The future of the EU's sheep and goat sector

Sheep and goat production constitutes just a small share of the output of the EU livestock sector as a whole, but this farming activity's importance is much broader in terms of its social and economic contribution to remote rural areas, not to mention the environmental contribution it makes through the provision of public goods such as landscape and biodiversity conservation. Economic and structural difficulties do not help the sector's growth and this means that the EU is not self-sufficient but relies on imports to top up supply to its market for sheep and goats. The sector's traditional and emerging needs and the need for policy measures to address them are at the core of an own-initiative report due to be voted during the May plenary session.

EU sheep and goat population and production
The EU's sheep and goat population totalled 98.6 million head in 2017, of which sheep represented 88%. In 2017, almost half of the EU's sheep were in the UK (28% of the total) and Spain (19%), while over half of the EU's goats were in Greece (31%) and Spain (25%). After a constant decline registered in recent decades, owing mainly to the outbreak of animal diseases (such as bluetongue or foot-and-mouth) and policy changes (especially the decoupling of EU subsidies from production), numbers have remained quite stable in recent years. In certain areas, sheep and goat flocks are threatened by attacks from large carnivores (such as wolves, bears, lynx and wolverines), and the coexistence of the various species concerned is problematic, especially where endangered species of large carnivores have returned after a long absence. Finally, although sheep and goat meat production and output value (754,450 tonnes and €5,843 million respectively in 2017) represent a tiny share of overall EU meat production, they play an important role in some Member States, such as the UK and Ireland for sheep meat and Greece for goat meat production. The same is true of other products, such as the production of cheese from ewe's, goat's or mixed milk, which is mostly concentrated in Greece, Spain, Italy and France.

Sheep and goat farms and farmers in the EU
Sheep and goat rearing takes place mostly on pastureland in remote and disadvantaged rural areas, often on common land, where it plays a key role in delivering public goods in terms of landscape and biodiversity conservation. In 2013, there were about 850,000 farms rearing sheep and 450,000 rearing goats, with more than 1.5 million people working on farms specialised in raising sheep and goats. The average number of sheep and goats per farm varies significantly throughout the EU (higher in the UK for sheep and higher in the Netherlands for goats). The share of farms with sheep and goats also varies, being higher in the UK and Greece, respectively. Generally, sheep and goat farming provides low remuneration. On average, EU farms specialised in sheep and goat rearing have lower incomes compared with the average for all EU farms, and their receipts are more dependent on the EU's direct payments, compared with other farming sectors.

EU trade in sheep and goat products
The EU is not self-sufficient in terms of sheep and goat products. Imports are based on a system of annual import quotas with allocations negotiated with the EU's main trading partners, which for the sheep and goat market are New Zealand (for more than 80% of overall EU imports) and Australia (about 11%), being by far the world's top exporters in this sector. The UK is the destination market for the largest share of the EU's imports, followed by the Netherlands and Germany. The EU's export of sheep and goats is still marginal and directed mostly to Libya, Hong Kong, Israel and Switzerland. It consists mainly of live animals originating from Romania and Spain. Sheep meat consumption in the developing countries is expected to grow over the coming decade, but a greater presence of the EU as an exporter would have to cope with the strong competing power of the main exporting countries. The EU's internal demand for sheep and goat products, especially meat, is expected to remain stable. This weak preference for sheep and goat meat by EU consumers does not help to boost internal production levels.

This publication is an update of a briefing published in August 2017.
The role of the EU’s agricultural policy instruments

The provisions of the single common market organisation (CMO) regulate and help improve the functioning of the EU sheep and goat meat market. The market-monitoring tools help to apply intervention arrangements serving as a safety net in the event of difficult situations on the internal market. As for agricultural income support, besides the EU’s direct payments on a per-hectare basis, 21 Member States (all but Denmark, Germany, Ireland, Luxembourg, Sweden, Slovenia and Estonia – the latter having decided to withdraw its former support) have opted for voluntary coupled support in the sheep and goat meat sector in the event of difficulties, averaging €12 per animal. Moreover, rural development policy provides opportunities by creating synergies between the agricultural and rural dimensions of sheep and goat farming and by means of other measures that the EU Member States can activate through their rural development programmes to support farming activity, such as the risk-management tools to make financial contributions to insurance premiums and mutual funds. Sheep and goat products can also benefit from promotion initiatives in the EU and third countries co-financed by the EU to improve the position of EU products with respect to consumer choices. Several promotion campaigns involving the sheep and goat sector have been launched in recent years. Finally, sheep and goats are subject to the EU identification and registration system, for the purpose of animal traceability to control infectious animal diseases. Although this is not part of the EU’s agricultural policy in the narrow sense, the 2016 EU animal health law, by focusing on disease prevention, helps to protect the sector from the outbreak of animal diseases, which are among the main causes of crises with financial impact and serious social and economic consequences on farms with small ruminants.

The EU sheep meat forum was an initiative of Phil Hogan, Commissioner for Agriculture and Rural Development. It brought together representatives of Member States with significant production, as well as producers, processors and traders, to address key questions on current and future challenges facing the EU sheep meat sector. It adopted a set of policy recommendations in October 2016. Priority recommendations included strong agricultural policy support and promotion initiatives for the sector. Direct payments coupled to production were considered crucial, together with targeted rural development measures, such as a new environmental payment.

European Parliament position

On 21 February 2018, Parliament’s Committee on Agriculture and Rural Development (AGRI) adopted an own-initiative report (rapporteur: Esther Herranz García, EPP, Spain) on the current situation and future prospects for the EU’s sheep and goat sector, due to be voted during the May plenary session. The report endorses the 2016 EU sheep meat forum’s recommendations as regards the need for stronger support to the sector, by means of environmental payments and coupled support schemes. Looking at how to increase the bargaining power of sheep and goat producers in the food chain, the report considers different aspects of improving markets for sheep and goat products. For example, it mentions producer and interbranch organisations similar to those existing in other agricultural sectors, a European observatory to monitor prices and production costs (comparable to other EU market observatories), as well as direct marketing and local supply chains that can help boost producers’ income.

The report suggests a cautious approach when dealing with the sheep and goat sector in the context of trade negotiations and asks the Commission to analyse the impact of Brexit on sheep and goat farming in the new free trade negotiations with New Zealand and Australia. It considers that the UK’s departure from the EU should provide an opportunity to make the EU less dependent on imports while at the same time promoting EU products for export to potentially growing markets. Attacks on herds by wolves and wolf-dog hybrids are causing concern among farmers. The report underlines the need for a science-based approach to tackle this complex issue, which concerns both the preservation of wild animal species and the future of environmentally friendly forms of animal husbandry, such as pastoralism as opposed to intensive enclosed systems.