

Producer-driven Marketing of ‘Clean, Green and Humane’ Lamb

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Declaration

I certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree or qualification.

I certify that any help received in preparing this thesis, and all sources used, have been acknowledged in this thesis.



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Glossary of acronyms

AFN – alternative food networks

BSE – bovine spongiform encephalitis

CGH – clean, green and humane

EMS – environmental management system

HACCP - Hazard Analysis Critical Control Point

IPM – integrated pest management

ISO – International Standards Office

LMG – lamb marketing groups

LPA – Livestock Production Assurance program

MRL – maximum residue limit

NLIS – National Livestock Identification System

NRM – natural resource management

NVD – National Vendors Declaration

PDM – producer-driven marketing

RSPCA – Royal Society for the Protection and Care of Animals

SDB – social desirability bias

SQF – Safe Quality Food

TPB - Ajzen’s theory of planned behaviour

WTP – willingness to pay

Abstract

Research indicates growing consumer interest in food that has minimal impact on human health, the environment and animal welfare. Such credence attributes may be commonly described as ‘clean, green and humane’ (CGH) however, the meaning remains vague to consumers and producers until a production standard is specified. This study addresses the lack of production standard by investigating consumer preferences and by evaluating the feasibility of producing and marketing the stated preferences for CGH. Value adding, direct marketing and other entrepreneurial activities to gain a premium are often reported as an option for conventional producers seeking to improve farm revenues. This study addresses a gap in the research by investigating whether the premiums gained are likely to cover the costs of producing and marketing a differentiated product, and the manageability of uncertainties that arise in producer-driven marketing (PDM). The focus of the research was on lamb meat production for the domestic market in Australia.

The methodology comprised of three components which are critical in assessing the feasibility of developing a supply chain for CGH branded lamb: a consumer survey to establish the standard expected of a hypothetical CGH branded lamb; structured interviews with members of three lamb producer marketing groups in Victoria to evaluate the achievement of and constraints to farm practices that would meet the standards expected by consumers; and semi-structured interviews with owners of six enterprises that successfully produced and marketed branded meat.

Approximately two-thirds of consumers surveyed expected that CGH branded lamb would meet the highest standard to produce CGH attributes. Most consumers preferred that lamb was pesticide free. Concerns about the health risks of residues confirm previous research. However, 36% of consumers accepted that pesticides could be used within ‘safe’ limits. Seventy-eight per cent of surveyed consumers preferred the highest standards for the production of ‘green’ attributes and 72% for ‘humane’ attributes. In this survey a more detailed description of standards was used to prompt responses, which may explain the marked differences to previous Australian surveys relating to consumer preferences for ‘green’ and ‘humane’ attributes. Survey results also indicated that most consumers would be willing to pay a premium of 10-15% for these attributes and would prefer to purchase CGH

lamb at retail butchers, supermarkets and farmers' markets, in that order. Interested consumers were more likely to search for product information beyond the mainstream media.

The findings of interviews with lamb producers show that feasibility of changing a conventional enterprise to produce credence attributes is largely dependent on extant farm resources, including infrastructure, financial, natural and human resources, and therefore the additional resources required. Additional farm infrastructure mentioned by participants included fencing for native woodlands, off-stream watering points or soil conserving, seeding machinery. Acquisition of new skills or technical support for new pest control practices or soil conservation techniques may be a barrier to CGH production. Favourable soil types and rainfall were critical for maintaining pastures and groundcover. Alternatively, supplementary feeding regimes have implications for animal welfare and the achievement of 'humane' product attributes.

Six case studies with meat producers who market their own produce highlighted the factors that contributed to the viability of the enterprise, which include producing attributes that consumers are seeking, maintaining consumer trust, acquiring human resources and skills, and managing farm profit margins. The findings showed that, in these producer-driven supply chains, consumer trust in the product claims can result from direct contact and that return business results from product performance. In the context of small-to-medium family farms, the spouse is likely to provide additional labour to coordinate marketing activities; in effect, the marketing can be classified as farm-based employment. Partnerships tended to be formed outside the family farm to incorporate complementary financial, production or marketing skills, or to grow the enterprise beyond the supply volume of one farm. A comparison between the cases found trade-offs between profit and brand exposure. Retailing through shop fronts or farmers' markets provided greater brand exposure but incurred additional negotiation costs. Supplying supermarkets or retail butchers gained exposure and sales but sacrificed some or all of the marketing margin and possibly the premium. Home delivery had transaction costs comparable to the mainstream distribution channels, however, brand exposure was low potentially increasing the cost of promotion, unless cross-promotional opportunities such as linking with regional and gourmet food promotions were utilised.

In conclusion, producer-driven marketing of 'clean, green, humane' lamb is feasible where investment in new infrastructure and skills can be recovered in the short-medium term, and

where the farm household can adapt to marketing beyond the farm-gate, that is, to develop and manage supply chains and the brand, and to promote and sell the product.