

The Policy Roadmap for the EU Sheep Meat Sector

Recommendations from the EU Sheep Meat Forum

Introduction

The EU Sheep Meat Forum was established in the autumn 2015 on the initiative of the European Commissioner for Agriculture and Rural Development Phil Hogan, to explore the EU sheep meat sector's assets and opportunities; current and future challenges focusing on key areas such as production, competitiveness and marketing; as well as its economic, social and environmental sustainability.

The EU sheep sector welcomes this positive initiative by Commissioner Hogan. The Forum presents a unique opportunity to put forward a positive policy roadmap geared at capturing opportunity and sustaining the future for the EU sheep meat sector.

Chaired by John Bryan from Ireland, assisted by Kevin Kinsella, the forum brought together participants from Member States with a significant sheep meat production, as well as representatives of producers, processors and traders in sheep meat in the EU. An in-depth debate took place during a series of four workshops organised from November 2015 to October 2016.

The four one day workshops focussed on economic, social and environmental aspects of sheep farming in the European Union. Details of the meetings, agenda, speakers and topics as well as the presentations given at each workshop are publicly available from a dedicated website http://ec.europa.eu/agriculture/sheep-goats/forum/index_en.htm

This report presents the final recommendations from the EU Sheep Meat Forum, which were adopted at the last meeting on October 13th 2016 and presented to Commissioner Hogan. Being aware that the Forum had a clear mandate for sheep meat, it emerged from the final discussion that the recommendations equally address key issues of the goat sector. In addition, the importance of wool and pelts to the sheep sector was highlighted and the need to address market issues for these products.

Characteristics of the EU Sheep sector.

There are about 900,000 sheep producers in the EU, with the UK, Spain, France, Romania and Ireland the main producing countries. The value of EU sheep and goat meat production accounted for some €5.5 billion in 2015. Many areas facing natural handicaps in the EU are grazed by sheep. Since the 1980's sheep numbers have fallen by 25 million head. However, the EU sheep population has now stabilised at around 86.5 million animals. Self-sufficiency for sheep meat is currently at 87% with an average per capita consumption of 2.1kg carcass weight. In 2015, the EU imported 212,000t of sheep meat, of which 85% came from New Zealand. EU sheep exports account for 61,000t, half of which is live animals.

The EU sheep meat sector can be described as vulnerable or sensitive, facing a number of significant challenges including low incomes at farm level and weak financial sustainability, dependence on direct supports, declining consumption, low productivity and higher average age profile of both producers and consumers.

However, there are also a number of positive opportunities for the sector including its position as a supplier of a premium quality lamb products to an EU market that is only 87% self-sufficient, the positive role of sheep in enhancing the environment, managing natural resources and biodiversity, and delivering eco systems services and public goods to society.

The two key themes to emerge from the EU Sheep Meat Forum were the necessity to provide strong support to primary producers through CAP direct payments and recognise the vital role sheep plays in enhancing the environment with the concept of a new environmental payment. Secondly, to fully capture and enhance the real market opportunity with 500m EU consumers, building a strong preference for EU lamb by communicating the positive features of the natural and sustainable production credentials of the product.

Against this background, the EU Sheep Meat Forum has made the following set of recommendations to provide a strong policy framework for an economically and environmentally sustainable European sheep meat sector.

Priority Recommendations

The two priority recommendations of the EU Sheep Meat Forum can be summarised as follows.

Strong CAP Support for Sheep

The EU Sheep Meat Forum recommends strong future CAP support for sheep producers, including coupled supports as well as prioritised and enhanced Rural Development measures. Recognising the key role sheep plays in enhancing the environment in extensive grassland systems, the Forum recommends the Commission consider a New Environmental payment.

New Sheep Meat Communication and Promotion Programme

The EU Sheep Meat Forum recommends a New Sheep Meat Communication and Promotion Programme with a strong focus on the internal market aimed at positioning EU lamb as the automatic choice amongst EU consumers. Within EU promotion measures specific ring-fenced funding should be targeted to sheep.

Recommendations of the EU Sheep Meat Forum.

Strong CAP Direct Support and Greening

In addition to its agricultural production, the sheep sector provides significant public goods. The Forum highlights the role of sheep farming in terms of providing high quality affordable food as well as the important socio-economic role in rural areas as regards employment and economic activities. These aspects are not fully remunerated by the market. Economic analysis show that each €1 of direct support for the sheep sector underpins €2.7 of output and €1.72 of household income.

The Forum recommends:

- In future agriculture policy reforms, the CAP Budget should be fully maintained and the European model of family farming protected with a focus on EU community preference.
- Direct payments to be fully maintained as they are a critical component of sheep farmers' incomes.
- The option of targeted voluntary coupled support to sheep farming and sensitive areas to be maintained and strengthened. Currently 22 Member States operate voluntary coupled support for the sheep sector, amounting to an average payment of €12 per ewe.
- The Forum highlights the considerable differences between EU Member States as regards eligibility of extensive pastures for direct payments. The Forum recommends that the Commission and the Member States work together and apply administrative discretion in allowing Member States designate areas where extensive traditional sheep grazing is an established practice to remain eligible for direct payments.
- Member States exploit the possibility to allow grazing on EFAs respecting non production periods and where grazing contributes to the environmental objectives of the measure.

Prioritised and Enhanced Rural Development Measures

The Forum highlights the key importance of Rural Development support for the sheep sector.

The Forum recommends the Commission and the Member States:

- Consider ways to target Rural Development measures more directly at active sheep farming.
- Reflecting the fact that sheep are farmed in Areas of Natural Constraint, payments under the various Rural Development Measures should be prioritised and enhanced for sheep farmers.
- Member States to fully utilise and make available all of the RDP options to sheep producers especially in the areas of Knowledge Transfer and advice, animal welfare and capital investment grant aid.

New Environmental Payment

Sheep farming plays a key role in enhancing the environment, the management of natural resources and biodiversity particular in areas with natural and other specific constraints, where other farming enterprises are not sustainable. Sheep farming and pastoralism has an important environmental role in preserving sensitive ecosystems, landscape aesthetics, water quality, climate change, preventing erosion, floods, avalanches and forest fires and controlling undesirable accumulation of biomass. The Forum highlighted the unique role of sheep farming in delivering public goods and ecosystem services to society.

The Forum recommends:

- As part of the CAP, to support measures for managing grassland through extensive livestock farming and to help reverse the accelerating problem of declining sheep numbers and land abandonment, the Commission consider the possibility of a New Environmental based payment.

Young Farmers

The older age profile of sheep farmers in Europe as well as the difficulties in attracting young farmers into the sector present significant challenges to the development of the sector.

The Forum recommends:

- Increased support for young farmers entering or involved in sheep production.
- A continuation of the direct payments top-up under the Young Farmers Scheme.
- Targeted measures for young farmers under the Rural Development Programme.
- Higher payment rates for young farmers under the general RDP scheme measures.

New Sheep Meat Communication and Promotion Programme

The Forum highlights the ongoing decline in sheep meat consumption in the European Union and the need to adopt a strategy to reverse this trend and reconnect consumers with the positive attributes of lamb. During the last 15 years, per capita consumption of sheep meat declined by 40% from 3.6 kg in 1999 to 2.1kg in 2015.

Securing the future vibrancy of the EU sheep sector is dependent on creating a positive differentiation of domestic EU lamb as a premium offering preferred by EU consumers. The EU market is only 87% self-sufficient, however it is the view of the EU Sheep Meat Forum that imports, while having a role in the market, have over the years had a disproportionate impact on viable market returns to sustain domestic production.

The Forum believes it is possible to enhance real market opportunity for EU lamb through a combination of building community preference on the internal market and securing greater access to strategic markets internationally.

The Forum is confident that an adequately funded sustained Sheep Meat Communication and Promotion programme would succeed in positioning EU lamb as the preferred choice of EU consumers when choosing to purchase or order lamb in European retail or food/restaurant outlets. This campaign would leverage the high EU standards and build on the clarity from EU origin labelling legislation by directly messaging to EU consumers the merits of choosing EU lamb.

The Forum recommends:

- A New Sheep Meat Communication and Promotion Programme with a strong focus on the internal market aimed at positioning EU lamb as the automatic choice amongst EU consumers. Within EU promotion measures specific ring-fenced funding should be targeted to sheep.
- Targeted communication and promotion activities should be directed at EU retail and food-service sectors, food and agri-media and direct engagement with consumers, highlighting convenience, quality, health and the strong environmental credentials of EU lamb to EU consumers, fully utilising social media and digital platforms.
- Utilisation of the EU label **Enjoy It's from Europe** on the widest range of EU produced sheep meat.

Improved Market Transparency

The Forum highlighted the importance of a strong and vibrant sheep sector as part of a market oriented agriculture and the need for viable incomes for producers with lamb prices that deliver a return above the costs of production.

Market transparency and reliable market information are key factors. This includes the detailed monitoring of trends in economic indicators with a focus on production, prices (farm, manufacturing and retail), production costs and trade figures.

The Forum recommends the Commission:

- Develop a Dashboard on sheep meat similar to other meat sectors.
- Improves price reporting and establishes a Market Price Observatory to provide transparency across the entire supply chain. The Observatory would provide additional information on the key aspects of trade, price and margins across the supply chain.

Position in the Food Supply Chain

As is the case in other livestock sectors, sheep farmers suffer from a weak negotiation position in the food supply chain. The Common Market Organisation provides possibilities to collectively negotiate prices for dairy and beef farmers.

The Forum recommends:

- The European Commission extends the provisions on contractual negotiations within the legal framework of Regulation (EU) No 1308/2013 to the sheep sector.

- Improved regulation across the food chain to remove unfair trading practices and create a fairer trading environment for suppliers, processors and primary producers.

Trade Issues

The Forum highlights the sensitivity of the EU sheep market towards imports. The EU import regime is unique in that it allows imported fresh and frozen lamb product, mainly from the Southern Hemisphere produced at the lowest costs, to compete with domestic lamb, when EU production costs tend to be highest.

The Forum recommends:

- Preferential market access should not be increased above the currently existing tariff rate quotas.
- Continued designation of sheep meat as sensitive product during the current and future trade negotiations between the EU and its trading partners.
- The EU maintains the equivalence of standards as a key principle of EU trade policy. EU imports must meet standards equivalent to those required of EU producers across the key areas of animal health, consumer protection and the environment.
- The Forum highlights the key position of the UK in the EU sheep sector and, as a consequence, the huge impact on the sector of Brexit. In this context, existing and historic trade flows should be fully re-examined and a trade policy solution found that best accommodates the needs of the sector.

It is important that the EU sheep meat sector has full access to a wide range of international markets to benefit from emerging opportunities and maximise overall returns.

The Forum recommends that the Commission:

- Intensifies efforts to lift existing SPS barriers which inhibit EU exports.
- Supports information campaigns in international markets to facilitate the import of EU sheep meat.
- Facilitating and maximising access for EU live sheep export to existing and new market opportunities, especially ethnic markets.
- Supports efforts on market access also for fifth quarter products.

Simplification and Cross Compliance

The Forum highlights that due to some requirements in the scope of cross compliance specific to the sheep sector, farmers keeping sheep face an increased risk of non-compliance. These concerns mainly relate to sheep identification and extensive grazing.

The Forum recommends:

- The inspection process across the cross compliance requirements, including sheep identification and registration should provide a right to rectify in a close out approach.

- Member states make use of the flexibilities provided for in the legislation for certain unintentional non compliances, including on identification and traceability.
- The Commission to consider a more proportionate and fairer approach regarding penalties and tolerances.

Sheep Identification

The sheep sector acknowledges the need to have functioning traceability systems in place. However, the Forum highlights the persisting practical difficulties and cost burden at producer level with the implementation of electronic identification of sheep in a number of Member States.

The Forum recommends:

- The development of supplementing rules on the identification and registration of sheep including simplifying requirements on the presentation of the movement documents, the time periods for recording movements, the application of identifiers and other areas.
- The use of a batch traceability system, where appropriate.
- The continued availability and use of the derogation in respect of EID on lambs sent direct to slaughter.

Innovation

Modern and innovative production methods and technology are strengthening the sheep sectors' competitiveness and its capability to offer products that correspond to consumer expectations and market demand. This applies to primary production, including sheep breeding, but also to the slaughter and processing industry. The Forum acknowledges that a number of ongoing European Research and Innovation projects consider aspects of sheep farming by addressing key questions on animal health, productivity and economics.

The Forum recommends:

- The EU Commission provide further incentives for research and development including the transfer of know-how throughout the whole sheep meat production chain.
- At farm level, the focus will be on improving productivity, quality, breeding, preventative disease control, education, advice and the use of technology.
- Improved co-ordination of breeding programmes between Member States.
- Supporting investments to modernise slaughter processing and packing plants using the latest technology in order to maintain the competitiveness of the EU sector.
- Support investment and R & D in product development and added value.

Sanitary Issues

The Forum recommends:

- Specified Risk Materials – reduction in ovine SRM and TSE testing based on the scientific opinions published by the EFSA applying a reasonable approach of the precautionary principle.
- Animal health – support increased concerted and uniform animal health management between Member States on implementing preventative strategies on animal disease.

Natural predators

The increasing presence of large carnivores in traditional sheep farming areas poses a serious threat to this economic activity, leading to frequent economic damages and additional permanent costs to sheep farmers.

The Forum recommends:

- Member States to exhaust the possibilities to support preventive measures under Rural Development and to compensate losses under state aid schemes.
- Possibilities within the framework of the Habitats Directive 92/43/EEC be explored to regulate populations of large carnivores in specific areas where they are threatening sheep farming.

Proposed follow up

The EU Sheep Meat Forum is advocating that the recommendations from the Forum be taken on board by the relevant parties and implemented at EU and national level. The Recommendations from the Forum have been presented to Commissioner Hogan. The Chairman recommends that the Commission informs the Council on the outcome of the EU Sheep Meat Forum.

The Chairman is proposing that the implementation of the recommendations is monitored by the EU Civil Dialogue Group on sheep.

Expression of thanks

The Chairman of the Forum Mr John Bryan wishes to thank the following:

- EU Agriculture Commissioner Mr. Phil Hogan, for his support and positive initiative in establishing the EU Sheep Forum.
- All of the Forum participants for their active and constructive involvement, as well as their attendance at the four meetings in Brussels.
- All of the individuals and groups who made submissions to the Forum, both in meetings and in writing.
- The Commission services for their excellent support, organisation and facilities provided to the Group.