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ICSA Statement to Oireachtas Committee on Agriculture and the Marine on the development of the Sheep Sector

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Chairman, members of the Committee

Thank you for the invitation here today to discuss the development of the sheep sector.

The sheep sector is in trouble.

Unlike other sectors, sheep price did not increase significantly in 2022 despite escalating costs. In 2023, year to date, sheepmeat price in Ireland averaged €6.71/kg compared to €6.67/kg in 2021 and €6.80/kg in 2022. But in that time, we have seen the cost of all inputs rocketing and sheep is the one sector that saw no worthwhile increase.

The 2022 average income for sheep farming was about €16,500, according to the Teagasc National Farm Survey, a drop of 21% compared to 2021. Income per hectare on sheep farms was one-third of the average income per hectare across all farming sectors, and one-sixth of the per hectare dairy income.

Part of the problem has been a significant increase in New Zealand lamb imports. In the period January -May 2023 inclusive, sheep meat imports from New Zealand were 19% higher in the EU and 14% higher in the UK compared to the equivalent period in the pervious year.

Sheep farmers in 2022 had a serious dependency on direct payments which accounted for 110% of their farm income. The new CAP has been a disappointment for the sheep sector with the new Sheep Improvement Scheme offering a derisory €2 extra per ewe compared to the previous scheme, or €12/ewe in total.

Some 19,100 have applied for the Sheep Improvement Scheme which is slightly more than half of all sheep farmers.

It is our strong view that the scheme is not fit for purpose, given the income crisis on sheep farms, and given the massive increase in costs in the past two years.

ICSA has called for emergency funding to help the sheep sector in 2023. We are frustrated that so far, the government has failed to find a way to justify the use of the Brexit Adjustment Reserve to support the sector in light of the income crisis. The increase in New Zealand imports this year, and a new UK/ New Zealand trade deal which will add a potential further 35,000 tons under a tariff rate quota.

This will add further pressure to the EU Sheep Sector, which is already heavily impacted by New Zealand imports under the previous WTO agreement. Prior to Brexit, this was set at some 228,000 tons. However, post Brexit it might have been expected that the UK would have taken the majority of that quota with them, given that the UK was the strongest trading partner with New Zealand for lamb of any EU member state. However, the quota was divvied up on a 50/50 basis. The fact that the UK then went on to negotiate a further 35,000 ton quota with New Zealand demonstrates that they should have taken a bigger proportion of the original 228,000 quota.

In addition, the EU has gone on to do a Free trade Agreement with New Zealand which will add another 38,000 tons of sheepmeat, albeit not in the immediate future (7 year timescale).

It can also be argued that the movement in exchange rates between sterling and the euro, as a consequence of Brexit, has adversely impacted the Irish sheep sector. In the year prior to Brexit, £1 sterling was worth as much as €1.40 and even a few weeks before the June 2016 Brexit vote it was trading at €1.30. It fell substantially after the 2016 vote and has stayed in the €1.10-€1.20 range ever since and it has been in the range €1.12 to €1.16 in the past year.

This is reflected in the huge import quantities of live lamb imported here in recent years. We imported 422,000 live lambs in 2022 from Northern Ireland. It also means that we are at a competitive disadvantage with UK farmers on the important EU markets such as France when it comes to sheepmeat exports.

For these reasons, we can't understand how the sheep sector is not eligible for Brexit Adjustment Reserve funding even though it has been used for genomic tagging in the cattle sector.

But it is our view that an emergency package, although necessary, is not the long-term solution. In our submission to the CAP Strategic Plan we argued that, using the flexibility for a coupled payment, we could achieve €30/ewe. We have also argued for €5/ewe to support proper presentation of wool fleeces.

The CAP Strategic Plan is now done and dusted and regrettably does not include the ICSA proposals.

However, like all CAP plans there is scope for a review of the Rural Development payments and ICSA believes the payments to the sheep sector must be enhanced. We believe that this will require more exchequer support in addition to the current commitments as part of the co-financing requirements under CAP rules for Pillar 2 payments.

It is absolutely clear to us that the current payment of €12 under the Sheep Improvement Scheme is not going to save the sheep sector and we want to see this radically increased.

ICSA welcomed the establishment of the Wool Council following our lobbying for it. However, it is now necessary to ensure that it doesn't become just a talking shop.

The key logjam is that with wool essentially valueless for the farmer, there is no logic or incentive to rolling fleeces correctly and removing daggings. But unless farmers do this task, it becomes impossible to add value to wool from a processor point of view. Therefore, the solution is to provide a payment of €5/ewe for wool presented correctly which would kick start the wool sector until value added products could be developed.

ICSA believes there is a lot of potential to develop wool based products in an era where natural products are back in fashion.

In relation to the price of lamb, ICSA is disappointed that no progress has been made in developing access to the US market even though technically, it is open.

ICSA believes that efforts to grow the value of lamb for the farmer are not enough. Bord Bia is spending €3.5 million which really is not enough considering the scale and importance of the sector. We also understand that outside of the EU Bord Bia, as part of EU co-funded multi-species campaigns, is doing some promotional work in South Asia and the USA. But this is really too little money, spread too thinly.

There are no indications that our sheep meat factories are investing enough matching funds to support this work and, in fact, it seems as if they have no interest in developing the US market.

Instead, they seem focused on bringing in live lambs from Northern Ireland which are then processed to fulfil contracts in Europe, and all at the expense of our own sheep farmers.

The sheep sector has no future if all we can get is breakeven prices or even a profit of €7/ewe. Under current costs, a price of €6-7/kg is loss making and a future strategy must recognise the importance of economic viability.

Sheep is a low carbon farming system. But even more important is that its vital to the rural economies of many counties especially in the upland areas. In these regions we have seen good initiatives driven by local farmers such as Connemara Hill lamb and Comeragh Hill Lamb.

But for too long, sheep has been the forgotten sector at government level. The Food Vision group has a sheep committee but it has been sidelined to an afterthought. We want to see a co-ordinated government effort to drive the development of the sheep sector but the starting point must be viability for sheep farmers.

Thank you