The Future of Scottish Agriculture: National Discussion

Presentation for Edinburgh Agricultural Economics Discussion Circle, 5 October 2015

Ewen Scott, Scottish Government, CAP Reform Team
The Future of Scottish Agriculture

Our Vision;
Scotland has a green, innovative and profitable agriculture industry which is outward looking and resilient, supporting our economic growth, environment and communities and contributing to global food security.
The Future of Scottish Agriculture

This vision will be supported by the following outcomes:

1. Strong sustainable growth in profits from agriculture, driven by increased market-orientation, competitiveness and resource-efficiency

2. Our agriculture industry works as part of our food and drink sector to increase profitability and strengthen Scotland’s reputation as a Land of Food and Drink

3. Agriculture, and the wider Agri-food supply chain, is resilient to shocks and to future challenges

4. High levels of training, education and skills enable farmers to improve their profitability and become greener
The Future of Scottish Agriculture

5. Farmers boost their performance by embracing innovative techniques and best practice, underpinned by Scotland’s world leading research institutes.

6. Scotland is a world-leader in green farming.

7. Agriculture is recognised as an exciting and rewarding career and there are a range of routes into the industry for new entrants.

8. Agriculture is valued for its contribution to Scottish society.

9. Scotland takes a leading role on key issues affecting agriculture on the UK, EU and world stage.
How did we arrive at the outcomes?

Baseline Evidence Review → Feedback from policy colleagues → Key outcomes emerged from revised baseline review → Held discussion forum to consult on key outcomes → Discussion document published to seek wider views
Outcome 1: Strong sustainable growth in profits from agriculture, driven by increased market-orientation, competitiveness and resource-efficiency

**Total Factor Productivity Growth 1991-2010**

Within Scotland, SRUC research highlights growing disparity between the productivity of “leaders” within the sector and the “followers”
Outcome 2: Our agriculture industry works as part of our food and drink sector to increase profitability and strengthen Scotland’s reputation as a Land of Food and Drink.

Only 45% of agri output goes on to be processed in Scotland.
Outcome 3. Agriculture, and the wider Agri-food supply chain, is resilient to shocks and to future challenges.

Subsidies are hugely important to the sector, accounting for 70% of gross net profit.

Co-ops are viewed as an important vehicle to improve the bargaining power of farmers. However, the UK performs poorly compared to other EU countries.
Outcome 4: High levels of training, education and skills enable farmers to improve their profitability and become greener.
Outcome 5: Farmers boost their performance by embracing innovative techniques and best practice, underpinned by Scotland’s world leading research institutes.

**OECD Drivers of Future Growth**

- Technological progress
  - Exploitation of economies of scale
  - Best practice diffusion
  - Productivity Growth
    - Education & Skills a key driver behind technology diffusion
    - R&D is main driver of technical progress
Outcome 6: Scotland is a world-leader in green farming

Agricultural land accounts for around 80% of Scotland’s land area.
Outcome 7: Agriculture is recognised as an exciting and rewarding career and there are a range of routes into the industry for new entrants.

Over the past 30 years the area of agricultural land rented under a tenancy of one year or more has declined from around 40% to 23% in 2014.

Higher average age of Scottish farmers compared to other EU countries. Evidence from the US and Netherlands shows that younger farmers tend to drive innovative practice.
Outcome 8: Agriculture is valued for its contribution to Scottish society

- Around 1 in 6 people in rural Scotland are employed in Agriculture, forestry & fishing

- A number of other sectors are supported by agriculture

- Supports fragile, vulnerable communities

- Foundation stone of Food and Drink industry
Theme 9: Scotland takes a leading role on key issues affecting agriculture on the UK, EU and world stage

- Scotland has different agricultural geography to other parts of UK: c85% is LFA land and c15% is NLFA – compared to England c15% LFA and c85% NLFA.

- This can mean different needs, different policies; i.e. Scotland is only UK DA to use the CAP Voluntary Coupled Support schemes.

- The Scottish Government has an ambition to improve the formal processes within the UK which recognise and support the active participation of Scotland in international fora.

- Scottish Government promotes Scotland’s interests within the EU through the Brussels Office and through regular attendance by a Scottish Minister at the Agriculture and Fisheries Council as part of a UK Delegation.
Time Line

• 19 June: launched Discussion Document; The Future of Scottish Agriculture

• 3 August: Mr Lochhead kick started the National Discussion on the future of Scottish agriculture

• 23 September: Scottish Parliament debate on “challenges and opportunities facing farming”

• December / January: SG will take stock of comments from National Discussions, publish summary / update document

• Spring time?: begin Gap analysis / next steps / actions required
Next steps

• Continue to promote involvement in the National Discussion at stakeholder and individual level. Some progress made already

• Objective is to receive substantive number views by end of the year

• Short term aim: to empower and invoke individuals and organisations to make a step change in their practices that will benefit their business / their members.

• Longer term aim build up relations within and across the sectors to provide an environment of co-production based policy generation
Next steps

• To help achieve this, post National Discussion, we need to;

  • Taking stock of comments from National Discussions
  • Note where we (as a group) currently are in relation to the vision,
  • ID gaps i.e. what we are doing well, what could be done better, who should be involved etc.
  • ID the short term and long term actions

• Agree roles and responsibilities, both SG and external levels.

• And also ask: “what can you, as an individual farmer / stakeholder, do to help realise the outcomes?”
Some challenges;

Outcome 1:

Does Scottish agriculture fully seize new market opportunities from changing consumer preferences? For example, the creation of a Scottish Rapeseed Oil producers group has seen eight Scottish producers & farmers collaborating together, researching and growing market awareness of their cold pressed rape seed oil, to take advantage of increasing consumer demand for innovative and healthier produce.

Outcome 2:

Co-operatives are viewed as an important vehicle to improve the bargaining power of farmers. However, in Scotland agricultural co-operation remains underdeveloped when compared to other EU countries, with Scottish Co-ops having less than 20% of the market share in most Scottish Agri sectors. Why is there less collaboration amongst Scottish farmers? What can be done to increase the market share of Scottish co-operatives and increase farmers involvement with Co-ops?
Some challenges;

Outcome 3:

How can we develop Scottish agriculture so that it meets the needs of the Agri-food supply chain for quality produce whilst also being able to withstand external shocks to the industry, such as the recent bad weather or global market fluctuations.

Outcome 4:

Within the Scottish agriculture sector, only 27% of farmers have formal qualifications. This suggests that there are barriers that dissuade farmers and potential farmers from seeking training. What barriers stop farmers from gaining appropriate qualifications and how might they be overcome? What qualifications should farmers have and what benefits might these deliver to the industry? How important are business skills for farming?
Some challenges;

Outcome 5:

How do we ensure farmers take up cutting edge innovative techniques, provided by our world leading research institutes, to help improve the performance of Scottish agriculture?

Outcome 6:

How can we balance a productive agriculture sector with greener types of farming, including high value nature farming, to deliver a win:win for both agriculture and the environment.
Some challenges;

Outcome 7:

How do we ensure that future new entrants have access to farming when the number of tenancy leases are declining?

Outcome 8:

What role should marginally productive areas play? Should they be regarded as contributors to the farming industry or as a provider of public goods and custodians of the environment?

Outcome 9:

What should Scotland argue for in Brussels during their “CAP Simplification”, “Mid-term” and “Greening EFA” reviews?
“We have two ears and one mouth, so we should listen more than we say.”

Zeno of Citium (c. 336 – 265 BC)