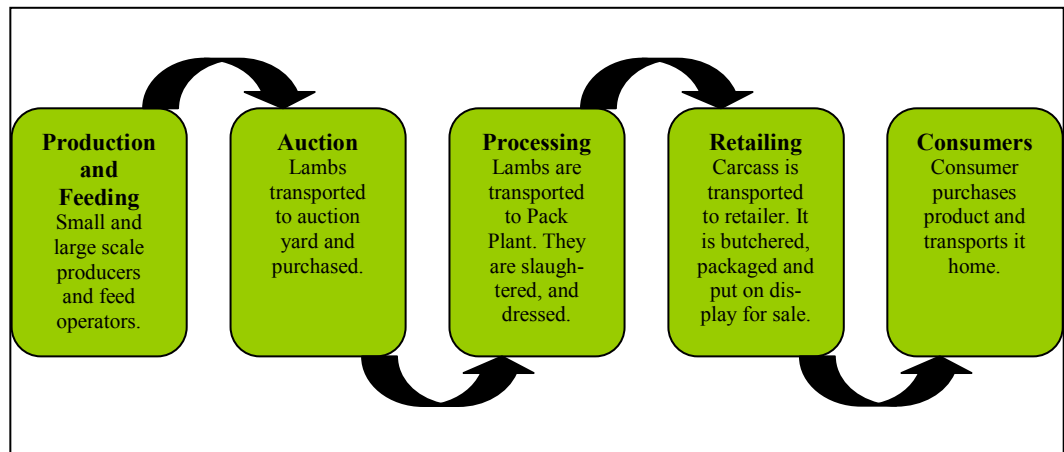
### **Customary Lamb and Goat Industry Business Practices**

Most Ontario hobby and enterprise farms, as well as larger commercial operations, have been managed using a supply chain management (SCM) philosophy as opposed to a value chain management (VCM) philosophy (see Figure 2.1). Although this approach in the lamb and goat industry has been effective in the past, its limitations have grown more pronounced in the increasingly competitive global lamb and goat industry.

The SCM model is often viewed as too focused on increasing the efficiencies in the separate operational units of the chain. For example, producers are only concerned about how to reduce business costs related to production in isolation of other factors; likewise, processors are only concerned about processing expenses. Such a narrow focus comes at the expense of others along the chain and at the expense of the chain as a whole. Rather than realize the efficiency of the chain by maximizing the value proposition from the consumers' perspective and, by extension, for all chain constituents, the

SCM model sustains a business model that is fragmented and compartmentalized as opposed to fluid and collaborative.

**Figure 2.1: Value Chain Map Broken into its Major Operational Units**



Some of the more significant challenges that have emerged as a result of this approach to the lamb industry, in particular, touch all aspects of the chain's performance. Three of the most significant are related to:

1. chain operations,
2. ineffective communication amongst the various constituents that make up the chain, and
3. a dislocation between consumer needs and the various constituents' needs.

### **Chain Operations**

The present structure and operation of the chain leads to many inconsistencies and lost value-generating opportunities. Each constituency along the chain has a tendency to sell, rather than market, products. As a result, all constituents incur unnecessary costs and miss opportunities to capture value. In the recent publication, **Adding Value to Lamb**, the Value Chain Management Centre identifies operational issues that have a negative impact on the chain's performance.

### **Handling of Animals**

It is estimated by the Value Chain Management Centre that the quality of 3% of all lamb is adversely affected as the lamb move along the chain. To a greater or lesser extent, a combination of barn design, along with the buying, selling, transportation and handling practices, has a direct negative impact on these animals. Such losses negatively impact profits for all as lost revenues trickle-down through the chain.

*The present structure of the chain leads to many inconsistencies and lost value-generating opportunities.*

### **Operational Limitations**

As noted, the present structure and operation of the chain is fragmented and lacks cohesiveness. This has led to many inconsistencies with regard to the condition, size, quality and the overall composition of lambs that move through the system. Additionally, inconsistent product at limited and fluctuating volumes makes marketing and the retailing of the Ontario product difficult. These inconsistencies have a direct negative impact on production costs and, concurrently, limit opportunities to capture additional revenues.

### **Compartmentalization of Business Practice**

Beyond sharing transactional data, such as price and weight of product, members of the chain are cautious about sharing any other potentially relevant market information. According to the Value Chain Management Centre, “primary producers, buying and selling agents, processors, and retailers each expect the other to exhibit predatory business approaches should they share all but immediate transactional information.” The persistence of such an approach to lambing in Ontario undermines chain performance and mitigates value-generating opportunities.

### **Lamb Imports**

The Ontario lamb and, to a lesser extent, goat consumer has grown more discerning over time. The weight and size of animals consumed are often critically important, especially around religious holidays. For such a consumer consistency is of vital importance. As mentioned, the Ontario chain has struggled with this issue. Consequently, imported live lambs and goat from New Zealand, Australia, and the United States have remained attractive to many Ontarians because they are more consistent in size and meat quality than Canadian lamb and goat. It is imperative that the chain work more collaboratively and cohesively to capture more of the Ontario market place and realize the profits that lay within Ontario's borders.

### **Communication and Reporting Systems**

Currently, communication amongst the constituents along the value chain is very selective. As noted, communication, for the most part, is limited to transactional measures, such as price and weight. Dialogue concerning the chain's effectiveness is minimal and localized at best. The Value Chain Management Centre does point out that key participants along the chain possess information that, if shared, could guide improvements at multiple levels of the chain. However, such an exchange of information is challenging because the industry has traditionally operated in an adversarial rather than collaborative fashion.

One strategy that has been introduced and informally implemented by some

*It has been noted that key participants along the chain possess information that, if shared, could guide improvements and increase profitability.*

*The chain could capture greater revenues by developing more detailed insights into consumers' desires and behaviours.*

participants along the chain involves reporting systems. In this approach, constituents along the chain share information relevant to aiding others in improving management of the system. These reporting systems are highly unstructured and informal. Nevertheless, they are an important first step in initiating dialogue about the product moving through the chain and about strategies to improve the chain's efficiency.

### *Consumer Needs and Chain Needs*

While most constituents along the chain are guided by considerations associated with cost and volume, the attributes that influence the consumers' purchasing decisions extend well beyond these factors. Research and data that have emerged over the past year have highlighted the critical importance of the consumer's definition of value. A comprehensive and full report on the consumer's definition of value is available at the Value Chain Management Centre web site. The research relevant to the production through processing segment of the chain, though, repeatedly highlights the fact that significant revenues are forfeited in this part of the chain because of its ineffectiveness at continual market-focused improvements.

The chain could capture significantly greater revenue by developing more detailed insights into consumers' desires and behaviours. By doing so, breeds of lamb could be targeted for specific markets according to their composition, size and weight. In essence, the whole chain could be synchronized to meet consumer needs from the earliest stages of production.

### **Farm Conversion and Start-Up**

Beginning a sheep or goat flock is both a lifestyle choice and business venture. As with most ventures, personal dedication is imperative to success. If proper care is taken, either sheep or goat farming can instil a sense of personal satisfaction and provide healthy financial rewards.

Many factors need serious consideration prior to farm conversion or start-up. OSMA provides a number of insightful and helpful resources to guide both novice and experienced sheep producers. Likewise, OGBA provides some preliminary information to help those interested in raising goats. The information below has been compiled using resources from both organizations' web sites. Consider the following questions and answers as a starting point in your research into the lamb and goat sector. For far more detailed information on other aspects of the lamb and goat sectors visit both the OSMA and OGBA web sites.

#### **Value Chain Management Centre**

<http://www.georgemorris.org/GMC/VCMTTools.aspx>

#### **OSMA Web site:**

<http://www.ontariosheep.org/>

#### **OGBA Web site:**

<http://www.ogba.ca/>

### Minimum Distance Separation (MDS)

The Minimum Distance Separation (MDS) is a tool established by the Ministry of Agriculture, Food and Rural Affairs to determine a recommended distance between a livestock facility and another land use. The objective is to prevent land use conflicts and minimize nuisance complaints due to odour. MDS does not account for noise, dust or wind direction. Minimum Distance Separation will vary according to a number of variables including type of livestock, size of farm operation, type of manure system and form of development present or proposed.

Both sheep and goat have a favourable MDS, especially when compared to other livestock such as swine and chicken.

The formula used to determine MDS is available at <http://www.omafra.gov.on.ca/english/>

### What resources do I currently have available to me?

- If you are thinking of beginning a sheep or flock operation, it is important to assess the resources available to you (land base, livestock facilities, equipment, time) to help you decide where to start and how large to expand your flock.

### How much land and what type of barn do I need?

- For sheep farming, the amount of land you need per animal will depend on many factors, such as whether you wish to grow or buy winter feed, the productivity of the land and how intensively you manage the flock. In most areas of Ontario, an open form pole barn is adequate for ewe lambing in the spring. With winter lambing it is important to have at least part of the barn divided off and insulated (or warmed) during the lambing period. Lambing facilities should stay above freezing to avoid hypothermia.
- Goats, like lamb, have similar housing needs, particularly in the winter. Goats are a very friendly species and as such are a good choice for multi-species grazing systems. The amount of land you will need for your goats will ultimately depend upon factors similar to those mentioned for sheep.

### What size flock is right for me?

- The answer to this question ultimately depends on the standard of living you want to maintain. As a general guideline, you will need to keep a minimum of 300 ewes under an accelerated lambing program, and 600-800 ewes under a once a year lambing program to expect to make a full time living from sheep farming. It is advisable to start with less than these numbers if you have no previous experience raising sheep.

### What type of farm is right for me?

- The type of farm you choose will depend on your current resources, and ultimately, your plans for the future. The farm type dictates how intensively the flock will be managed. In Ontario, most sheep farms are “farm flocks,” using a combination of indoor and pasture housing.

### What are the greatest threats to lambs and goats?

- Animal health is critically important. Producers should do everything in their power to ensure the health and safety of their flocks. Since lamb and goat are subject to very similar health risks, good health care must start with prevention and carry through for the life of the animal.
- Young lambs and goats are subject to high mortality rates. These high rates prevent a large number of lamb and goat from reaching market.



- Predation is another serious threat to both lambs and goats. In fact, it was identified as the third greatest risk to lamb in the recent **Ontario Industry Sheep Survey**. Predation accounts for well over 25% of all sheep and goat loss in the province.

### **Can I access any funding to help me with my farm conversion or start-up?**

Financial support for farmers who want to enter either the lamb or goat industry is available from various provincial and federal sources. The web sites listed below does not represent an exhaustive list of funding sources. For more information on these funding sources as well as for information on other possible sources please contact OSMA or OGBA.

- Ministry of Agriculture, Food and Rural Affairs  
<http://www.omafra.gov.on.ca/english/food/industry/funding-prog-index.htm>
- Federal Funding Available at **Conestoga: Connect Learning and Life**  
<http://www.conestogac.on.ca/research/funding/federal.jsp>
- Federal Economic and Development Agency  
<http://southernontario.gc.ca/eic/site/723.nsf/eng/home>
- Hog Transition Program - Second Tender  
[http://www.ontariopork.on.ca/User/Docs/News/10-29-2009\\_Second\\_tender\\_date.pdf](http://www.ontariopork.on.ca/User/Docs/News/10-29-2009_Second_tender_date.pdf)

Opportunity always comes at a cost. It is no different in Ontario's lamb and goat sector. Incredible opportunity awaits those who are willing to evolve and adapt to the demands of the current market place. Minor adjustments by various constituents at different points along the chain would very likely result in newfound efficiencies that would capture additional revenue for these sectors. By addressing some of the noted operational issues, improving communication and reporting systems, and by aligning the chain with consumer needs, the chain as a whole would run more cohesively and would capture greater market share.

Finally, producers from other sectors who are thinking of converting to the lamb or goat sector as well as those thinking of entering the industry for the first time should make informed management decisions. Proper consideration must be given to all of the issues related to the lamb and goat sector – many of which are explored in greater detail on the OSMA and OGBA web sites.

*Communication is the key to maximizing market penetration and profitability in Ontario's promising lamb and goat sectors.*

### Part III: Collaboration

Communication is the key to maximizing market penetration and profitability in Ontario's promising lamb and goat sectors. Chain constituents should strive to share information, build trusting relationships and work together in an effort to execute decisions regarding how to provide a product that will best meet consumer demand.

Although the concept of the value chain is very much in its infancy in Ontario's lamb and goat sector, positive strides have been made by various constituents to capitalize on the many benefits a value chain has to offer. One such value chain located in south-central Ontario (the Lewis Farms, Heartfit Farms, Newmarket Meat Packers, Kostas Meat Market value chain) has developed and maintain a shared vision and management strategy designed to address the growing and evolving demand for lamb by consumers in Ontario.

This value chain consists of two producers, a feeder, a processor and a retailer. As in most value chains, each constituent has made a conscious effort to develop and maintain relationships by recognizing and affirming mutual goals, sharing relevant market information and adapting to evolving market conditions. Although this particular chain lacks the formal reporting system that some argue is necessary in VCM, all members of this chain are steadfast in their effort to determine value to a defined consumer market through collaboration and joint planning.

#### Profile: Lewis Farms Ltd.

Lewis Farms is a family run business that has operated in Grey Country for approximately half a century. Don Lewis and his sons, James (Jay) and Anson, as well as seven full time employees, have run all farm operations for well over a decade. They are proud of their family's farming heritage and consider themselves blessed to have "inherited the love of farming."



**Jay Lewis, Owner  
Lewis Farms**

On their 5,000 acres of farm land, the Lewis' focuses on three main sectors in the agricultural industry. First, under the name "Lewis Land and Stock", the family runs a cash crop that consists of white beans, soy beans, corn, barely, oats, wheat, canola, hay and straw. Second, Anson, the younger of the two brothers, carries more than 250 head of Red Angus Cattle under the name "Boggle Pass Angus". Third, Don, and his son, Jay, dedicate most of their time to the ewe flock and lamb feedlot.

Both Don and Jay work conscientiously to produce and finish as much lamb as they can for the Ontario market place. Don's ewe flock produces approximately 500 lambs every spring; Jay's lamb feedlot, operating under the name "Eweville Station", is able to hold up to 5,000 head at a time and can put through approximately 20,000 head of lamb a year. Both men do their very best to meet market demand by providing processors with access to both lighter and heavier lamb.

The prospects for Don's and Jay's operation look excellent given the current demand for lamb. Both men are optimistic about the future and the role the next generation of Lewis' will play in expanding farm operations.

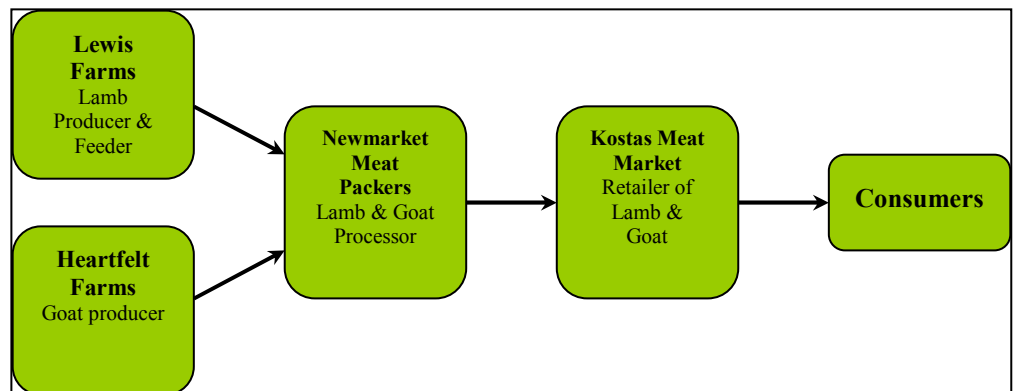
*Over time, all constituents have grown more united in not only identifying the challenges confronting the lamb and goat industry but in a vision and strategy to address the challenges.*

**The Lewis Farms, Heartfit Farms, Newmarket Meat Packers, Kostas Meat Market (LHNK) Value Chain**

The relationship between the constituents along this value chain has been ongoing and evolving for many years. Although Heartfelt Farms has only been part of the chain for a few months, this goat operation has quickly found value in the chain. The other three constituents have been thoughtfully working together for many years with the intent to grow their businesses and to meet the challenges that accompany the Ontario lamb and goat market place. Figure 3.1 graphically depicts how the constituents in the value chain are linked.

Over time, all constituents have grown more united in not only identifying the challenges confronting the lamb and goat industry but in a vision and strategy to address the challenges. All constituents would agree that the process they have undergone to come to a consensus was difficult and time consuming but worth it.

**Figure 3.1: LHNK Value Chain**



**Profile: Heartfit Farm**



Heartfit Farm is not your typical Ontario meat goat producer. Although this hobby farm produces 35-40 strong, meaty and healthy “kids” for slaughter yearly, and intends to double in size over the next couple of years to help meet the “horribly underserved goat meat sector,” goat production is not the primary focus of the farm.

Director, Cristina Milner and her employees, use the farm and its animals as part of a therapeutic respite program for developmentally delayed adults. The calm, friendly and social nature of the animals is an invaluable component of the therapeutic program offered at the farm. Cristina believes the animal-human bond can have a profound impact on the quality of human life. This is especially true for adults with special needs.

The good intentions of Heartfit Farm also have a global dimension. For every ten goats sold by the farm, Cristina donates a doe and a buck to the internationally praised Goat Project sponsored by World Vision. By donating these goats to families in third world countries, Cristina aims to help increase the wealth and ensure the survival of these families.

*The mantra for this particular value chain could very easily be “consumer confidence in the product they are consuming must never be underestimated.”*

### Traceability

First, and foremost, all chain participants unanimously agree that traceability is critical to the consumer and to the chain's optimal performance. The mantra for this particular value chain could very easily be “consumer confidence in the product they are consuming must never be underestimated.”

Sheppard Don Lewis, of Lewis Farms, is proud of the fact that 100% of his flock of ewes and their offspring are radio frequency identified (RFID). In this regard, Lewis Farms is ahead of the curve as RFID tagging will not be mandatory in Ontario until January 1, 2012. As Don has stated, “Although there are additional costs associated with RFID tagging, the benefits associated with it far out way the cost.” One consumer benefit is the assurance that the meat purchased at their nearest meat market is traceable. From Don's perspective, the RFID tags save time and labour costs because of improved efficiency in record keeping, particularly when it comes to ewe performance.

To his son, James (Jay) Lewis, and founder of Eweville Station, a subsidiary of Lewis Farms, RFID tagging gives him specific insight into the animals he is receiving. It helps him to improve the speed at which animals can be processed and reduces loss due to human error.

Additionally, when these animals are passed onto Newmarket Meat Packers, owner Nick D'Elia can be assured that the animals he processes are Ontario bred and born. As Nick points out, “How can one really guarantee that lamb is from Ontario without traceability?”

### Profile: Newmarket Meat Packers Ltd.



**Nick D'Elia, Owner  
Newmarket Meat Packers**

“Passionate”, “progressive” and “visionary” are some of the words Newmarket Meat Packers owner Nick D'Elia Jr. likes to use to describe his company. Founded by his father, Nick Sr. and Gino Plastino in 1968, this family owned abattoir has grown from a small operation of 12 employees to one of the largest volume meat packers in Canada. It currently employs over 40 full-time employees.

In the early years, this family-owned and operated business dealt solely with beef and pork. It served chain stores, independent butcher shops and food service operators across Canada. However, when Nick Jr. took the helm of the company in 1997, he astutely made the decision to refocus the company's operations. He realized that demand for lamb, veal and other small stock was growing rapidly in Ontario, and that very few processors dedicated their operations to meeting this demand. He decided that Newmarket Meat Packers would dedicate itself to meeting that demand. The focus on the niche market of small stock has significantly contributed to Newmarket Meat Packers unprecedented growth over the past decade. Each year, the company slaughters over 110,000 lamb, sheep and goat as well as 12,000 veal.

Nick believes that the company's future growth is very promising given the ever-growing demand in Ontario for lamb and goat. He is also hopeful that an increase in the number of Ontario producers as well as improved marketing will make Ontario's lamb and goat more readily available to the discerning Ontario consumer.

*“Growth in lamb and goat consumption has steadily risen since 1993 and shows no sign of stopping. The biggest problem I have is finding enough Ontario lamb and goat to sell to my customers.”*

**Kostas Margaronis**

In addition to receiving animals that are RFID tagged, Newmarket Meat Packers in an effort to make sure the products it sells are safe and reliable utilizes a unique and company specific traceability system. The use of a manual colour-coded stamping system to label carcasses by their kill date allows Newmarket Meatpackers to:

- improve inventory management,
- gain the ability to identify their products in retail stores, and
- limit the potential recalls to a single day's kill date.

This added layer of traceability ensures Newmarket Meat Packers clients are receiving a product that has been traced from production to distribution.

This type of knowledge is particularly important to their client Kostas Margaronis of Kostas Meat Market. According to Kostas, his customers will only buy Ontario lamb and goat. Traceability provides the guarantee his customers demand. His customers tell him that the quality, taste, texture and colour of the Ontario lamb he supplies are superior to all others available in the market place.

The frequent praise given by Kostas Meat Market's customers is quite a vote of confidence for this value chain and what it has done to ensure quality Ontario lamb and goat are available for the consumer.

### Communication

Communication along the chain is also deemed vital to the chain's constituents. All constituents engage in conversations about day-to-day operations with each other: conversation about orders and price must, and do, occur regularly for operational reasons. However, other conversations concerning the correlation between product availability and quality with market demand

### Profile: Kostas Meat Market & Deli



Kostas Meat Market is a family owned and operated butcher shop that provides fresh meat to the retail market in the Toronto region. Founded in 1993 by Kostas Margaronis, the butcher shop has gained a reputation for providing exceptional service and cuts of meat to its customers.

A testimonial to the quality of the service and meat product available at Kostas Meat Market rests in the fact that it has expanded operations twice since 1993. The original 1,000 square foot butcher shop has now grown to over 3,000 square feet and employs 10 full-time and four part-time butchers and service representatives. According to Kostas, “Growth in lamb and goat consumption has steadily risen since 1993 and shows no sign of stopping. The biggest problem I have is finding enough Ontario lamb and goat to sell to my customers.” Growth has been so great that Kostas has had to enlist the services of his two sons, Steve and John, to help him cope.

Kostas and his sons are very proud of the butcher shop and the incredible growth it has experienced. The company's success can in part be attributed to the hard work of Kostas Margaronis and his family. Kostas, being more modest, attributes the success to the exceptional quality of meats available from Ontario producers, “especially the lamb.”

*Given the fact that only 10% of the Ontario lamb market is satisfied by Ontario grown lamb, it is not surprising that the chain must look beyond Ontario, and even Canada's borders, to source a product that meets the needs of the Ontario consumer.*

also occur. These conversations and the issues they raise are very difficult to resolve because of the low supply and high demand for lamb and chevon in Ontario.

Nevertheless, the LHNK chain struggles to find solutions to this issue. Given the fact that only 10% of the Ontario lamb market is satisfied by Ontario grown lamb, it is not surprising that the chain must look beyond Ontario, and even Canada's borders, to source a product that meets the needs of the Ontario consumer. According to Jay Lewis, the demand for lamb is so great that he is forced to source out lamb to meet current orders from eastern and western provinces as well as from various places in the United States. The irony, according to Jay as well as to others along the chain, is that the demand for lamb, and for Ontario lamb, in particular, is so great "that current production can't even come close to meeting it."

The inability to quickly resolve this steep shortfall in product has generated much dialogue among chain members. Each has a significant stake in the sector and wants to see it succeed. Dialogue revolves around issues related to:

- cost and pricing,
- supply management and forecasting, and
- availability and sustainability.

All constituents unanimously agree that the ability of the chain to generate greater value for the consumer and profit for themselves is best achieved through increased production of locally grown Ontario lamb and goat. Each has willingly participated in this project because they believe that their dialogue must be taken up by the broader farming community. Although short-term needs are met by importing lamb and goat from outside the province, all share concern over the long-term prospects for the sector.

All member of the chain steadfastly believe Ontario producers must do more to meet the growing demand for lamb and goat. With Ontario producing only 10% of the lamb it consumes, the extent of missed opportunities is incredible – it measures in the tens of millions of dollars a year. Failure on the part of producers to take up the slack will most certainly mean a growing number of Ontario producers will be displaced by competitors from abroad.

The time to act is now. The opportunities are incredible. As the Value Chain Management Centre has concluded, "The Canadian lamb industry is a success story waiting to happen." It is the hope of the LHNK chain that you will join their dialogue about Ontario's lamb and goat industry and that you will take advantage of the opportunities offered in the sector by joining their chain as a producer.

## APPENDIX A: RESOURCES AND CONTACTS

### Lamb and Sheep

- ▶ Ontario Sheep Marketing Agency  
<http://www.ontariosheep.org/>
- ▶ Ontario Ministry of Agriculture, Food and Rural Affairs  
<http://www.omafra.gov.on.ca/>
- ▶ Canadian Sheep Federation  
<http://www.cansheep.ca/>
- ▶ Canadian Sheep Breeders Association  
<http://www.sheepbreeders.ca/>
- ▶ Benchmarks for Good Lamb Crop  
<http://www.omafra.gov.on.ca/english/livestock/sheep/facts/benchmrk.htm>

### Goat

- ▶ Ontario Goat Breeders Agency  
<http://www.ogba.ca/>
- ▶ Canadian Goat Society  
<http://www.goats.ca/>
- ▶ Canadian Meat Goat Association  
<http://www.canadianmeatgoat.com/>
- ▶ Ontario Ministry of Agriculture, Food and Rural Affairs  
<http://www.omafra.gov.on.ca/>
- ▶ The Commercial Goat Meat Industry (Government of Alberta)  
[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex1363](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex1363)

### General

- ▶ Ethnic Holidays
  - <http://www.sheepgoatmarketing.info/PageLoad.cfm?page=education/ethnicholidays.htm>
  - <http://www.das.psu.edu/research-extension/goats/marketing/ethnic-holiday-calendar>

► Value Chain

- Value Chain Management Centre - George Morris Centre  
<http://www.georgemorris.org/GMC/VCMTTools.aspx>
- Value Chain Toolkit - Government of South Australia  
[http://www.pir.sa.gov.au/valuechains/value\\_chain\\_toolkit](http://www.pir.sa.gov.au/valuechains/value_chain_toolkit)

► Funding Sources for Farm Conversion and Start-up

- Ministry of Agriculture, Food and Rural Affairs  
<http://www.omafra.gov.on.ca/english/food/industry/funding-program-index.htm>
- Federal Funding Available at **Conestoga: Connect Learning and Life**  
<http://www.conestogac.on.ca/research/funding/federal.jsp>
- Federal Economic and Development Agency  
<http://southernontario.gc.ca/eic/site/723.nsf/eng/home>
- Hog Transition Program - Second Tender  
[http://www.ontariopork.on.ca/User/Docs/News/10-29-2009\\_Second\\_tender\\_date.pdf](http://www.ontariopork.on.ca/User/Docs/News/10-29-2009_Second_tender_date.pdf)

► Minimum Distance Spacing (MDS) Formulas

- [http://www.omafra.gov.on.ca/english/landuse/guide\\_p6.htm](http://www.omafra.gov.on.ca/english/landuse/guide_p6.htm)
- [http://www.omafra.gov.on.ca/english/landuse/guide\\_p7.htm#1](http://www.omafra.gov.on.ca/english/landuse/guide_p7.htm#1)

► Predator Control

<http://www.omafra.gov.on.ca/english/livestock/sheep/predator.html>

► Licensed Abattoirs

[http://www.omafra.gov.on.ca/english/food/inspection/meatinsp/licenced\\_operators\\_list.htm](http://www.omafra.gov.on.ca/english/food/inspection/meatinsp/licenced_operators_list.htm)

► Veterinarians

- **Dr. Nancy Charlton**  
519-323-1965
- **Dr. Paula Menzie**  
519-824-4120 Extension 54043  
pmenzies@ovc.uoguelph.ca



► **Businesses Profiled in this White Paper**

• **Lewis Farms Ltd.**

R.R. #2  
Holstein, ON  
N0G 2A0  
519-323-7439  
[lewisfarms@highspeedfx.net](mailto:lewisfarms@highspeedfx.net)

• **Heartfit Farm**

1398 Frankford Rd. R.R. #2  
Frankford, ON  
K0K 2C0  
613-968-2428  
<http://www.heartfitrespice.com/>

• **Newmarket Meat Packers Ltd**

Newmarket, ON  
L3Y 4W1  
905-836-7001  
[www.ontariolamb.ca](http://www.ontariolamb.ca)

• **Kostas Meat Market & Deli**

259 Ellesmere Rd.  
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416-444-3036