

THE SCOTTISH SHEEP SECTOR REVIEW



A pathway to a profitable future:
a vision for the future of the Scottish sheep industry



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Chairman’s Foreword

At the request of the previous Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead, a short-life industry group comprising representatives from the supply chain was created. The remit of the group was to:

Develop recommendations to policy makers and others that will help deliver a successful future for the Scottish sheep sector; in particular aiming to increase efficiency and to ensure that the sector retains sufficient production and added value capacity in Scotland to maximise its economic and social contribution to rural communities.

To help inform its conclusions the group drew on the expertise of many experts in, for example, animal genetics, animal disease, marketing and retailing.

Throughout the process, we have been realistic about where the industry is at the moment; discussions have been wide-ranging and, on the whole, optimistic about the future of our industry.

I say “our industry” with reason, as that is what it is: it belongs to us, the producers and the processors, and collectively if we want to change it we can – but we need buy-in from everyone who is involved at every level of the chain.

Whether you are a farmer or a crofter, a scientist or an advisor or a policy maker, we should always be looking to make changes which will ensure a successful future for the Scottish sheep industry.

When we start to delve into the resources and skill sets that we, as an industry within a small country, have at our disposal, they are very impressive. However, it would be fair to say that at the moment the report card would read “could do better”.

As sheep farmers, we have various tools at our disposal: some we were born with, others we have picked up along the way, and there are new tools that we have not quite got to grips with yet. We should not be frightened by new ideas that are still in transition from research to practice; many will become trusted friends, complementing the existing skills that remain key to sheep farming.

We have a worldwide reputation for the quality of our beef. Our hidden secret is our lamb, which also has a fabulous story to tell in terms of product provenance and availability throughout the year – from lowland spring lamb on through upland lamb in the autumn to high hill lamb in the winter. We need to become greater advocates for the products we produce.

Not only do we need to work on understanding and improving the efficiency with which we produce meat and wool, we also need to understand better the qualities of the meat we produce and how consumers can use our products. We can become ambassadors for what we do and what we produce.





A successful and vibrant sheep sector will also bring benefits to our rural communities, support our heritage and protect environmentally fragile landscapes. The Harris Tweed industry and Fair Isle and Shetland hand knitters are examples of small rural businesses built on presence of sheep for their raw materials. Access to wild Scotland can be eased by the presence of sheep tracks, and the bio-diversity of fragile landscapes can be enhanced by managed sheep grazings. Many important community shows and fairs are based on the key events of the sheep-farming year.

As a nation we are highly regarded for our shepherding skills and can turn sheep out for the show or sale ring like no other country. There is a need to harness that passion and utilise it in other activities to benefit our industry. By doing this we can reconnect with our consumers, promote our products and drive more innovation into our production systems.

Our recommendations are by no means exhaustive but when acted upon have the potential to make a difference to this industry and, in turn, will help deliver a successful future for the Scottish sheep sector. In constructing the recommendations the group recognised that it is important that somebody should be identified who, on behalf of the industry, can take ownership of the recommendation and either in their own right or with others drive the recommendation forward. To this end the group have identified a potential lead organisation for each of its recommendations. It is also important that these recommendations are not lost, and we conclude that as a final recommendation an industry group should be established to regularly monitor and review the progress towards the conclusions of this report and verify that action is being taken.

We believe that there is something for everyone in this report. No matter who you are, please set some time aside to read and digest – and if you can make some changes which will have a positive impact on our industry, make them.

I would like to take this early opportunity to thank the members of the group for their time, contribution and patience in the creation of this report.

- Stuart Ashworth**, Quality Meat Scotland (QMS)
- Alexander Brewster**, Farmer, Perthshire
- Raymond Crerar**, SAC Consulting, Farmer, Ayrshire
- Heather Curran**, Scottish Government
- Murray Hardy/Ian Anderson**, Scottish Association of Meat Wholesalers (SAMW)
- Andrew McCornick**, NFUS, Farmer, Dumfries and Galloway
- Duncan McEwen**, Farmer, Stirlingshire
- Finlay McIntyre**, Institute of Auctioneers and Appraisers in Scotland (IAAS)
- George Milne**, National Sheep Association (NSA) Scotland region, Farmer, Fife
- Martin Morgan**, Scottish Government
- Pamela Nicol**, Blackface Sheep Breeders Association, Farmer, Angus
- Ian Watson**, Scottish Agricultural Organisations Society (SAOS)

John Scott, Chairman, Farmer, Highlands

Executive Summary

The group’s vision for the Scottish sheepmeat supply chain is that of:

“A cooperative, coordinated and efficient industry capable of delivering quality meat and wool of high ethical standards through sustainable land use that allows all links in the chain to be sufficiently profitable to reward the labour and capital invested in the business.”

This vision will only be achievable if each link in the supply chain is profitable; and that comes from both production efficiencies and market development. Gains will also be delivered for the wider community not only from a secure high-quality sheepmeat supply chain but also through environmental benefits gained through efficient resource use and waste reductions that will reduce the carbon footprint of each kilogram of sheepmeat produced in Scotland.

A vibrant sheep-farming sector in Scotland will also deliver significant public goods through the role of sheep grazing in managing fragile hill and upland landscapes, preserving bio-diversity and access to the tourism resource that is the Scottish wild landscape. Furthermore, securing sheep production will deliver benefits to the environment through the capture and storage of carbon in Scotland’s carbon-rich soils and permanent grasslands.

Achieving this vision has the potential to benefit the Scottish sheep sector supply chain by in excess of £26m per year. Nevertheless, delivering this vision will not be easy. It requires greater sharing of knowledge throughout the chain, an information highway or infrastructure that allows rapid sharing of data and communications between all in the industry, and a desire to change and adapt.

To deliver its vision, the group makes the following recommendations:

Recommendation 1
Simple and easily accessible tools should be developed for the industry that allow businesses to make peer-to-peer comparisons of their physical and financial achievements from which to identify their strengths and weaknesses that can be built on or addressed to improve the resilience of the sheep enterprise.

Recommendation 2
Increase access to and financial support for those attending and contributing information to farm-based knowledge exchange programmes to allow peer-to-peer learning and practical demonstration of best practice to take place.

Recommendation 3
Within two years, every farmer and crofter should have access to broadband and mobile phone connectivity in all areas of Scotland to improve access of remote businesses to the knowledge exchange network.

Recommendation 4
A skills gap analysis of the Scottish sheep sector should be carried out within twelve months to identify the training required, with recommendations as to the means by which any training needs identified can be delivered.

Recommendation 5
Stakeholders in the sheep sector should come together to develop and deliver a sheep-farming modern apprenticeship programme building on the work of the National Sheep Association’s Next Generation Ambassadors initiative, the Ringlink (Scotland) interns initiative and the training initiatives of the Scottish Association of Young Farmers Clubs (SAYFC).

Recommendation 6
A review of the current provision of higher and further education and training within Scotland is required to deliver recommendations on course content, structure and delivery mechanism best suited to the needs of the modern sheep industry.



Recommendation 7

The Scottish Government should continue to support a significant research programme and infrastructure in Scotland and establish, and work with, a sheep science technical advisory group comprising producers, processors and others to guide the relevance and dissemination of the research programme.

Recommendation 8

Develop a disease assessment mechanism based on the use of genomic evaluation of important economic diseases of the sheep sector to assist in breeding animal selection.

Recommendation 9

An extensive central progeny testing programme should be developed to include easily understood breeding performance measures of both maternal and terminal traits.

Recommendation 10

The Scottish Government should prioritise Scotland's case to receive BSE Negligible Risk status.

Recommendation 11

Food Standards Scotland should change the method of ageing sheep by replacing the current system with one using a cut-off date after which sheep would be deemed to be over a year old, for example, the 30th of June in the year after the animal was born.

Recommendation 12

The Scottish Government and the industry should co-fund a research project to develop mechanisms to encourage and support a more coordinated approach by the supply chain to deliver a supply profile better matched to market demand.

Recommendation 13

A comprehensive review of price and grade reporting protocols should be carried out to recommend changes to assessment methods that would result in better reporting of carcase size, appearance and eating quality.

Recommendation 14

An integrated central database building on the use of sheep EID should be constructed that allows producers access to improved feedback of a prime lamb's carcase weight, grade and health status as well as abattoir downgrades.

Recommendation 15

Producers, processors and Food Standards Scotland should work together to draw up protocols to improve the delivery and handling of sheep prior to despatch to improve the cleanliness of animals arriving at abattoirs as this would contribute to improved product shelf life.

Recommendation 16

The industry needs to be an advocate for its products; it needs to identify producers who would become ambassadors for the sector, forming a cadre of people who can speak on behalf of their product and sheep-farming activities for consumers, schools and colleges and provide them with suitable training.

Recommendation 17

The sector must continue to finance a significant UK marketing budget to monitor, annually, the changing UK consumer and retail attitude to lamb and to adapt production and promotion to capture the dynamics of the market.

Recommendation 18

The sector must continue to finance a significant international marketing and promotional budget while seeking – through QMS, Scotland Food and Drink, Scottish Development International and other agencies – added value and leverage by co-operating with complementary products where relevant in international trade events.

Recommendation 19

The Scottish Government must work closely with UK and global partners to facilitate maximum access to international markets.

Recommendation 20

A feasibility study should be carried out to identify genuine points of difference that can be used to add value to some Scottish lamb as a means to secure market opportunities that deliver improved revenue to the producer through exploiting speciality products.

Recommendation 21

Funding should be made available through rural development programmes to support the development and piloting of integrated collaborative supply chain protocols to meet specific market opportunities. (See also recommendation 12.)

Recommendation 22

The Scottish Association of Meat Wholesalers (SAMW) should commission a feasibility study into the establishment of a sheepmeat added-value facility within Scotland, with particular consideration given to business structure and cost. (See also recommendation 18.)

Recommendation 23

Industry representative bodies should engage actively with the schools' careers guidance service to make them aware of the opportunities that exist in the agricultural production and food industries. (See also recommendation 16.)

Recommendation 24

Representatives from the farming and land-owning communities should come together with bankers and government to develop, promote and facilitate share-farming and contract-farming initiatives.

These recommendations contribute to one or more of the underlying objectives for the sector identified in the summary following.



Summary of the Components Needed to Deliver the Vision

Objective	Requirement to meet objective	Secondary requirement to meet objective	Tertiary requirement	Recommendation	Short term (less than one year)	Medium Term (1 to 5 years)
A cooperative, coordinated and efficient industry capable of delivering quality meat and wool of high ethical standards through sustainable land use that allows all links in the chain to be sufficiently profitable to reward the labour and capital invested in the business	Profitable throughout the chain	Drive technical efficiency	Advisory service fit for purpose	6, 7		X
			Improve access to skilled workers	4, 5, 6		X
			Benchmark technical and economic performance	1, 2, 13, 14	X	
			Drive breed efficiency/suitability	8, 9		X
		Improve business-to-business communication	Develop supply contracts	12, 15, 20, 21		X
			Review grading system	13		X
			Targeted demonstration activities/farmer discussion forum	2	X	
			Use of modern media channels Apps / YouTube	2, 3, 17	X	



Summary of the Components Needed to Deliver the Vision cont.

Objective	Requirement to meet objective	Secondary requirement to meet objective	Tertiary requirement	Recommendation	Short term (less than one year)	Medium Term (1 to 5 years)
A cooperative, coordinated and efficient industry capable of delivering quality meat and wool of high ethical standards through sustainable land use that allows all links in the chain to be sufficiently profitable to reward the labour and capital invested in the business	Growing markets at home and abroad	Increase lamb consumption in UK	High-quality lamb available 52 weeks per year	12, 15, 20	X	
			Target young consumers	17, 20	X	
			New media to communicate with consumers	3, 16		X
			Increased marketing budget	16,17		X
		Find new international markets	Increased international marketing effort	16, 18	X	
			Establish trade protocols for/gain access to markets not currently open	19	X	
		Develop new sheepmeat products for consumers	Add value to fifth quarter	10, 11, 22	X	
			Develop new consumer products	17, 20, 22		X

Objective	Requirement to meet objective	Secondary requirement to meet objective	Tertiary requirement	Recommendation	Short term (less than one year)	Medium Term (1 to 5 years)
A cooperative, coordinated and efficient industry capable of delivering quality meat and wool of high ethical standards through sustainable land use that allows all links in the chain to be sufficiently profitable to reward the labour and capital invested in the business	A highly skilled workforce seeking to join the sector	Readily accessible skills training	Review skills training requirement of the sector	4	X	
			Provide structure for initial and continuing training	4, 5, 6		X
		Ready access to land and capital for first-time entrants	Develop share-farming protocols	24		X
			Establish a new entrant loan scheme	24		X
		Promote opportunities and skills required in this industry		16, 23		X



Introduction



Sheep production is a key component of Scottish agriculture. In 2015, the estimated output of the Scottish sheep sector was some £242m: 14% of all livestock output and 8% of Scottish agricultural output. Almost 15,000 holdings, 28% of all holdings, draw some income from a sheep enterprise. Sheep production is found throughout Scotland, but is of particular importance in some of the most iconic Scottish landscapes. It has made a significant contribution to the landscape's character and the social heritage of these areas through securing employment, supporting community infrastructure and maintaining rural traditions. Many of the landscapes used by sheep are only suitable for ruminant livestock production, being based on permanent grasslands and carbon-rich soils. Additionally, many of these landscapes, created and maintained by ruminant livestock management, are a vital resource of the Scottish tourism industry and essential to the preservation of bio-diversity. Not only does the sheep sector need to achieve economic sustainability, it is also important to recognise its role in the environmental and social sustainability of the landscapes and communities in which sheep farming takes place.

Scotland is home to around 21% of the UK breeding sheep flock and produces just less than 20% of the UK lamb crop. In a European context, Scotland's breeding ewe flock accounts for around 4.8% of the European Union's flock, placing it just ahead of Ireland and in eighth place in the European Union league table of breeding sheep population. At a global level, Scotland's breeding ewe flock is around 15% of the size of New Zealand's breeding ewe flock and 7.5% of the size of the Australian breeding ewe flock.

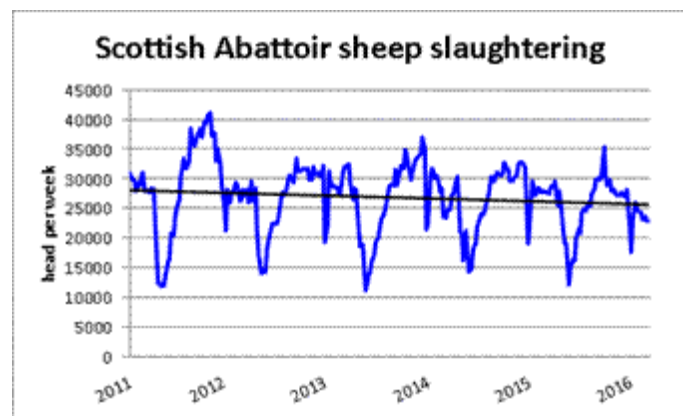
Nevertheless, in the decade to June 2015 and following on from the implementation of the 2003 CAP reforms in January 2005, Scottish breeding ewe numbers have fallen by around 18% – with some regions seeing declines of more than 25%. The lamb crop has fallen at a lower rate of 15%, meaning that the average productivity of the flock that remains is higher, although individual ewe productivity may not have changed as the least productive ewes have been removed. The number of holdings with sheep has declined by 6% over the same period.

Each year Scotland rears around 3.2m lambs, retaining around 800,000 for Scottish flock replacements. The annual Scottish lamb kill over the past decade has remained broadly unchanged at 1.34m lambs. Consequently, around one-third of the annual Scottish lamb crop is exported from Scotland each year for slaughter or breeding. However, the number of lambs exported from Scotland has fallen slightly over the past decade while ewe movements have increased.

The Scottish sheep sector is also a significant producer of wool delivering between 6 and 7 thousand tonnes of clip wool each year which accounts for 2.5% of sheep sector output. Wool production faces similar challenges to meat production.

Wool price is influenced not only by the changing demand for carpets and fashion products but also by the way wool is cared for and presented to the market.

Animal health, nutrition and genetics can all impact on the quality of wool, and the skills of those clipping and wrapping wool can affect the presentation and acceptability of wool in the marketplace. Consequently, many of the issues addressed in this report apply equally to meat production and wool production.



During 2015, nineteen abattoirs killed sheep in Scotland, but one-third of these handled 90% of the kill. Alongside the slow decline in breeding sheep numbers, there has been a slow decline of sheep throughput at Scottish abattoirs. However, sufficient capacity does exist within the current plants to handle significantly more lambs subject to these plants having a market outlet for an increased kill. All but one of the abattoirs killing sheep are multispecies facilities. These abattoirs produce around 27,500 tonnes of sheepmeat each year while Scotland's population is estimated to consume around 14–15,000 tonnes of sheepmeat each year. Scotland is then also a significant exporter of sheepmeat, mainly to the rest of the UK, although around 25–30% of annual Scottish abattoir production is exported to Europe.

In a global context the United Kingdom is, according to the Food and Agriculture Organisation of the United Nations (FAO) the third-largest exporter of sheepmeat in the world, after Australia and New Zealand, and exports twice as much sheepmeat as Ireland which is the fourth-largest exporter. Equally, though, the FAO estimates that the UK is the third-largest importer of sheepmeat in the world after China and France.

UK sheepmeat consumption, at around 5kg per person per year, is the highest among the EU Member States but still trails significantly behind Organisation of Economic Co-operation and Development (OECD¹) estimates of consumption in New Zealand and Australia of 6.6kg per person per year and 8.8kg per person per year respectively. Over the past five years, sheepmeat consumption per head has been declining slowly in many markets including the UK, the European Union and New Zealand – partially due to falling production. There has, however, been some growth from a low level in China and the USA, and also some recovery in consumption over the past two years in Australia.



Consumption of sheepmeat in Scotland is the lowest in any region of the UK and during 2014 was estimated to be around 2.5–3kg per person per year, about half the level of the UK as a whole. Scottish consumption would also trail that of France and Ireland. Increasing Scottish retail demand by 1kg per head per year would amount to extra demand of around 250,000 carcasses per year which, if all supplied from Scottish abattoirs, would require an increase in slaughterings of around 20%. The key in achieving this goal is to consistently deliver a product that the consumer not only needs but wants.

While sheep farming has to be at the heart of a successful Scottish sheep industry, the industry itself is a more diverse entity ranging from the agricultural supply sector and veterinarians, through primary producers and livestock hauliers to the auction companies and processing businesses and on to the retail market. Each link in this chain makes a vital contribution to a strong and sustainable industry.

Since 2009, the Scottish Government has recognised the strategic role of food and drink in the Scottish economy by adopting a Food and Drink Policy. In addition, the major sectors of the food and drink industry are now working together – and in partnership with government – through Scotland Food & Drink. The industry has already surpassed its original growth targets, with new ones set in 2013.

Nevertheless, the sheep sector's ability to meet these targets is compromised by a number of challenges, not least of which are the steady declines in livestock numbers since the 2003 reform of the CAP was implemented in January 2005 and a lack of profitability in the primary sector. Measurements of enterprise profitability recorded over many years, either at enterprise level by QMS or at farm level by Scottish Government, show that even before cuts in CAP support, very few sheep enterprises are profitable at a level to reward the proprietors for their unpaid labour and risk capital invested in their business.

Equally, though, these assessments show considerable variation in an enterprise's financial success. Over the past five years, the average improvement in gross margin from the bottom third to the average and the average to top third is around £20 per ewe.

The significant challenges facing the Scottish sheep sector identified above can be summarised as:

- Driving sheep production profitability
- Growing demand for sheepmeat
- Increasing throughputs in Scottish abattoirs and adding value in Scotland.

Facing up to these challenges will create potential to expand sheep production in Scotland. It will require greater collaboration throughout the supply chain, and the communication and adoption of best practice and science from around the world.

Recognising the diversity of challenges facing the sector from farm to plate leads to a vision for our sheep industry as:

“A cooperative, coordinated and efficient industry capable of delivering quality meat and wool of high ethical standards through sustainable land use that allows all links in the chain to be sufficiently profitable to reward the labour and capital invested in the business.”



¹OECD. (2015), Table A.17.2. Sheepmeat projections: Consumption, per capita, in OECD-FAO Agricultural Outlook 2015, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/agr_outlook-2015-table144-en



Driving Sheep Production Profitability

Surveys of sheep enterprise profitability show considerable variation in profitability. The improvement in gross margin between average financial performance and best financial performance can be more than £20 per ewe. Improving gross margins on half the current Scottish ewe flock² by £20 would benefit the sector by around £26m per year.

Analysis of the variance in the economic performance over several years highlights that most of the contribution to improved gross margin comes from improved market returns, a combination of having a greater number of lambs to sell per ewe and higher prices for those lambs. Maximising resource use efficiency through maximising the potential of feeds and forages and the wellbeing of stock, leading to strict control of variable costs, is also a contributory factor.

Analysis of prices paid for prime lamb by price reporting abattoirs for the 2015 lamb crop shows, on the basis of an R3L being the base price, that premia are paid for E,U,R fat level 2 lambs, and also E and U fat level 3L and 3H lambs. Collating the volume of these lambs with the number of lambs in the R3L category shows that, at the GB level, 69% of lambs fell within these grades.

While this is a good performance, there remains scope for improvement. Moving 4L and 4H lambs towards fat level 3H or 3L can deliver significant reward; moving from O conformation to R conformation can achieve similar results. Even within the preferred specification, a significant premium can be gained by delivering an R2 or a U3L lamb rather than an R3L. On a 20kg lamb carcase, these gains could be in the order of £3 per lamb. Indeed, comparing the revenue per prime lamb sold between those in the top third of the QMS sheep profitability survey and the average over the 2012, 2013 and 2014 lamb crops shows a gain of £3.08 per lamb sold, with no material difference in the weight of the lambs sold by the two groups.

Range in gross margins

Gross margin five-year average £ per ewe					
Hill flocks			Upland flocks		
Bottom third	Average	Top third	Bottom third	Average	Top third
5.56	24.77	45.79	39.04	60.11	80.66

Source: QMS

Contributions to higher gross margins

Lamb and wool revenue five-year average £ per ewe					
Hill flocks			Upland flocks		
Bottom third	Average	Top third	Bottom third	Average	Top third
39.04	60.11	80.66	94.05	109.69	129.67

Source: QMS

Contributions to higher gross margins

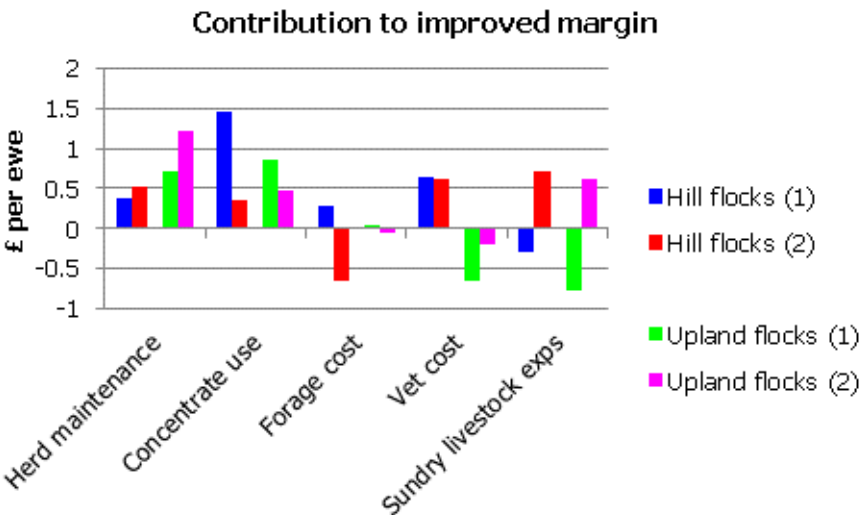
Kg lamb reared per ewe five-year average					
Hill flocks			Upland flocks		
Bottom third	Average	Top third	Bottom third	Average	Top third
25.3	33.4	41.7	50.1	61.2	69.7

Source: QMS

Contributions to higher gross margins

Variable costs five-year average £ per ewe					
Hill flocks			Upland flocks		
Bottom third	Average	Top third	Bottom third	Average	Top third
26.18	28.87	28.93	38.31	36.16	36.20

Source: QMS



Notes:
Contribution to improved margin between bottom third and average
Contribution to improved margin between average and top third
Columns above the line mean a saving; columns below the line mean extra cost.
Source: QMS

² June 2015 census records 2.58m sheep used for producing lambs, so 1.29m x £20 = £25.8m

Moving one-third of the lambs that are currently outside the preferred specification could potentially add value to over 150,000 prime lambs sold by Scottish sheep farmers to Scottish abattoirs each year, producing a gain of around £0.45m per year; a similar gain could be made by improving selection within the preferred grades.

Recognising that a significant number of prime lambs leave Scottish farms for slaughter outside Scotland means that the total gain from improved selection and breeding of lambs for slaughter could add in excess of £2m per year to Scottish sheep-farming revenue.

Ewe and lamb productivity also contributes significantly to the improvement in margin between the average flock and those in the top third. Over the 2012 to 2014 lamb crops, the QMS profitability survey shows those in the top third typically selling 25 more prime lambs per 100 ewes than the average; this is, typically, worth a further £18 to £20 per ewe.

Adding to these gains are ruthless cost control, high levels of resource efficiency and innovation through the application of the latest science and technology – both in animal and crop husbandry.



³ See: <http://www.qmscotland.co.uk/sites/default/files/bbyear4.pdf>
⁴ See: www.sheepgenetics.org.au/Resources/Case-studies/Lynton-Arney-Inverbrackie (accessed 29/4/2016)

Driving improvement in the genetic potential of the flock is clearly a long-term ambition, but the rewards can be considerable. Work by QMS³ has shown that significant gains can be made over three to five years by careful sire selection. Work in Australia has shown that by careful selection, over a ten-year period, lamb weaning weights can be lifted 3kg and lambs reared lifted by 5%⁴. While there is considerable evidence of the scope to improve sheepmeat production and resource efficiency in Scotland, the challenge remains one of maximising implementation of these messages by producers. The reasons why these messages are not being widely adopted are complex, but they are likely to include the attitude to risk within the business and access to the skills and knowledge required to deliver the actions needed.

While traditional peer-to-peer knowledge exchange based on farm visits and demonstration events remains a robust means of communicating information, developments in information technology, telephony, social media and internet access mean that other options for widening and deepening the reach of these events, and promoting best practice, are available and increasingly being used.

Consequently, the following recommendations are made:

Recommendation 1

Simple and easily accessible tools should be developed for the industry that allow businesses to make peer-to-peer comparisons of their physical and financial achievements from which to identify their strengths and weaknesses that can be built on or addressed to improve the resilience of the sheep enterprise.

Lead organisation: QMS

Recommendation 2

Increase access to and financial support for those attending and contributing information to farm-based knowledge exchange programmes to allow peer-to-peer learning and practical demonstration of best practice to take place.

Lead organisation: NSA

Recommendation 3

Within two years, every farmer and crofter should have access to broadband and mobile phone connectivity in all areas of Scotland to improve access of remote businesses to the knowledge exchange network.

Lead organisation: UK and Scottish Governments



However, while benchmarking can help to identify strengths and weaknesses in an enterprise, and knowledge exchange and demonstration programmes can demonstrate the actions needed to build on strengths and overcome weaknesses, there remains the challenge of having adequate numbers of skilled people working in the sector. There also remains the challenge of updating and refreshing the skills of those currently working in the sector and making sure those entering the sector have the necessary skills and experience to drive forward the productivity of the enterprise. To manage this challenge, the following recommendations are made.

Recommendation 4

A skills gap analysis of the Scottish sheep sector should be carried out within twelve months to identify the training required, with recommendations as to the means by which any training needs identified can be delivered.

Lead organisation: LANTRA

Recommendation 5

Stakeholders in the sheep sector should come together to develop and deliver a sheep-farming modern apprenticeship programme building on the work of the National Sheep Association's Next Generation Ambassadors initiative, the Ringlink (Scotland) interns initiative and the training initiatives of the Scottish Association of Young Farmers Clubs (SAYFC).

Lead organisation: LANTRA

There is a need to have a cadre of professional consultants and advisors with robust science training in sheep husbandry and grassland production to provide technical support services to the Scottish sheep industry. Equally though, there is a general recognition in the sector that it is difficult for both farmers and consultancy companies to recruit suitably trained staff and skilled scientific advisors.

Recommendation 6

A review of the current provision of higher and further education and training within Scotland is required to deliver recommendations on course content, structure and delivery mechanism best suited to the needs of the modern sheep industry.

Lead organisation: NFUS





It is globally recognised that any business that is to progress and develop needs a significant research and development provision. Not only does this provide a testing ground for innovative science and thinking but also provides a career path for those technical specialists who can advise on and support the development and adoption of new technologies among sheep-farming businesses. The Scottish sheep industry benefits significantly from having world-leading research establishments located in Scotland. It is important that these facilities are maintained and have a robust scientific programme addressing issues of sheep genetics, health and nutrition, including grassland, to provide the basis for the technical innovation that will lead to improved enterprise sustainability.

Recommendation 7

The Scottish Government should continue to support a significant research programme and infrastructure in Scotland and establish, and work with, a sheep science technical advisory group comprising producers, processors and others to guide the relevance and dissemination of the research programme.

Lead organisation: Scottish Government

There are a number of economically significant disease and health issues within the sheep sector, for example, foot rot, Jaagsiekte, mastitis, yellowsoes and CLA. Genetic markers have been recognised as a means of controlling scrapie, and they have the potential to aid the selection of stock resistant to other economically important diseases. Having the ability to make more informed choices through genome assessment can deliver significant gains for sheep farmers.

Recommendation 8

Develop a disease assessment mechanism based on the use of genomic evaluation of important economic diseases of the sheep sector to assist in breeding animal selection.

Lead organisation: Moredun Foundation

While efficiency in resource use, for example grassland, and good flock management, through good health and nutrition, are important aspects of flock performance and productivity, so too is maximising the genetic potential of the flock. This requires an extension of existing central progeny testing (CPT) programmes to evaluate terminal traits and extend CPT to maternal traits including, for example, ewe longevity, lamb survival, growth rate, meat yield; it also requires a robust means of communicating that potential.

Recommendation 9

An extensive central progeny testing programme should be developed to include easily understood breeding performance measures of both maternal and terminal traits.

Lead organisations: NSA/QMS

Driving Abattoir Profitability

There are a number of costs which have to be borne by abattoirs regardless of the species processed there. These include regulatory compliance costs for meat hygiene controls, health and safety, business rates, minimum wage, environmental requirements and waste disposal. All of these are audited by different bodies, and compliance checking involves substantial time and resources for meat companies. While some of these are common across all businesses, there are specific aspects of sheepmeat production which must be considered.

The Sheep TSE requirements have long been considered by many as ultra-precautionary, based on concern that scrapie could possibly be BSE in sheep. Government programmes to reduce scrapie levels and millions of tests for BSE in sheep have failed to establish any direct connection. However, these controls have resulted in damage to the sheep industry through condemnation or downgrading of previously fit meat, lost markets and specified risk material (SRM) disposal costs. All of these could be improved by two measures.

Scotland's BSE record is good in comparison to other parts of the UK. We already meet the OIE requirements for our BSE status to be upgraded from controlled risk to negligible risk. SAMW has, with the full support of the wider industry, submitted the case for achieving this status change to Scottish Government and it is under consideration. Should this case be successful in respect of cattle, and the same conventions be applied as in other countries, the new status would be expected to apply to sheep born in Scotland. This would result in re-categorisation of waste material from Category 1 to Category 2 or 3.

The outcome would be the replacement of high animal by-product disposal costs with new income streams. In addition, Scotland's image as a high health, quality meat producing country will boost its image, opening up new markets for our sheepmeat overseas.



Recommendation 10

The Scottish Government should prioritise Scotland's case to receive BSE Negligible Risk status.

Lead organisation: Scottish Government

While pursuing this change, more immediate measures could be taken to help the industry. In particular, new arrangements to determine whether sheep carcasses need to be split to have the spinal cord removed should be considered. The current regulations require the spinal cord to be removed from sheep over one year old.

Unlike cattle, sheep are not identified in terms of when they were born, so arbitrary arrangements were introduced many years ago to ensure that meat from older sheep did not enter the food chain unless additional SRM controls were applied.

This involved estimating whether sheep were over a year old by examining the mouth to see whether adult teeth had come through the gums. If a sheep was deemed to be over a year old, the carcass had to be split and the spinal cord removed, with a loss of value of up to 50% compared to the value of a carcass which has not been split.

Recommendation 11

Food Standards Scotland should change the method of ageing sheep by replacing the current system with one using a cut-off date after which sheep would be deemed to be over a year old, for example, the 30th of June in the year after the animal was born.

Lead organisation: Food Standards Scotland

Functionality of the Supply Chain

It is recognised within all sectors of the supply chain that lamb production is seasonal, particularly as the economics of the industry determine that most lambs are produced off grass. Consequently, whilst abattoir demand for Scottish lamb remains relatively constant throughout the production season, there are peaks and troughs in supply. These peaks and troughs create imbalances between supply and demand, with significant consequences on resources at all points in the supply chain and on slaughter waiting times. This results in stock moving outside the optimum weights, with obvious consequence for producer prices.

A whole-industry coordinated approach to supply rather than producers acting independently could have a significant impact on supply chain efficiency and end-to-end margins.

Recommendation 12

The Scottish Government and the industry should co-fund a research project to develop mechanisms to encourage and support a more coordinated approach by the supply chain to deliver a supply profile better matched to market demand.

Lead organisation: SAOS

Any supply chain should be a two-way street, and supply chain efficiency would be improved by greater feedback on the suitability of prime or store lambs for the consumer marketplace in response to the messages it delivers so as to produce and deliver a product required by the market. Achieving this requires greater communication and trust within the supply chain.

The current grading system for prime lambs while meeting an objective of differentiating pricing messages is not considered to inform producers adequately of the suitability of their product to consistently meet consumer requirements in respect of retail product size, appearance and eating quality. The introduction of electronic identification provides a means of rapidly collating and feeding back information on individual lambs from abattoirs, auction markets and on-farm records.

Growing Demand for Sheep and Sheepmeat

No business will thrive and grow without a vibrant demand for its products. For the sheep sector this means a growing and vibrant demand for sheepmeat and sheepmeat products, as without this neither the producer of slaughter animals nor those who specialise in producing high genetic value breeding stock for the meat producers will have opportunities to grow their businesses.

The first call in this regard is to Scottish sheep farmers themselves. The industry needs to be an advocate for its products; it needs to eat its own product and learn about the product to recognise its attributes and become an ambassador for the products it is presenting to consumers. Equally, however, the sector must have the resources available to mount and maintain regular marketing and promotional campaigns.

Recommendation 16

The industry needs to be an advocate for its products; it needs to identify producers who would become ambassadors for the sector, forming a cadre of people who can speak on behalf of their product and sheep-farming activities for consumers, schools and colleges and provide them with suitable training.

Lead organisations: NSA/QMS

Trade data shows that the net new supply of sheepmeat onto the UK market has, despite some recovery in the past five years, fallen 20% since the mid-1980s. Household consumption of prime cuts has fallen at a higher rate, but total consumption has been offset to some degree by the out-of-home consumption of sheepmeat and the use of sheepmeat in ready meals and cooked meat products. Returning sheepmeat consumption to a positive trend within the Scottish and UK market is a key objective for the industry. To achieve this requires not only regular communication with consumers to remind them of the attributes of eating sheepmeat but also responding to changing consumer requirements from lamb products and the attributes associated with them. Moreover, it requires producers and processors to understand and adapt to the changing tastes of the UK consumer. This may require changes to the way in which sheepmeat is produced and innovation in the way sheepmeat is presented to the market.

Recommendation 17

The sector must continue to finance a significant UK marketing budget to monitor, annually, the changing UK consumer and retail attitude to lamb, and to adapt production and promotion to capture the dynamics of the market.

Lead organisation: QMS

Over the past decade, the export of sheepmeat from Scotland and the UK has been a key and growing element of the marketplace, both in terms of managing not only seasonal supply but also the variation in seasonal demand for specific cuts of sheepmeat and in terms of maximising the value of cuts not popular in the home market. Securing and growing these opportunities requires access to international markets and regular communication with international consumers to remind them of the attributes of Scottish sheepmeat.

Scotland is fortunate to have a Protected Geographical Indication (PGI) recognition for Scotch Lamb. This has allowed QMS to access substantial funding to support the promotion of Scotch Lamb across Europe, requiring matched funding from the industry, for a number of years. The continuation of this funding cannot be guaranteed, and ways of providing long-term support are needed.





The use of PGI is a means of distinguishing your product from others in the same commodity. There are at least 40 sheepmeat PGIs across Europe, and these organisations may provide an opportunity for collaboration in promoting premium sheepmeat products. Scotland produces a number of iconic food and drink products and, outside of the European market, opportunities may exist for leveraging of a limited sheepmeat promotional budget by working with complementary, non-competitive products.

Recommendation 18

The sector must continue to finance a significant international marketing and promotional budget while seeking – through QMS, Scotland Food and Drink, Scottish Development International and other agencies – added value and leverage by co-operating with complementary products where relevant in international trade events.

Lead organisation: QMS

Recommendation 19

The Scottish Government must work closely with UK and global partners to facilitate maximum access to international markets.

Lead organisation: Scottish Government

Having access to markets and a sufficient budget to promote sheepmeat from Scotland is part of the solution, but so too is producing consistent product with a developed point of difference to lift some or all of the lamb produced in Scotland above the commodity level.

Increasing Sheep Slaughtering in Scotland

It is disappointing that around half of the lambs produced in Scotland that are slaughtered each year are slaughtered outside Scotland and that nearly all the cull ewes from the Scottish flock are exported live to abattoirs outside Scotland. However, it is recognised that existing plants have capacity to handle significantly more sheep than they currently do.

The greatest benefit to the wider Scottish economy would come through having a greater quantity of added-value sheepmeat processing in Scotland. Breaking down carcasses would create jobs and greater revenue for the food sector in Scotland as well as increasing the value of exports.

By slaughtering animals closer to their place of production, there are additional benefits to be gained in the form of improved animal welfare, lower transport carbon emissions and lower transport costs.

The scale of the challenge of increasing the volume of added-value activity in Scotland cannot be underestimated and may require some far-reaching innovation and commitment – through, for example, a farmer-owned venture or much closer co-operation between links in the supply chain.

Recommendation 22

The Scottish Association of Meat Wholesalers (SAMW) should commission a feasibility study into the establishment of a sheepmeat added value facility within Scotland with particular consideration given to business structure and cost. (See also recommendation 18.)

Lead organisation: SAMW



Encouraging New Entrants

In terms of renewing the workforce, in addition to developing the relevant skills and apprenticeship opportunities addressed in recommendations 4 and 5, there is a need to enthuse people to consider sheep farming as an employment opportunity in the first instance.

Recommendation 23
Industry representative bodies should engage actively with the schools' careers guidance service to make them aware of the opportunities that exist in the agricultural production and food industries. (See also recommendation 16.)

Lead Organisations: NFUS/NSA

Establishing new entrant businesses is a common challenge across all agricultural sectors. Gaining access to land and capital for a new entrant business is challenging. The Scottish Government New Entrants to Farming initiative is welcome, but even this works on the basis of limited duration tenancies, and the opportunities to move on from part-time starter units are limited. Alternative ways in which new entrants can build experience and capital are demonstrated by the successful use of share farming in New Zealand and the development of contract farming arrangements in the UK. For these mechanisms to be more widely progressed requires greater awareness of their potential and also a willingness on the part of land owners and farmers to facilitate them.

Recommendation 24
Representatives from the farming and land-owning communities should come together with bankers and government to develop, promote and facilitate share-farming and contract-farming initiatives.

Lead organisation: NFUS





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