

Sheep processing, consumption and markets.

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Article first published in *Farm North East Issue No: 96/ Dec 2019*



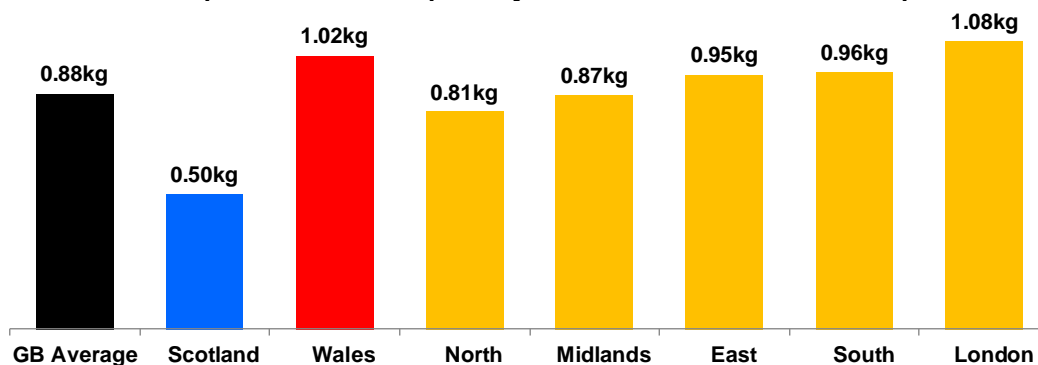
There has been a lot of noise regarding Brexit and the sheep sector in Scotland in the last year or so. Quite rightly too, as we are reliant on the EU market and rest of the UK for a significant proportion of our lambs and ewes. The Scottish Government commissioned Kev Bevan, Steven Thomson and Cesar Revoredo of SRUC and Andrew Moxey of Pareto Consulting to carry out an *assessment of the opportunities to retain and increase sheep and lamb processing in Scotland* and this has recently been published. Here I take you through some of the headline findings.

Since 2002 the Scottish sheep sector has been heavily reliant on abattoirs and processors in England and Wales - in 2018 only 42% of Scottish-born lambs, and almost no ewes or rams, were processed in Scotland. That said, Scottish sheep processing has been relatively stable over the last 15 years, with the principal processors focusing on supplying lamb to UK supermarkets and premium EU export markets.

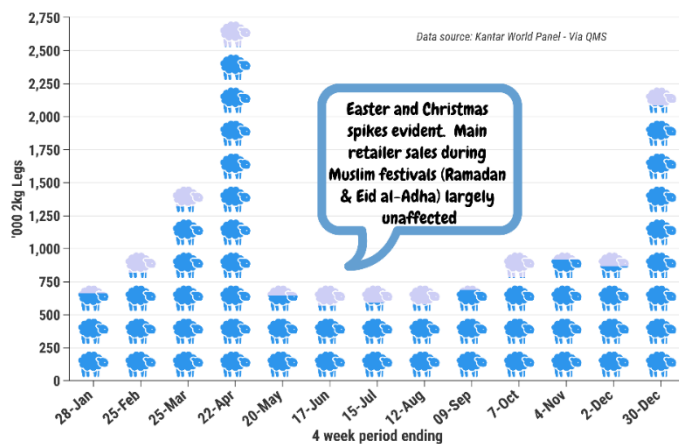
Analysis of production, slaughter, consumption and trade data suggests that in 2017 approximately only 7% of marketed lambs from Scottish farms were slaughtered and consumed in Scotland (i.e. as Scotch Lamb). QMS figures show that 26% of Scotch Lamb (i.e. reared and processed in Scotland) is exported and 56% is sold into the wider UK market. However, the ultimate destination of the 58% of Scottish prime lambs slaughtered in England and Wales is unknown, with some undoubtedly ending up in the EU and others being sold back into Scotland after it has been processed. This is clearly a lost opportunity to add value and create jobs in Scotland – but of course there are many factors at play, including: seasonality, regulations, religious slaughter requirements, access to consumer markets, etc.

Scottish households lag well behind other regions in Great Britain when it comes to lamb consumption, with only 0.5kg per person consumed at home per year. Within Scottish households lamb with Scottish labelling still only accounts for 22% of overall sales for home cooking in Scotland compared with 48% being sourced from the Rest of the UK and 17% from New Zealand. There is much lower consumption of mutton in Scotland, reflecting a smaller ethnic population than in other regions.

2017 Per capita home consumption of lamb – based on Kantar Worldpanel



Whilst it is true that the UK imports roughly the same tonnage of sheepmeat that it exports,



the detail of “what” and “when” is imported and exported are often overlooked. Imports from New Zealand and Australia are mainly legs of lamb and cuts (chops/steaks) to coincide with Easter and Christmas peak markets. In contrast UK mostly exports carcasses and cuts – but not legs – during the peak slaughter periods. We calculated that UK consumer’s preference for legs of lamb means that if all UK sheep exports were to stop we would still need to import around 7 million legs to meet demand.

A no deal Brexit would undoubtedly hit the Scottish sheep sector hard as EU tariffs of about 50% of (current) product value on exports would likely mean exports would shrink – either directly from Scotland or routed through English and Welsh processors. This scenario would likely lead to more lamb on the UK market that would then lead to domestic price drops, etc. In such a position cheaper UK lamb would become much more competitive on the shelves compared to New Zealand lamb (some of which is already being redirected into the Chinese market) that would counteract some of the EU tariff issues. But unless there is a surge in lamb consumption, including of cuts of lamb that are less favoured such as shoulder joints, mince, etc. there is likely a need to find new markets.

Unfortunately, the research found that lamb use in food processing and food-service is highly price-sensitive and, with a few exceptions for high-end products, country of origin appears to be relatively unimportant. We also found that overall food-service lamb consumption in the public sector is low, at perhaps less than 50 tonnes per year. Whilst promotion of domestically-sourced supplies within public sector procurement processes is often portrayed as important (indeed, recent efforts have boosted the share of Scottish lamb used within the Scottish public sector), other markets offer greater scope for increasing sales more dramatically.

Whilst the farming industry is reeling from the way meat production was portrayed in the recent *'Meat: A Threat To Our Planet'* documentary – it has provided an ideal platform to showcase our natural, low intensity, high welfare, low input sheep production systems to the UK and wider global consumers – as the campaign says **#Meat With Integrity**. To lift Scottish processors’ throughput of lamb growing markets within and outwith Scotland would be essential, with potential opportunities in the Middle East, Asia and North America. Developing such new markets would require considerable, sustained and targeted efforts that would need to be adequately resourced. Further, in order to fully embrace growing market opportunities in Europe, and beyond, it may need greater adoption of approved halal slaughter methods to enable access to some key markets.