Meating Our Potential 2.0 – The economic opportunity for Scotland's sheep sector – Modelling Paper

Purpose: This paper outlines the economic and social contribution of Scotland's sheep sector and highlights its potential growth opportunity out to 2032.

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1. Executive Summary

1.1 New economic modelling shows Scotland's sheep sector could add around £77 million in output and £21 million in Gross Value Added (GVA) by 2032, driven by strong demand at home and overseas.

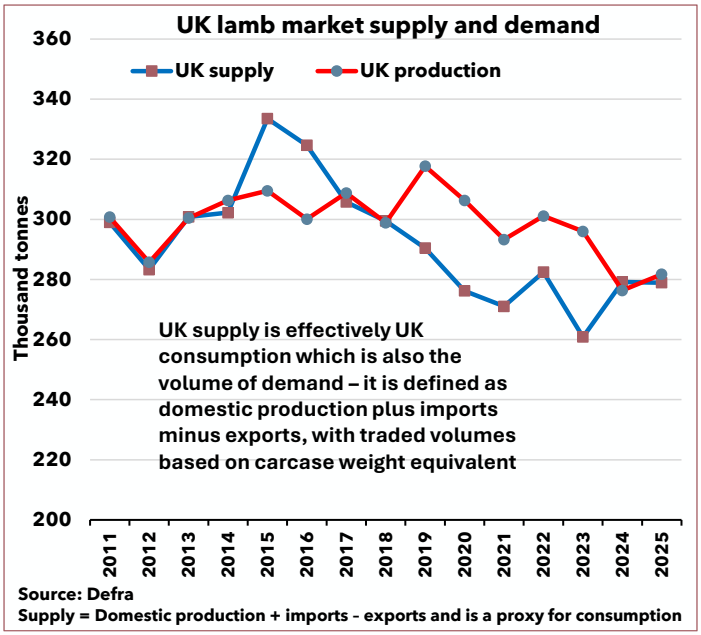
1.2 Using a similar methodology to that which was used in the 2025 Meating Our Potential beef sector growth model (https://qmscotland.co.uk/wp-content/uploads/2026/05/20250507-QMS-Beef-Sector-Opportunity-Modelling-Paper.pdf), this year's sheep-sector modelling highlights the Scottish supply gap generated by falling UK lamb production, demographic change and increased consumer appetite for high-quality healthy protein equates to an additional 4.3k tonnes of sheep meat by 2032.

1.3 Achieving this extra volume of production would require Scotland's lamb numbers to rise by 5%, which in practice is a few more ewes per holding each year for the next six years, and there is the spare capacity at farm and abattoir-level to do so.

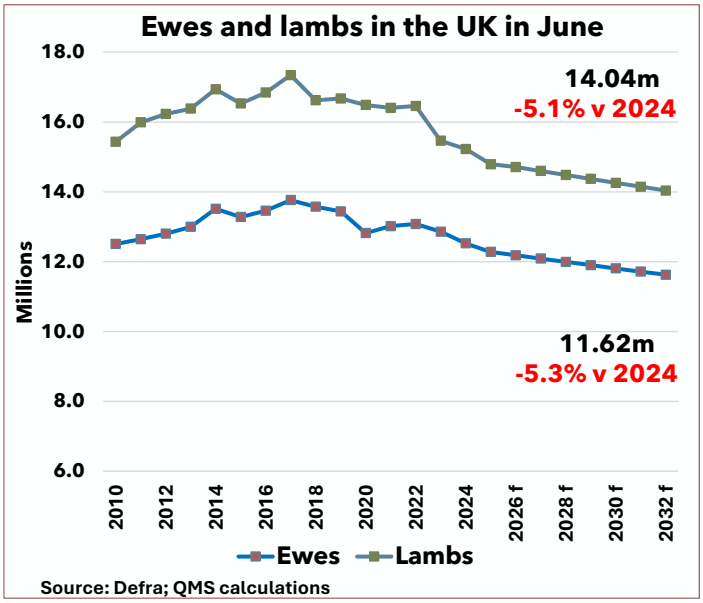
1.4 Beyond its direct economic value, estimated at £818m of output and £267 of GVA in 2025, QMS-commissioned social research highlights sheep farming remains a defining feature of rural Scotland and a vital part of the country's environmental, social and cultural fabric.

1.5 Sheep support the sustainability of mixed farming systems and are part of more than half of Scotland's farm businesses, with 90% being kept in less favoured areas, contributing importantly to remote and disadvantaged regions. The sector is central to Scotland's national identity and tourism offer, supports rural cohesion and communities through year-round residence.

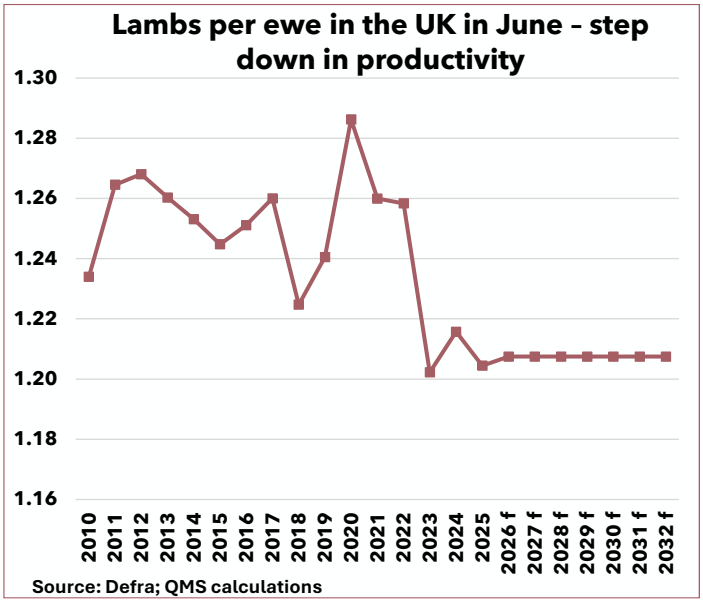
1.6 Through natural land management by grazing, sheep also help to maintain biodiversity, reduce wildfire risk, particularly in upland areas, reduce flooding risk and support carbon sequestration.



Source: Defra
Supply = Domestic production + imports - exports and is a proxy for consumption



Source: Defra; QMS calculations



Source: Defra; QMS calculations

2.0 The growth opportunity for Scotland's sheep sector

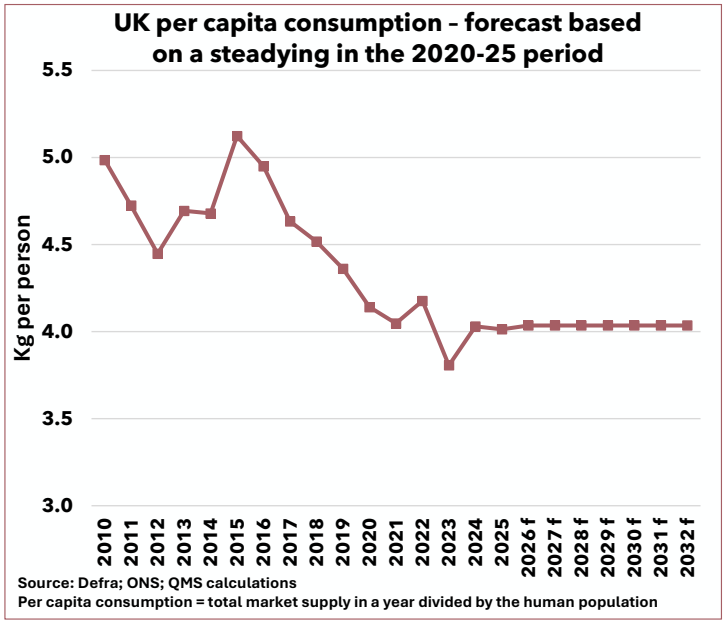
2.1 The starting point for the growth opportunity modelling is along the same lines of the beef sector economic modelling which was published in 2025, basing it on the UK sheepmeat balance sheet and the difference between domestic production and overall market supply, where market supply is effectively the volume of consumption (production plus imports minus exports).

2.2 Unlike the beef sector, where UK self-sufficiency stands at around 85%, self-sufficiency in sheepmeat was close to 100% in 2024 and 2025. As a result, **the future growth target is based around maintaining UK self-sufficiency in sheepmeat, thereby protecting the domestic economy rather than offshoring economic activity, the socio-cultural impact and the associated emissions.**

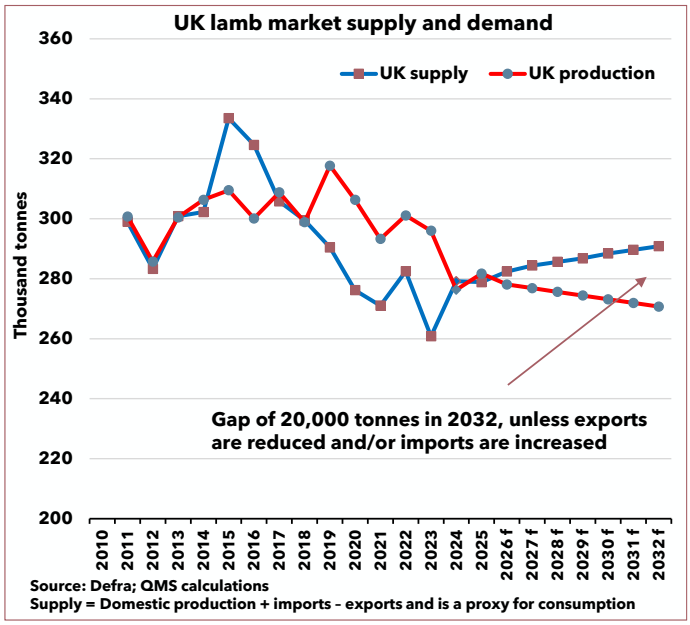
2.3 To forecast domestic production out to 2032, the annual average rate of decline in UK ewe numbers between 2015 and 2025 has been projected forwards. Meanwhile, the forecast for lamb numbers has been based on the lambs per ewe ratio stabilising at around its 2023-25 average after a significant step down between 2022 and 2023. These assumptions result in the UK ewe flock falling by a projected 5.3% between 2025 and 2032, while the lamb crop reduces by 5.1% over the same period.

2.4 Slightly offsetting the decline is a forecast increase in lamb carcase weights, based on a slight upwards trend between 2015 and 2025 of

0.4% per year. Ewe and ram carcase weights are forecast to prove more stable, based on recent trends. As a result, forecast UK sheepmeat production falls by 3.9% between 2025 and 2032, slipping to 270,700 tonnes.



2.5 On the consumption side, per capita consumption of sheepmeat in the UK fell significantly in the late-2010s. However, it has shown a more stable trend in the 2020s, with elevated demand since 2024 signalled by the pricing channel rather than in increased consumption volumes. Looking ahead, per capita consumption has been modelled to remain relatively stable, with its 2020-25 average of 4kg per person projected forward to 2032. However, after factoring in a growing UK population (+3.7% between 2025 and 2032), overall consumption volumes are forecast to be 4.3% higher in 2032 than in 2025.



2.6 After factoring in the projected lower level of domestic production and higher level of demand, a gap between production and consumption is forecast to build in the coming years, widening to just over 20,000 tonnes in 2032. This would see UK self-sufficiency dip to 93% by 2032.

2.7 It is this modelled gap between production and consumption that generates a growth opportunity for Scotland. Based on Scotland's 21.5% share of the UK lamb crop in 2025, a proportionate share of this 20,000 tonne gap would be around 4,300 tonnes. This converts to around 3,800 tonnes of lamb production, requiring 183,000 lambs at an average carcase weight of 21kg. If 76% of lambs go to slaughter, then an extra 240,900 lambs would be required to generate this and, at a 2021-25 average lambing rate of 1.292, it would require another 186,400 ewes.

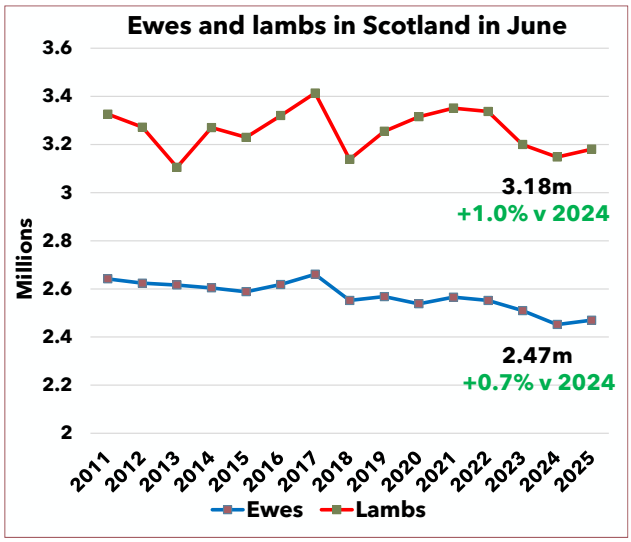
2.8 Based on 14,654 holdings with ewes in June 2025, this would be equivalent to 13 more ewes per holding by 2032, working out at roughly an extra two per year.

2.9 After applying estimated farmgate and wholesale carcase value from 2025 to the 183,000 extra slaughter lambs, the output growth opportunity is around £34m in the farm sector and £28m in the abattoirs sector, which rise to £39m and £38m respectively after accounting for supply chain effects. These supply chain multiplier effects are estimated based on the Red Meat Sector Economic Impact report published by QMS in 2023 (https://s3.eu-west-2.amazonaws.com/quality-meat-scotland/documents/Publications/QMS_Red_Meat_Economics_Report_Landscape_A4_2023_s10.pdf). Combining these two figures results in an **output growth opportunity of £77m**.

2.10 This £77m of output then translates across to a **GVA opportunity of £21m,** based on the coefficients in the Red Meat Sector Economic Impact report of 2023.

2.11 It should be noted that Scotland has the productive capacity to meet this growth target, with a 5% rise in lamb numbers between 2025 and 2032 only needing the lamb crop to be similar to where it had last been in 2022. In theory, there is also a significant margin of spare capacity in the processing sector.

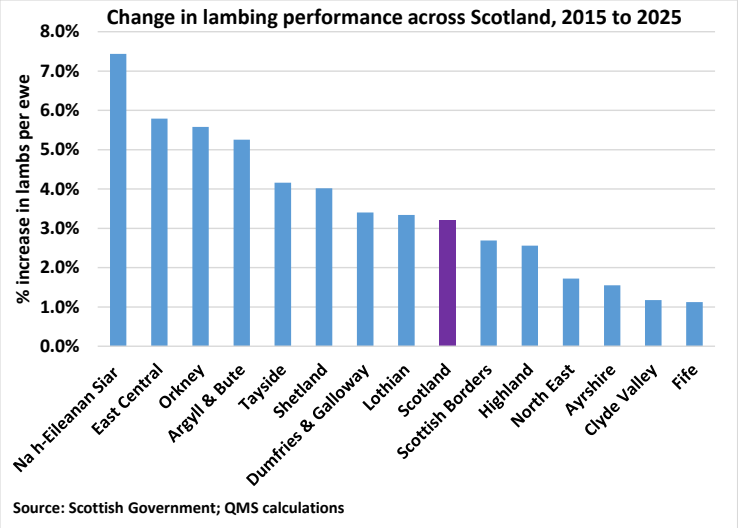
3.0 Sheep numbers in Scotland



3.1 After a significant contraction in the 2000s, Scotland's breeding ewe flock has fallen much more slowly in the 2010s and 2020s. According to the Scottish Government's June 2025 census results, there were 2.47m breeding ewes on Scottish holdings in 2025. This was 4.7% lower than in 2015 but a 0.7% rebound from 2024.

3.2 Lamb numbers have been more stable than the ewe flock in recent years, reflecting significant productivity gains, which have been seen across the country. In 2025, at 3.18m, lamb numbers were 1% higher than in 2024 but still 1.5% lower than in 2015.

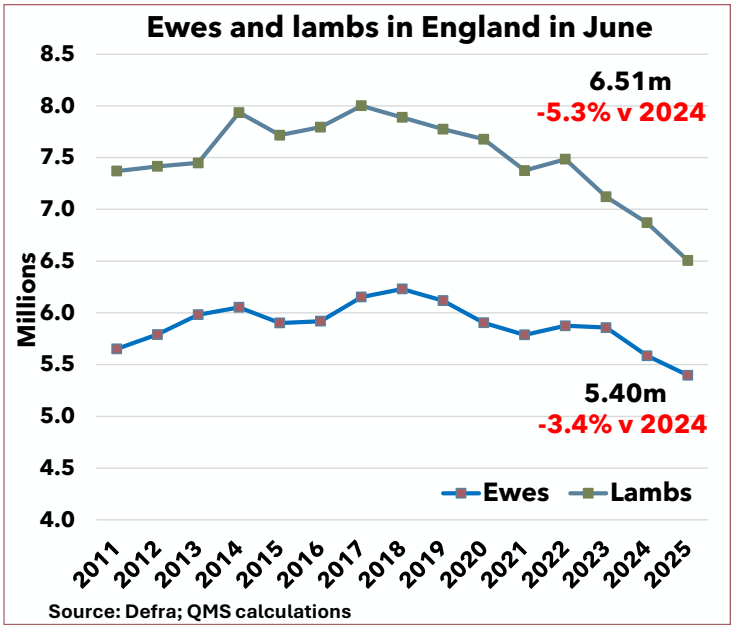
3.3 As noted in point 2.2, productivity gains have supported lamb numbers over the past decade. In 2025, there were 1.29 lambs per ewe, up from 1.25 per ewe in 2015, an increase of 3.2%. Between 2015 and 2025, lambing rates increased in all fourteen agricultural regions reported in the census results, reflecting factors like improved genetics. Interestingly, productivity gains were strongest in the more remote and disadvantaged areas.



3.4 In terms of the regional change in sheep population, ewe numbers have fallen significantly over the past decade in the Borders (-10.5%) and Dumfries & Galloway (-9.1%), the two largest production areas. By contrast, increases have been centred on areas with good quality land and higher productivity, like the North East (+5.7%) and Fife (+15.9%), plus the Northern Isles (+8.5%). Orkney remains cattle dominant but has seen a jump in sheep numbers, likely supporting overall business sustainability.

3.5 There has been a general shift in sheep from the more remote disadvantaged areas (Less Favoured Areas (LFA)) to parts of the country with more favourable ground, climate and access to markets, between 2015 and 2025, with the ewe flock contracting by more than 5% in the LFA while expanding nearly 4% in non-LFA. Despite this change, 90% of sheep were still bred in the LFA in 2025, highlighting the economic and social contribution of sheep farming in more remote disadvantaged regions of the country.

4.0 UK sheep production and demand



4.1 At UK level, the sheep flock has contracted significantly in the 2020s. In June 2025, ewe numbers were 7.5% lower than in 2015, with a 6% reduction between 2022 and 2025. In contrast to Scotland, lamb numbers have fallen more significantly than ewes across the UK as a whole, down 10.5% between 2015 and 2025, with nearly all of this decline since 2022 (-10.1%).

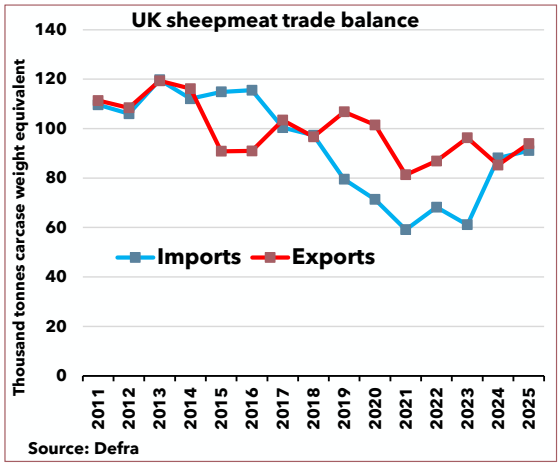
4.2 Driving the wider UK flock decline have been developments in England, where the ewe flock in June was 8% lower than in 2022 and its lamb crop was 13% smaller. It is interesting that this large change has come at the same time as agricultural policy changes have been implemented, with Basic Payments being eliminated over time and support moving towards payments for environmental actions. Some industry sources have suggested

that farming systems have shifted towards lower cost outdoor lambing and that this has had implications for productivity.

4.3 This contraction of the UK sheep flock presents an economic opportunity for the Scottish sheep sector from the supply side.

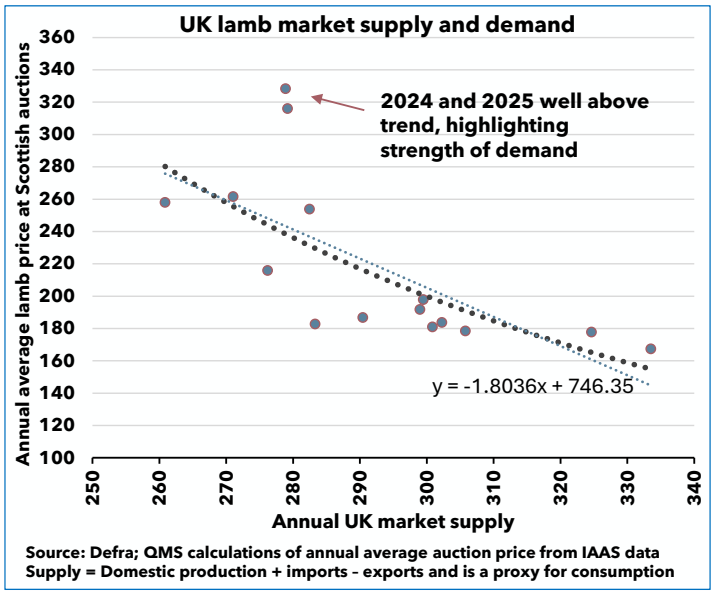
4.4 From the demand-side, there is also a growth opportunity for the Scottish sheep sector. In the UK sheep market data, there is clear evidence of a considerable positive demand shock which began in 2024 and persisted through 2025, with the market data from 2026 indicating that it has continued into 2026.

4.5 When annual average lamb prices at Scottish auctions are plotted against total UK market supply, 2024 and 2025 are clear outliers compared to the previous relationship, with price levels much higher than would have been suggested by the historic relationship, highlighting the strength of demand.



4.6 The strength of demand in 2024 and 2025 is further highlighted by analysis of UK import volumes. They surged higher in 2024 before lifting further in 2025, reaching a seven-year high, without placing downwards pressure on the market.

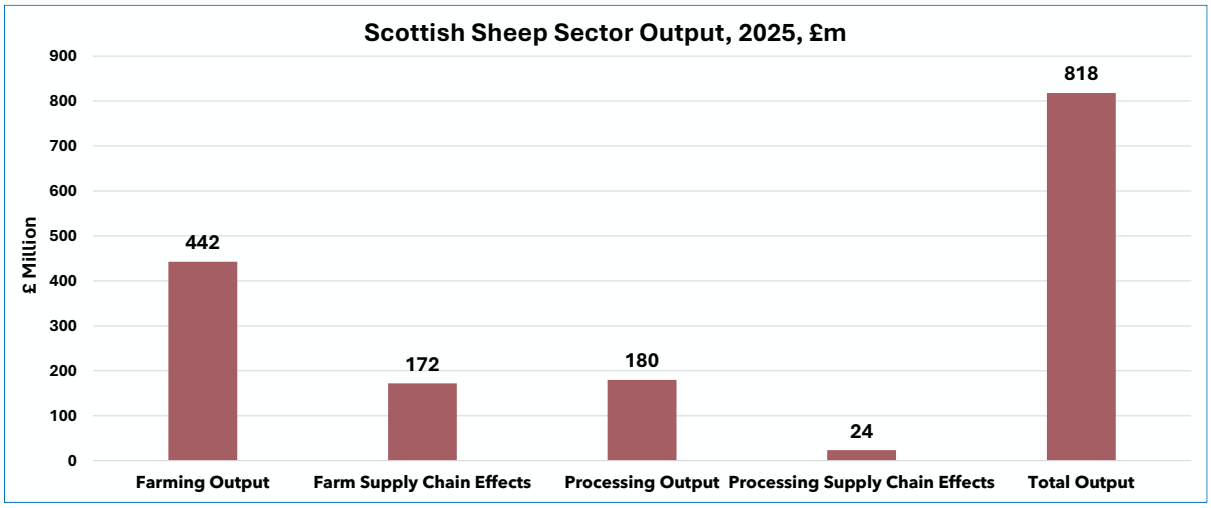
4.7 Export demand has also been strong, reflecting a contracting EU sheep flock and demographic change which has supported lamb demand in the EU. UK export volumes were equivalent to one-third of domestic production in 2025, the highest level since 2019.



4.8 Expected auction prices in 2024 and 2025 based on the previous relationship between price and UK market supply were around £2.40/kg liveweight, but actual price levels were around the £3.20/kg mark. As a result, the demand shock is estimated to have added around £35-40 of carcase value and £45-55 of carcase value per year, boosting sector output by an average of £122m per year.

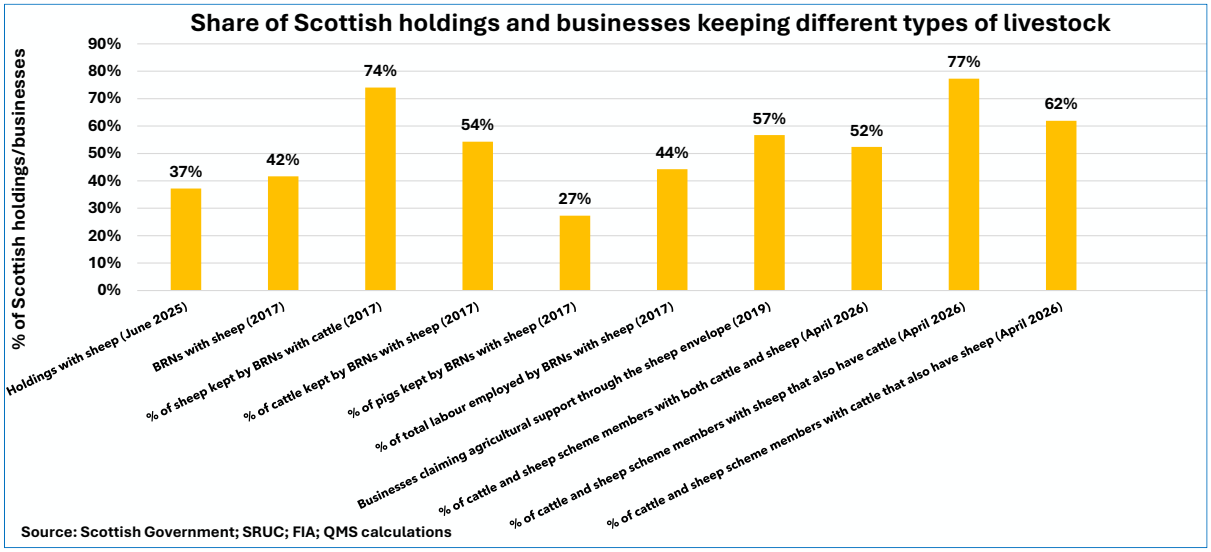
5.0 The economic impact of Scotland's sheep sector

5.1 Scotland's sheep sector is estimated to have contributed £818m of output and £267 of GVA to the national economy in 2025. While less than a third of the beef sector's contribution, these figures are still significant.



5.2 To calculate this value, farm level output has been sourced from the Scottish Government's Total Income From Farming report, while processing output has been modelled by QMS based on slaughter and pricing data. Multipliers incorporating the economic impact of farming and processing supply chains have been sourced from The Red Meat Sector Economic Impact report published by QMS in 2023, with the GVA to output relationship also based on this report.

5.3 As well as the raw output and GVA figures, lamb production makes a wider contribution to Scottish agriculture through its importance in mixed farming systems. Based on June census results, sheep is the most common enterprise, present on 37% of holdings, while more than half of agricultural businesses claiming farm support have sheep. Meanwhile, QMS farm assurance figures from April 2026 highlighted that 77% of cattle and sheep scheme members with sheep were also assured for cattle.



5.4 As noted in point 2.5, sheep have an out-sized impact in remote disadvantaged areas, with 90% kept in LFA in June 2025, significantly higher than beef cows (79%), dairy cows (69%), male cattle (57%) and pigs (17%). Meanwhile, only 10% of the wheat area and 25% of the barley growing area were in the LFA. This is significant for Scotland, where according to the Scottish Agricultural Census (2018), approximately 86% of agricultural land (about 5 million hectares) is designated as LFA.

6.0 The socio-cultural impact of Scotland's sheep sector

6.1 In addition to the important economic benefits that sheep farming contributes to Scotland, there is a wider positive impact which is hard to quantify and often hidden. In spring 2026, QMS commissioned Pareto Consulting to provide research into the socio-cultural value of sheep farming to Scotland.

6.2 As well as contributing to Scotland's iconic landscapes, biodiversity and heritage, key findings of the research included features like the contribution of sheep farming families to rural cohesion through year-round residence, participation in community life and the informal provision of services at times of crisis, such as assisting at times of flooding or wildfires. Sheep farming was found to be "part of a wider **foundational rural system,** underpinning not only economic activity but also the social infrastructure and viability of rural areas."

6.3 In addition, environmentally, our livestock are natural land managers, maintaining biodiversity, reducing wildfire risk in upland areas, reducing flooding risk and supporting carbon sequestration.