

INTERNATIONAL SHEEPMATE FORUM – “WORKING TOGETHER FOR A SUSTAINABLE FUTURE”

The Challenge to Production – Current Production Issues, Causes and Consequences

“ Sustaining Production and Supply – challenges for improving efficiency”

The session will address the following factors:-

- Addressing the challenges of declining production, productivity and profitability.
- Considering the impact of regulatory developments and compliance costs

Finding ways of mitigating compliance costs and improving efficiency of production

Introduction

My name is Alistair Mackintosh and first and foremost I am a livestock farmer from Cumbria in the North of England, presently farming around 900 acres and running 120head of sucklers and 1400head of breeding ewes. In addition to my farming activities I am heavily involved in the National Farmers Union who represents **55,000 farm businesses** in England in Wales involving **an estimated 155,000 farmers, managers and partners in the business**. I am presently the NFU’s National Livestock Board Chairman and I am delighted to be here today to give my views on the current production issues / challenges we face in the Sheep sector and what I believe needs to be done to overcome these issues.

As an English sheep farmer I believe that **UK farmers produce livestock of the highest quality and to the highest standard of any country in the world and as a farmer I am proud of the quality, affordability, traceability of our meat**

and the environmental standards and benefits that the livestock farmers of the UK deliver.

Sheep farming is ideally suited to the British climate and its rich grassland resources. Sheep utilise large parts of the country that would otherwise be fallow and grazing sheep maintains our rich and varied habitats whilst livestock farmers maintain the beauty of the UK countryside. The sheep producing areas of England are some of the most diverse and beautiful countryside of anywhere in the world, shaped and cared for by farmers who battle overwhelming odds whilst producing some of the finest meat.

Sheep farming has traditionally been the bedrock of large areas of the country and the foundation that rural communities are built on and the prosperity and fabric of small rural communities is intrinsically linked to farming and livestock.

There is however no denying that we have had our problems during the last 15 years, with low and volatile prices and disease outbreaks leading to a lack of producer confidence, which has in turn led to a significant reduction in the national Flock.

The UK presently has a national flock of 31.8 million which has fallen from a peak of 44.5 million in 1992. In spite of this reduction the UK still remains as the largest sheep producing nation in the EU and I can hand on heart categorically state to you that any perception you may have had about the UK being the dirty man of Europe is just NOT true. We are a highly regulated industry with a set of disease control measures in place that are second to none.

Definition of Sustainable

When I sat down to write this my thought was heavily influenced by the my two sons and their strong desire to farm – I should add that I have tried my best to beat this out of them but it looks like I am failing badly at the moment!!!!

Today's conference is titled "**working together for a sustainable future**" As is the modern way I googled the definition OF SUSTAINABILITY and came up with a variety of definitions which ranged considerably depending on the environmental viewpoint from which they were written. The one definition that hit a cord with me was "*sustainability – practices that would ensure the continued viability of a product or practice well into the future. A characteristic of a process or state that can be maintained at a certain level indefinitely*"

With an understanding of sustainability embedded in my mind I decided to next come up with my vision for the sheep industry and then identify the challenges and issues that need to be overcome before we achieve the vision.

My vision for the sector is a profitable, sustainable, efficient industry, standing without support supplying a growing demand base offering solutions to the major challenges that society as a whole faces such as climate change and security of food supply. At producer level the average age is falling and the industry is embracing R+D and forging a dynamic sector that is meeting consumer demands and is adaptable to future changes.

Now whether you agree or not with that vision one thing is vitally important in my mind – the fact that we as industry must develop the vision and dictate the routes to achieve it rather than leave it to politicians.

Challenges

If we are looking to achieve that vision and indeed achieve a sustainable future then we need to address the challenges or obstacles that have or are standing in our way to reaching that point and as the definition of sustainability states identify practices to ensure the continued viability of the sector. **Although my priority is to represent UK sheep farmers,**

promote our product and protect their interests I believe that we all share a commonality with these challenges regardless of where we are from.

Price

Ask any farmer what he needs to achieve sustainability and the first thing he'll say is a better price. Of course the simplistic view to achieving sustainability is to pay us as farmers more money for the lamb we produce – this however in my mind is a simplistic approach and we need to look at the bigger picture. It is true that price is vitally important and the simple laws of economics state that if there is not a positive margin between costs of production and price received then sustainability is unachievable.

As a farmer I want to see a price above my costs of production, this margin must give me a living and just as importantly enable me to invest in my business infrastructure. I want to see a price that remains steady and dare I say gradually increases. There is nothing worse for my confidence as a producer than market volatility, the peaks and troughs that we have seen in previous years are extremely harmful to the confidence of producers and offer no encouragement to me in developing my business. **There is also an onus here on us as producers to fully understand the market and the seasonal variations that exist and determine what is the ideal time to market our stock and whether it fits in with our farms own constraints.**

Demand

Ultimately the price we receive for our lamb will be driven by demand. From a UK perspective the demand for lamb has increased in recent years with both retail volume and value sales showing growth over the past 4 year. Consumption is expected to grow in the foreseeable future. There is no doubt that we are seeing a change in meat purchasing by consumers as a result of the economic downturn and the effect on consumer buying

habits. We need a greater understanding of these market dynamics in order that we are placed to meet the change in demand.

Lamb is viewed as a luxury meat or a special occasion meat and that is a perception that we need to overcome. We need to look at the whole marketing issue and make lamb – **dare I say sexy.** Lamb needs to be viewed as a tasty, lean, convenient and versatile meat and I think we all have a role to play in selling this message from retailers to butchers to ourselves as farmers.

I want to see lamb repositioning itself in the market and being seen as an everyday eaten product. Lets work with the retailers to look at product development and ways of adding value and repositioning our product.

We are all aware that the world population is growing with some estimating that world population is due to increase by 3 billion to 9 billion by 2050 and this in turn will lead to an increased demand for protein. **It is important that lamb is recognised as a solution to this increased demand and is seen on a par with both beef and the white meats and this is an area we can all play our part in.** There are going to be new markets developing and again it is in all our interests to make sure that lamb is at the forefront of these developments. World consumption of sheep meat presently stands at 1.76kg per head however if we combine an increased population with an increased levels of disposable income then the potential is clear.

From a UK perspective we have seen **our export markets develop in the last year due to supply and the exchange rate** and I hope that we will see the development of these markets so there remain strong enough to be able **to cope with future currency changes.** I also hope to see the development of the ethnic market including halal meat and skin on sheep meat and believe these markets offer a great opportunity. We need to also

engage with the processing sector to look at the development of the fifth quarter and sheep offal and I know that EBLEX (our English levy board) are doing some great work on the promotion of these areas. If the development of new markets and full carcass utilisation can be undertaken by all the countries here today then I believe that we all stand to benefit.

Supply Chains

As farmers we need to have a greater understanding of our customers and their needs – as farmers our customers are the processors, retailers and finally the consumers. We are continually being told that we must become more market focused but the majority of lamb producers will not supply direct to the customer but rather through the processor and ultimately the retailer. We therefore have to fully understand and communicate more efficiently with the processors and retailers to determine their requirements. We have to recognise that consumer lifestyles have and will continue to change and as a result so will the products they demand. We need to work more closely with the whole supply chain to understand the demand and there is also a huge onus here on the market to give us greater and more detailed signals as to their requirements in terms of carcass classification, weights etc.

I have long believed that we need to see a far more transparent supply chain where there is greater recognition of the pressures that each part of the chain faces. From a producers view we need to recognise the importance that the retailers play in the promotion and marketing of our product and recognise the influence they have on consumer demand. **It is often the retailer who suggests to the consumer the products they demand!** I would like to see a brand repositioning of sheep meat with it seen as a regular everyday eaten product that fits in with the modern lifestyle.

Therefore we need to understand the needs of the consumer via the retailers and this must be clearly communicated to us.

I believe customers today demand a quality, affordable, lean and consistent product and as a UK Farmer, I am proud that we are delivering but there is always room for improvement. As an industry we need to ask ourselves some serious questions about the make up of our sector – for example is it in the best interest of consistency to have so many breeds and place so much emphasis on looks – the cosmetic versus genetics argument.

I would like to see responsible supply chains that recognise the negative impact that market volatility has on the producer confidence. The biggest issue I face as a farmer is that when my lambs hit the ground in the spring I have no idea what I will receive for them. This is a unique situation that other industries do have to deal with. There will be those that advocate the use of contracts / forward agreements but I would argue that these would not be necessary if the supply chain functioned correctly.

As an industry we also have to recognise the changing dynamic within industry and the increasing importance of the food service sector from restaurants to catering firms and including public procurement. This area is worth 2 billion to the UK sector alone and where as we have in the past focused on individual buying habits we now need to recognise the different purchasing priorities of this sector which places greater emphasis on standardisation of product. We need better engagement with this sector and again need to sell our product as an adaptable meat that can fit in with their needs.

R+D / Knowledge Transfer

I believe that regardless of where we are from one of the most important areas of our sector is the need for research and development that is both effective and targeted. I believe there is plenty of research being undertaken across the world but we need to now place greater resource and emphasis on development and not only share these development amongst ourselves for the greater good but also to make sure we have effective knowledge transfer programmes in place to make sure best practices and new technologies are communicated clearly to producers on the ground.

Areas which we should look at include carcass improvement from grass based systems, improved carcass weights, grass varieties and diets etc

We also have to ask ourselves some **difficult questions about wool and its future** – do we forget this once lucrative market and treat wool as a cost and look at ways of eliminating it through breeding or do we work together to develop new markets and uses and attempt to add value.

Youngsters

As I stated in my vision I wish to see more youngsters enter the sector and traditionally sheep farming has been the route most young farmers enter into a farming career, after all they are the future and everything we are discussing here today is about securing a future for them. In the UK the average age of livestock farmers is 56. Shepherding is one of the oldest vocations in the world and unfortunately it is still perceived as old world.

There is no doubt that the lifestyle of a shepherd is not appealing to the majority of youngsters who quite rightly place a greater emphasis on social and recreation time. There is however I

believe a balance to be struck and there are plenty of youngsters who are not afraid of working and playing hard. To encourage them in to the sector we need to make it an appealing environment to be involved in – this can be done through embracing R+D, greater connection with the market place and a greater understanding of market dynamics. As the supply chain we all have a part to play in making the sheep sector an exciting area for youngsters to be involved in.

Climate Change

Climate change and how we handle the publicity surrounding it is a major challenge for us all going forward.

Not a day goes past when I don't have to defend our position following some report by publicity seeking, name making academic. We need to sort the fact from reality and make sure that the debate remains sensible and recognise that reducing stock numbers is not the answer.

Farmers are on the frontline of climate change impacts and adapt to the weather on a daily basis. I can see the signs on my farm – longer growing resulting from warmer temperatures – and I've changed my practices accordingly. Provide my fellow producers and I with the tools necessary to address the longer-term gradual changes *e.g.* need for more heat-tolerant breeds, and we will respond to the challenge of producing food for a growing global population.

We are committed to making a realistic contribution to tackling our GHG emissions and progress is being made. The red meat roadmap is a supply chain initiative which aims to characterise the **industry's current environmental "balance sheet"** and then identify the scope and opportunities for improvement in the future. Opportunities to reduce our carbon footprint include improving resource use efficiency, changing diets where possible and generating renewable energy. Much of our land

area is grass, which reflects our climate and geography, but these grasslands store more carbon than any other land use in England and so also contribute to mitigating climate change. We agree with our Government's position in its recent Low Carbon Transition Plan "that in reducing emissions in the UK we need to make sure that we do not simply transfer the problem to other countries

I once heard someone say that "carbon isn't the only game in town" and despite the importance of climate change, we can't afford to forget the other aspects of sustainability. Grasslands provide other environmental, economic and social benefits. The landscape value of much of Britain's countryside has been, and continues to be, shaped by its management for sheep (and cattle) production and contribute to the maintenance of wildlife habitats and countryside areas enjoyed by all. Sheep and beef production is the mainstay of many small rural communities, particularly in the uplands and all over the world ruminants make a vital contribution to human nutrition by converting pasture into high quality human food.

Political Factors

So far I have discussed the issue and challenges surrounding the future of lamb and discussed these in the context of the supply chain but so far I have not mentioned **the impact of political interference and regulatory burden.** Governments have to recognise the role they have to play and remove unnecessary levels of regulation. In the UK we have had to suffer from unnecessary regulation dreamed up by faceless beurocrats in the concrete jungle that is Brussels. The classic example is individual movement recording and EID in sheep. You will all be aware of the opposition that exists to this regulation in the UK and yet our concerns have been largely ignored by the EU who fail to understand the realities of sheep farming in the UK.

However it is important that we work closely with our government to make sure that policy that affects the

industry is sensible and fit for purpose and enhances consumer confidence and safety in our product.

Conclusion

In conclusion I believe that we have a sheep industry that we can be immensely proud of. At the beginning of this address I laid out my vision for the sheep industry before highlighting the challenges that I believe stand in our way to achieving them. **I believe that the only way we will overcome these challenges is by greater partnership working not only of the whole supply chain but as the various sheep producing countries. I believe that by working as one and promoting the consumption and demand of lamb will result in the greater good for all.**

Let's communicate more effectively along the whole supply chain to understand each others pressures. Let's cooperate to create a transparent chain and remove the regulatory barriers to production and most importantly let's look at ways we can collaborate and work together to regain confidence in our sector. If we can all come together and address these issues I am confident we can realign the balance and make sheep production a profitable and dynamic industry that youngsters want to be involved in.

Thanks.