

Sheep sector opportunities and challenges - What lies ahead?

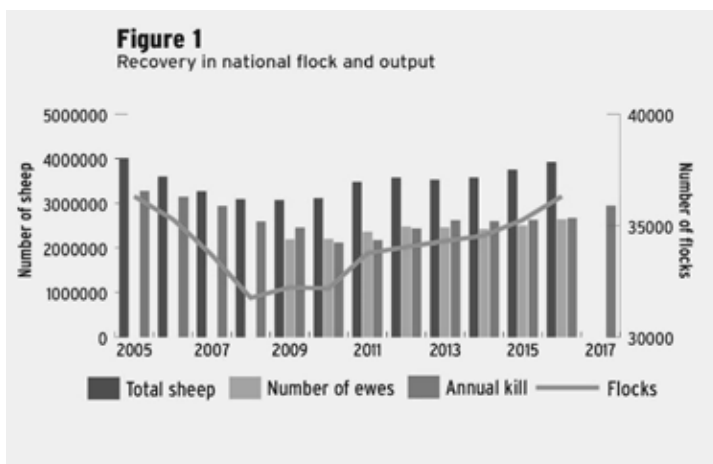
Darren Carty, *Irish Farmers Journal*

The Irish sheep sector has experienced much change over the last 10 years. Recovery in the national flock, a significant increase in farmgate prices that have been largely eroded by rising input costs, a continued switch away from early lambing and growth in exports to new European markets (underpinned by growth in value-added over carcasse exports) are just some of the standout points.

There is no doubt that the next 10 years will bring as many changes and possibly even more, depending on the fallout from Brexit and CAP reform negotiations. Leaving aside possible Brexit implications, this paper will look at some of the opportunities and challenges that lie ahead, with some new angles and some well-documented and frequently covered topics that are hard to ignore in the context of discussing potential future changes.

Recovery in the national flock

The Irish sheep sector has been boosted in recent years by a recovery in the national flock. Breeding ewe numbers have increased by 450,544 head from 2009 to 2016, with census data not available for 2017 at the time of writing. However, it is expected that numbers will have continued to edge upwards, with 2017 being a relatively steady year for sheep farmers.



Recovery in recent years has been underpinned by a combination of increasing flock size and number of flocks. As detailed in Figure 1, the number of farms possessing sheep on the annual December census date has increased from its lowest level of 31,756 in 2008 to 36,313 in 2016. This recovery in the national flock has also led to sharp growth in the national sheep kill, with throughput reaching a 10-year high of 2.94m head. There are a number of factors which can be deemed as supporting flock recovery. The initial recovery in the flock was driven by an increase in global farmgate returns. Bord Bia price analysis shows average farmgate returns rising from over 60c/kg from 2009 to 2010, followed by a further increase of approximately 40c/kg in 2011. This set the tone for recovery and also attracted farmers who had left the sector back to sheep, along with some new entrants.

Growth in recent years has been influenced by a wider range of aspects. The introduction of the Grassland Sheep Scheme, which was succeeded by the Animal Welfare Sheep Scheme, has helped to keep a floor under flock numbers, while policy and scheme changes in hill and mountain areas has propelled considerable growth in hill flocks.

Weather has also been an influential factor in counties in the west and northern third of the country and also in more marginal areas. Farmers have endured a tough couple of seasons, which commenced with the fodder crisis in 2013. This stalled upward momentum in the national flock for a 12 to 18 month period, but it had a much greater effect on the national suckler herd, which experienced a reduction of over 52,000 cows from 2013 to 2014 (1.03m suckler cows). On some of these farms, suckler cows were replaced by sheep and this has also been the case in the last two years, albeit at a slower level. The combined effects have been felt the greatest in Donegal. As reflected in Figure 2, ewe numbers have increased by about 70,000 head since 2010, while the suckler cow herd has reduced by close to 4,000 head.

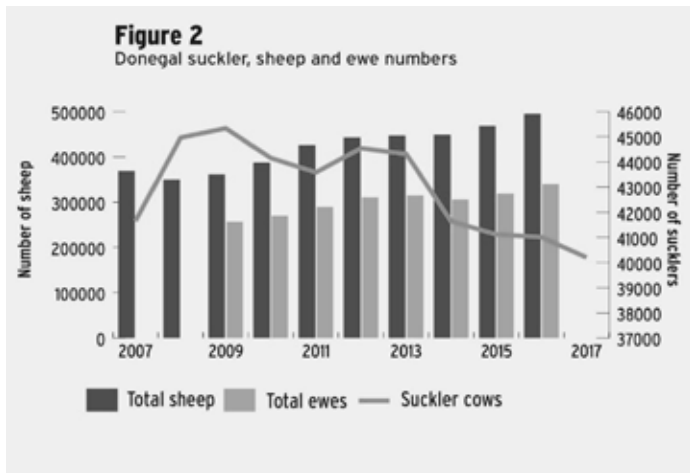
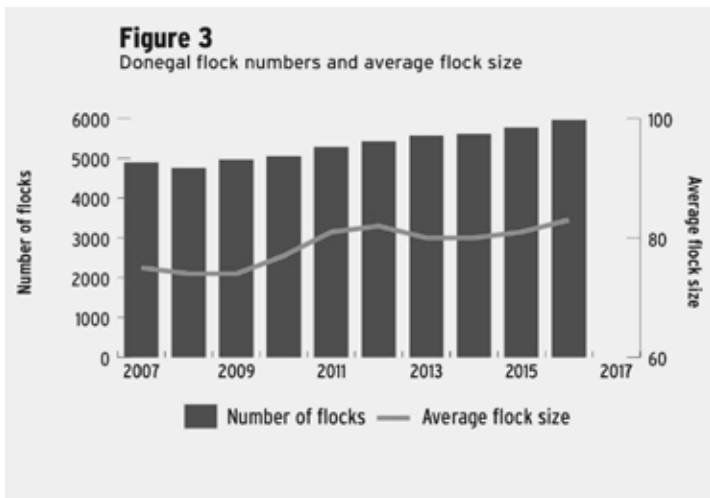


Figure 3 shows the number of farmers with sheep has increased by over 900 flocks in the same time frame, while the average flock size has expanded by six sheep to 83 head.



It is early days to ascertain the effect this year's fodder crisis will have on sheep and suckler numbers. One element that is already becoming apparent is the rise in the area of afforestation, with farmers attracted to the enterprise by a two-pronged incentive – an attractive forestry premium for 15 years and an ability, under certain

conditions, to continue to secure payment of Basic Payment Scheme entitlements, despite this land exiting livestock or tillage production.

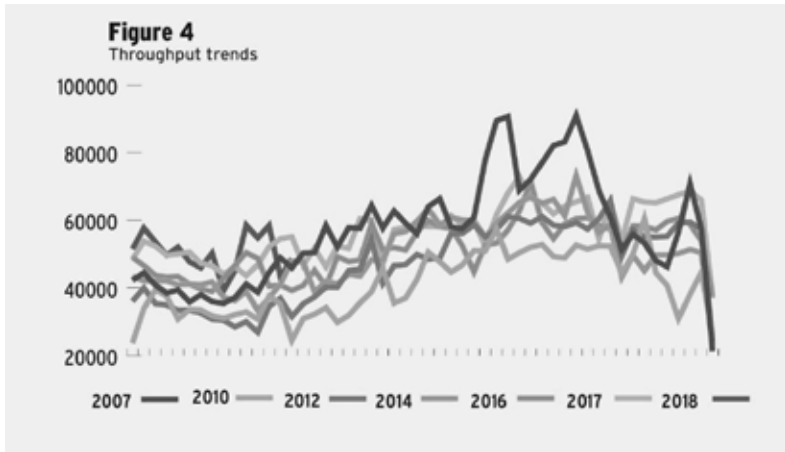
Year-round supply

The increase in throughput and the fact that New Zealand has only filled in the region of 70% of its EU tariff-free quota of 227,000t of sheep meat in recent years has allowed Ireland to gain a greater foothold in new EU markets. The timing could not be better given the continued decline in French sheep meat consumption. In the last 20 years, consumption has fallen in the region of 100,000t, with per-capita consumption falling from over 4.5kg to 2.5kg.

The markets where Irish exports have recorded growth include Germany, Sweden, Belgium, the Netherlands and Switzerland, all of which are high-value markets which in the past traded high volumes with New Zealand. The development of these markets commands a year-round consistent supply of high-quality product.

Achieving this goal is becoming increasingly difficult for the sector to achieve, with a continued push towards later lambing. This is not surprising with the unpredictable returns of spring lamb production now blighted by higher weather-related production costs. Returns for early lamb producers have been positive this year, but even if costs were not higher, producers could not be expected to make the switch back on the basis of one year's returns, with hogget throughput now the dominant feature of early season throughput.

The sector has a significant challenge on its hands, as, in addition to supplies of early season lamb being tighter in spring, the peak in lambing is now more pronounced in the second half of the year (Figure 4) and coinciding with the peak in UK production.



This has inserted downward pressure on prices at a time when a high percentage of primary producers are trading lambs. It is also usually a particularly testing period for hill lamb producers, with the market coming under pressure when produce is coming on to the market. The absence of light lamb markets is compounding this issue and this is unlikely to change due to the decline of traditional light lamb markets.

Teagasc has carried out extensive work in finishing systems for light lambs and another aspect that could help is the formation of producer groups, which have worked well in marketing their produce. Ireland has a relatively low number of PGI (protected geographical indication) or PDO (protected designation of origin) products when compared with other EU markets and with a growing consumer preference for meat produced with high environmental and sustainability credentials, there is surely scope for hill and lowland farmers to benefit. The development of new markets would, of course, help to boost demand at key periods during the year.

Equal footing in trade negotiations

Ireland is relatively well positioned in comparison to other meat products with the EU only 80% to 85% self-sufficient. Furthermore, Ireland has capitalised on lower imports of New Zealand sheep meat into the EU in recent years and is gaining increased market share in a number of high-value EU markets. This has been helped by a switch to value-added over carcass exports. With output increasing access to new markets would provide some additional competition and valuable alternative outlets at times of peak production.

There has been quite a lot of attention placed on the opening of the US market for beef exports in 2015 and more recently to the opening of the Chinese market. Both of these markets are said to offer significant opportunities for Irish sheep meat exports. Unfortunately, market access for sheep meat still appears to be some way from materialising.

Looking at the US first, Minister Creed recently said that sheep meat exports from EU member states to the US are currently banned due to the presence of transmissible spongiform encephalopathies (TSE) in certain member states, with scrapie said to be the main issue.

Getting this ban lifted is the first hurdle in gaining sheep meat access. Ireland is one of the first countries included for fast-tracking access once the ban is lifted. The Department of Agriculture submitted a questionnaire in 2017 in anticipation of the ban being lifted, with its policy division previously stating as far back as January 2016 that their aim was to advance negotiations and have the market open in 2017. While two visits to Irish sheep meat plants by members of the Food Safety Inspection Service of USDA did take place in September 2017, as part of a beef and pig meat inspection, there has been no movement since.

In response to a parliamentary question in March 2018, Minister Creed said it is not possible to predict a timeline for sheep meat market access to the USA. This is disappointing at a time when the USDA predicts 2018 to be a record year for meat consumption. US sheep meat imports increased by over 18,000t in recent years to an estimated 108,000t in 2017, with Australia and New Zealand the main suppliers.

The US is likely to be a home for higher-value cuts and pressure also needs to be maintained on gaining access to the Chinese market, which would help balance demand for lower-value cuts. While a questionnaire on sheep meat was submitted as far back as 2014, Minister Creed acknowledged recently that the policy enforced by AQSIQ (Chinese policy responsible for food safety) meant that Chinese authorities would only consider market access for one species at a time. The Department of Agriculture now hopes to be in a position to renew negotiations.

China is the largest sheep producer in the world, but still has a significant supply deficit. It imported 259,000t of sheep meat on a carcase-weight basis in 2017, a

fourfold increase in the last 10 years. Again, Australia and New Zealand are the primary suppliers, accounting for 96% of the market.

There has also been quite a bit of dialogue of late on extending electronic tagging across the entire sheep flock. The meat industry in particular have championed its introduction citing improved traceability which will help gain access to the markets listed above and also safeguard access to EU markets. Maintaining and enhancing traceability is vital from the perspective of sheep meat production being heavily dependent on exports. From a farmer's point of view, the major sticking point is in justifying an investment of upwards of €1 per head in applying electronic tags for such a short period of time on lambs leaving the holding of origin and travelling direct for slaughter. While hill farmers have voiced opposition in having to invest €1.20 to €1.30 per head in lambs with a low sale value. There have also been eyebrows raised at how New Zealand and Australia can access these markets without electronic tagging. There is no doubt that the issue needs to be resolved but if farmers are to bear the brunt of additional costs then there needs to be a clear payback, either from improved market prices or an alternative incentive.

Perception of production

The rise of so-called fake news and growing financial support for veganism is one that deserves mention. There are numerous high-profile celebrities that are currently willing to add their support, both vocally and financially, to promoting a vegan lifestyle. It is not just celebrities voicing opinion that we need to be worried about. The *Irish Farmers Journal* Scottish edition recently reported on plans by Edinburgh City Council to have pupils in primary schools take part in a Monday meat-free campaign, which is already under way in other areas across the globe, citing health benefits and better environmental sustainability as the reasons. The positive role sheep play in enhancing the environment, particularly in high amenity areas, and the positive health benefits of eating meat need to be highlighted to help balance the debate.

While some of the commentary by people who are viewed as influential members of modern society, on social media or blogging websites, is focused on promoting a vegan or meat-free diet, other campaigns by organisations such as PETA or Go Vegan World are very much tailored to linking meat or wool production with animal

cruelty. Much of the visual images used to depict agriculture are sensationalist and while those involved in agriculture realise this, the mistruths can be appealing to other members of society, with a growing disconnect between farmers and the next generation of consumers.



Campaigns such as PETA's inaccurate depiction of a mutilated lamb portraying shearing can be challenged and defended.

Source:
www.stuff.co.nz/business/farming

It is much harder to defend accurate cases of animal cruelty, such as the long-running animal cruelty case involving shearers in Australia which culminated with the prosecution of shearers.

Sheep cruelty video sparks RSPCA investigation

Animal rights group releases covertly filmed video it says shows abuse in shearing sheds across three states in Australia



▲ WARNING: This video contains graphic images of animal abuse

It is much harder to defend cases of actual animal cruelty, which wrongly portray the agricultural industry as being rife with animal cruelty.

Source: Mirror newspaper

Such cases are not the norm and agriculture's defence has to be to maintain its high standards of animal welfare. This must be the case from inside the farmgate and span right across the industry.

Attracting new blood into sheep farming

Agriculture globally is facing a challenge of attracting young people into the sector. In Ireland, there has been a significant entry of youth into dairying, but sheep and beef production are struggling, particularly in attracting new entrants on a full-time basis. The challenge is exacerbated by a recovery in employment in other sectors, with more graduates opting for nine-to-five roles outside of agriculture.

The fact that sheep farmers have historically fared poorly in direct payments and that entitlement levels are based on stock numbers that are close to being 20 years out of date is not helping. CAP payments were brought in to compensate farmers for the additional costs faced in producing food to exacting standards while making this food available to EU consumers at a lower cost. The next CAP reform must find a way of returning to protecting active farmers, with payment levels complicated by a well-documented reduction in the EU budget and increasing competition for funds to be transferred towards migration and defence.

There is a long road ahead on negotiations, but there are also some worrying aspects in the recently leaked documents surrounding part-time farmers and taking off-farm income into account. EU Commissioner Phil Hogan has quickly come out to quell this element which is important as the sheep sector is dominated by small-scale flocks, with close to 70% of flocks recording less than 100 sheep in their annual sheep and goat census.

Many of these flocks would cease to generate a positive margin without access to direct payments and would dwindle away over time. Older flock owners are likely to stay sheep farming while they can and it is replacing these systems that will also prove challenging. Supporting young farmers is thankfully an area where Commissioner Phil Hogan has voiced his support and it is probable that a mechanism of supporting young farmers could be one of four main direct payment elements of the next CAP. The other three being redistribution, an environmental

payment which looks likely to replace Greening and a basic income support for sustainability.

A system that rewards active farmers, irrespective of flock size, is what is required to maintain critical mass in the sector. For example, previous schemes linked to exchequer funding had a maximum flock payment rate. This is counterproductive and damaging to enterprises relying most on farming to generate family income. While, at the other end of the spectrum, grant aid schemes were tailored to existing enterprises with those with smaller numbers and wishing to expand not eligible. Thankfully, this is now being taken account of and needs to remain the case.

Advisory programmes must continue to push the boundaries of production to deliver a profitable road map for intensive enterprises. However, they must also cater for part-time systems and deliver blueprints that promote optimum output.

Practical CLP procedures

No farmer doubts the importance of presenting sheep in optimum condition for slaughter. However, the manner in which the clean livestock policy was implemented last winter left plenty of room for improvement. Some finishers with large numbers addressed cleanliness by shearing animals, but for the majority of producers handling smaller numbers, this was not a workable option. The manner and condition in which sheep were shorn was also far from ideal in terms of operator health and safety and salvaging any value from the wool clip.

A number of aspects need to be improved upon in 2018. There is still an important educational component in clarifying what constitutes animals falling into category A, B or C and getting this information disseminated at farm level. Lambs travelling long distances to slaughter are likely to face challenges irrespective of the time of year and more work needs to be done on delivering suitable advice for managing lambs before leaving the farm and during transit. The Department of Agriculture introduced the policy and a greater effort needs to be made to help the policy bed in.

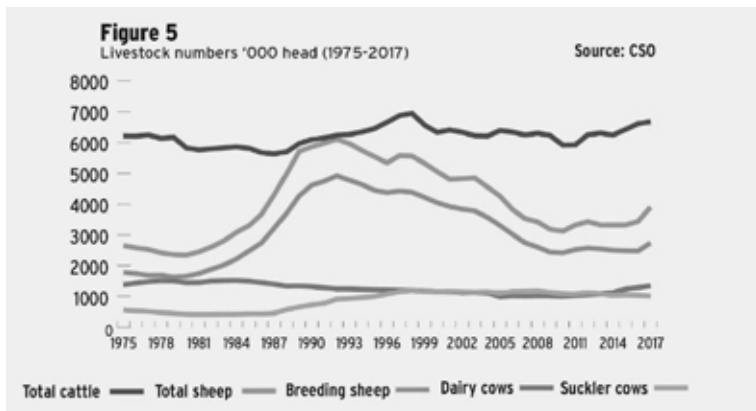
Uncertainty around the policy also has the potential to interfere with the valuable store lamb trade and this heightens the importance of addressing issues in adequate time. Factories also have a role to play in developing workable solutions for animals

that fall into category C classification, despite the best efforts of farmers in preparing sheep for slaughter.

Link-up with tillage farmers

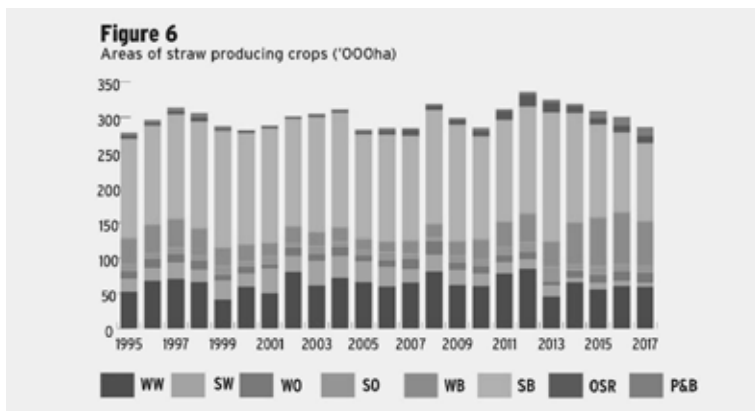
Sheep farmers, on average, are relatively low users of straw on an individual farm basis, but when combined the industry is a significant consumer of straw. This winter has given us a glimpse of the challenges that come when faced with tight supplies of straw. Sourcing straw for next season could be even more taxing, given the difficulties tillage farmers are facing in getting crops sown.

There is also the associated challenge of sourcing straw, with combined record numbers of suckler and dairy cows in the country. CSO statistics detailed in Figure 5 show dairy cow numbers recorded at 1.34m head in 2017, while suckler cow numbers were recorded at 1.02m head. Dairy cow numbers were significantly higher previously, reaching a peak of 1.52m head in 1984, when quotas were introduced. However, the big difference is that, in 1984, suckler cow numbers were recorded at 419,000 head, with the agricultural mix much more balanced between livestock and crop production.



The dairy sector continues to expand, with Teagasc predicting the national dairy herd to reach some 1.6m cows by 2020. This will have consequences on two accounts – dairy farmers will continue to aggressively compete for land, which could further reduce the acreage available for cropping, while a growing dairy herd will

have greater demand for straw. The reduction in the area of ground planted with straw-producing crops is clearly listed in Figure 6.



This presents a significant challenge for the sheep sector, which, it must also be pointed out, will face challenges from conversion of land currently farmed by sheep into dairying. But there is also potential opportunities for sheep farmers to develop greater linkages with tillage farmers to safeguard future straw supplies.

An increase in the area of catch crops sown to meet ecological focus area requirements for tillage farmers or measures selected under the Green Low-Carbon Agri-Environmental Scheme will open the door for farmers in certain areas of the country to enter into agreements that will have mutual benefits. Longer term, there is potential to complete deals that would see straw moving in one direction and slurry/farmyard manure in the other. There is also likely to be scope on some lowly stocked farms in tillage areas to enter into cropping arrangements. Some thinking outside the box and work needs to be completed in this area to develop arrangements and put realistic costs on the value of catch crops for grazing or deals involving trading of straw and organic fertilisers.

Tillage farmers, like early lamb producers, have endured many tough years and while an upturn in prices may add some life back into the sector, weather is another concern that is becoming harder to cope with. Some sheep farmers in western and midland areas, where straw is becoming harder to source and at a greater cost to

the business, may, longer term, have no option but to look at housing alternatives to reduce their dependence on straw.

Responsible use of herbicides

Given the more marginal nature on a high percentage of land that sheep are farmed, access to herbicides to control principally rushes, but also other production-limiting grassland weeds, is vital. There have been a number of instances in recent years where herbicides have been identified at a low level in rivers, streams and lakes across Ireland. The greatest offender identified in drinking water supplies is MCPA, the active substance used in a number of herbicides predominately used by grassland farmers to control rushes.

The legal limit for MCPA in drinking water is one part per billion, or the equivalent of one drop in an Olympic-sized swimming pool. The legal limit is well below the levels which would affect human health, according to the EPA, but the fact that MCPA has been found in many water bodies supplying drinking water has rightly caused concern.

Provisional water testing figures for 2017 show that pesticides breached legal limits in more than 150 samples, a 10% increase on 2016 figures. MCPA was the chemical involved in 80% of those. The growing concern of 49 separate water bodies being affected in 2017 (up from 42 in 2016) has prompted the introduction of a two-year testing programme for four high-priority water catchments - Lough Forbes in Co Longford; the River Nore, Troyswood, Co Kilkenny; River Feale, Abbeyfeale, Co Limerick; and River Deel, Newcastlewest, Co Limerick.

Water testing will now be ramped up during April and May plus August and September, with minor rivers and streams leading to the four catchments sampled weekly or fortnightly for the remainder of the year. Monitoring will focus exclusively on phenoxy acid-based herbicides, such as MCPA, 2,4-D and others.

The Department of Agriculture is also stepping up its level of monitoring and this spring wrote to 2,254 farmers who purchased MCPA products warning they could be subject to inspections and, where non-compliance is found, may face sanctions under cross compliance and the Sustainable Use of Pesticides Directive (SUD).

Safeguarding the availability of these important herbicides for future use is vital and farmers must act responsibly to ensure this happens. The way we use sprays needs close attention, while our management practices can also be greatly improved. For example, topping can be a useful aid in a control programme and can be successfully used to weaken the crop by forcing regrowth to take place while also helping to have the crop at the growth stage to achieve optimum absorption of chemicals when spraying. Soil fertility and drainage is also central to any control programme, as enhancing the ability of grass to grow will make it harder for weeds to establish and thrive. The use of herbicides is essential in productive agricultural systems and we have an opportunity to protect their availability by acting responsibly when spraying.

Conclusion

In short, there is a positive outlook for continued demand for sheep meat with positive opportunities in a number of new markets such as the US and China. Producer profitability and attracting new entrants into the sector will remain a challenge and one that must be overcome to safeguard critical mass in production and the sector's future. Brexit could present market opportunities for the sheep sector but as discussed at last year's conference, it could also hit farm income through a combination of a reduced CAP budget and the fact that many holdings are mixed with suckler/beef enterprises which could be adversely affected by Brexit. The next CAP must get back to supporting active farmers while also supporting producers who are constrained by land type but nevertheless doing a valuable job in maintaining and enhancing the environment in which they farm.