Innovation in the pastoral sector:

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A regional outlook

The Southern Cone of South America (Argentina, Brazil, Bolivia, Uruguay and Paraguay) is an important World food producer with a high expansion potential. An International answer to high prices are better sanitary levels, technological incorporations, and in some cases active sectoral policies.

Southern Cone: food producer - changes

Sheep and beef:	2nd World producer of beef meat and 3rd World producer of Poultry. 30% of world cattle stock.
Cropping:	First World producer of soybean, sugar, coffee and tobacco.
Agro industry:	First World producer of beef meat, Chicken meat, coffee, sugar, soybean oil and orange juice.
Bio energy	First World producer en exporter.
Wool	First TOPS exporter

This expansion, recent in some cases, lead to the appearance of new actors (traders), important foreign investments, increase of professional management and new management methods for primary production, strong size increase, concentration and specialization of agricultural operations. There is an increase in vertical integration and a consolidation of regional integrated networks with strong multinational presence.

As a result there is an increase in the value of land (Uruguayan case) USD448 average per ha in 2000 to USD1,045 in 2006 and it has kept growing. During this process one fourth of the land has changed ownership.

A case of innovation and integration to the market

Uruguay (3.3 million inhabitants) is an agricultural country, with cropping (1.2 million ha), forestry (0.9 million ha) and with beef and sheep production (meat, wool, milk). It has 11 million heads of cattle and 10 million sheep.

[1] Summary of a presentation given at the International Conference "Inclusive Business in Agrifood Markets: Evidence and Action" March 5-6, 2008. Beijing, P.R. China

Sheep decreased from 25 million during the decade of 1990 due to the wool price crisis. A sheep by product is the lamb or wether meat that is consumed almost only in the farms, while in the cities only in some festivities.

The question is: facing the wool crisis, how can we add value to sheep production? Uruguayan Wool Central (CLU) (a 2nd degree cooperative of 2,200 associated producers through 38 cooperatives) developed two strategic actions: it started a vertical integration process (installed a TOPS productions – clean and combed wool plant), and focused on adding value to the meat by-product.

The Heavy Lamb Operation (HLO) begins – quality lamb meat for the world. CLU worked in networks and alliances.

With the Uruguayan Wool Secretariat (an investigation and promoting organization, owned by all the wool producers) the research of the foreign market was carried out to identify the demand. A technological development at farm level was also researched because the lambs to be produced were younger and heavier that the traditional ones.

An alliance was made with a slaughtering house to share its contacts at world level.
The 'from the bottom organization' of the production was possible due to:

- A technological validation project (year 2000) which outlined the program and pointed out the development and conditions of the new product.
- The leadership and trust in the cooperative.
- Previous contract scheme (strong technical advice, advanced financial assistance to the farmer, definition of a number of animals from the beginning, prices, payment according to the quality of the animal).

Further on, an alliance with a prestigious slaughtering house was established and a strong world network of clients.

The heavy lamb is an animal up to 13 months that has not changed teeth and has a live weight of 35 to 45 kilos.

The HLO has expanded from 1997 – 200 farmers – 60, 000 lambs to 2007 – 600 farmers – 200,000 lambs
Total sheep slaughtered in Uruguay 1,700,000
Total heavy lambs slaughtered in Uruguay 600,000 CLU 33%

The HLO and the farmers:

- It allows small farmers to integrate in high—value chains.
- Technology is well adapted to small farms and requires family work force.
- During price crisis farmers can keep more sheep.
- Low investment: fencing/paddocks, pastures, supplements.

A new business model for the farmer which may potentially grow because:

- Farmers start specializing in this phase of the process.
- 'advanced lambs', which have a premium price, appear in order to decrease slaughtering concentration in a period of time.

Positive aspects:

- Commercial innovation (minimum price, average price, advanced payment on contract, post-shearing death insurance, payment related to quality at carcass weight)
- Differentiated product
- Quality control during the whole process and product control
- Strategic association with slaughtering house

Some limitations:

- Decrease of sheep stock (land competition with cropping, cattle, dairy and forestry)
- Concentration at some moments of the year.
- Some sanitary problems (new drugs resistance)

Learned lessons:

- Contracting was useful to minimize commercial and technical risks when starting a new business.
- The history and solvency of CLU generated the reliability of the farmers involved in the operation.
- It was necessary to have organization and professionalism to identify the market, conquer it and provide the product.