Policy Decisions Drive Change in Ireland's National Sheep Flock

Darren Carty, Irish Farmer's Journal, Sheep & Schemes Editor

While farmgate prices and system profitability are also drivers of change at farm level it is Irish Government and EU policy that has historically had the greatest influence on numbers.

The Irish national ewe flock has been relatively steady over the last decade but there has been massive changes in sheep numbers since the 1980's. Farmgate prices and profitability have a significant bearing on decisions taken at farm level but it is policy developments that have had the greatest influence on the Irish national ewe flock.

The aim of this article is to give a quick overview of the policy decisions that have shaped Irish sheep farming while also briefly looking ahead to the next decade. We can break it down to three areas – a view from the 1970's through to the noughties, the last decade and the next decade.

POLICY CHANGES

The most profound influence of policy decisions on the national flock occurred from 1980 to the mid-noughties, as demonstrated in Figure 1. The introduction of coupled payments or incentives to increase production, started by the European Economic Community Sheepmeat Regime, underpinned a period of significant growth between 1980 and 1992.

Policy decisions not directly relating to sheep also had a major influence with the introduction of milk quotas in 1984 changing the agricultural environment. Farmers quickly responded to the availability of coupled payments and both ewe numbers and suckler cow numbers flourished. The national flock more than trebled in size during this period, rising from 1.547m head in 1980 to 4.756m ewes in 1992.

This expansion took place right across the country. There was a sharp increase in hill and mountain areas which was cited as leading to overgrazing while dairy farmers curtailed in expanding also entered sheep production as a complementary enterprise. In terms of lowland production the Suffolk ewe grew in dominance and the Suffolk or Suffolk cross ewe became the dominant ewe breed on Irish farms.

The ewe population reached its highest level in 1992 and was followed by a period of decline, instigated by the introduction of CAP reform through the McSharry reform. This witnessed the ewe flock reducing to 4.446m ewes in 1999.

Further reforms were also damaging for sheep production. Increased direct payments for cattle and cereals through the 1999 CAP reform, or Agenda 2000 reform as it is officially termed, reduced the economic competitiveness of sheep to these two land competing sectors.

At the same time there were heavy blows endured through destocking on commonages and

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mountain / hill land and the ending of the sugar beet industry. Positive profit margins from dairying and a new focus on grassland management on dairy farms also resulted in sheep numbers being squeezed out of dairy holdings. All of these factors culminated in ewe numbers rapidly declining and falling to a dangerous low of 2.2m ewe in 2009.

GRADUAL RECOVERY

Thankfully the decline in numbers was halted in 2010 / 2011 with two factors being credited with bringing about a gradual recovery. The introduction of the Grassland Sheep Scheme rewarded farmers for retaining flock numbers across the calendar year. The payment was relatively small but it provided a well needed lift in confidence. It coincided with an increase in farmgate prices between 2010 and 2011 with numbers experiencing some recovery and rising to 2.47m ewes in 2012.

A higher payment for commonage farmers under the Green Low-Carbon Agri-environmental Scheme (GLAS) and a requirement for all shareholders to manage commonage areas to receive payment increased numbers along the west coast in particular.

A challenging beef market and increased costs of keeping a suckler cow in recent years has also witnessed conversions or suckler and beef enterprises being partially replaced with sheep. This has been particularly noticeable along the west coast with counties such as Donegal, Sligo, Leitrim etc all recording significant growth in sheep numbers. The replacement of the Grassland Sheep Scheme by the Sheep Welfare Scheme continues to play a role in encouraging farmers to retain flocks at their current size.

LOOKING FOWARD

While ewe numbers have fluctuated, they have held relatively steady in the last decade as reflected in Figure 2. The Sheep Welfare Scheme has been rolled over to 2021 while the performance of markets in 2020 will no doubt garner some optimism for the sector.

The big challenge for the sector over the next decade is addressing profitability concerns. In excess of 100% of family farm income on sheep farms is derived from direct payments. As such current negotiations on the next CAP will have a huge bearing on production trends.

Larger scale enterprises operated on a full-time basis are especially vulnerable to any cuts in direct payments as it directly hits household income. The growing disconnect between the direct payment and productivity is particularly worrying for his cohort of farmers and especially mixed enterprise farms who are facing up to the prospect of a further flattening in payments.

Farming sheep in hill and mountain areas is a loss making venture in the most extreme cases but we know that sheep farming is the best way to maintain these high nature value areas in prime condition. Therefore, if we are to expect farmers to stock these areas they must be suitably rewarded by a payment that compensates them for the low value of output from animals that are best suited for this terrain. There appears to be a growing emphasis on environmental management in the next CAP and hopefully this will bode well for sheep enterprises.

The age profile in the sheep sector in Ireland and across the EU for that matter is trending badly in the wrong direction. There is some new blood entering the sector due to personal preference and the fact that sheep farming represents a lower capital cost of getting established. If profitability concerns are not addressed the rate of attrition will be far greater than farmer renewal.

But as we have seen this year, if market performance is positive and direct payments are targeted in the correct manner then there is a real opportunity for sheep farming. Demand for sheepmeat is increasing globally and hopefully Irish sheepmeat will also be able to boast market access to the increasingly important US and Chinese markets within the next decade.