Diversity of Production: Agriculture across the Highlands & Islands is incredibly diverse, ranging from: productive arable lands of the Black Isle; intensive beef grazing in Caithness and Orkney; the productive dairy fields of Argyll & Bute; the extensive hill sheep and suckler cow systems across much of the Highlands and Argyll; and, small-scale, and often part-time crofting systems in much of the west-coast and islands.

Challenging but Important Agriculture: Agriculture across much of the Highlands & Islands remains challenging compared to other parts of Scotland, and the rest of the UK due to the bio-physical constraints faced - in particular: poor quality land, elevation, slope, rainfall, temperatures, and considerable peripherality - that means for most farmers and crofters low intensity production is the norm. The large areas of unproductive rough grazing across the region means that often only low numbers of animals can be kept per hectare and production choices are often extremely limited. Compared to many other parts of Scotland farmers and crofters across much of Highlands and Islands have limited ability to produce enough winter feed to maintain their livestock, let-alone finish animals.
Active Agricultural Communities:
Over 20,000 people are engaged in agriculture in the Highlands and Islands contributing to the economies and social fabric of dispersed rural communities. Many farm and croft households are integrated into the wider economy and community through non-agricultural employment and diversified businesses – particularly with the tourism sector. Ensuring a positive Brexit outcome for the Highlands & Islands is essential to maintaining this unique cultural mix of crofting and farming and the management of fragile and publicly valued landscapes.

Farming and Crofting – a valued landscape? Whilst most farmland in the Highlands & Islands gives rise to some form of production constraint, the land, and the way it is managed, has given rise to areas of significant public importance regarding species, habitats and landscapes – including nationally important carbon sinks. The region contains 40% of the UK’s 1,150 priority species and over three quarters of the UK’s 65 priority habitats. On top of that the UK contains 13% of the world’s blanket bog (one of the world’s rarest habitats) with most of this located in the Highland & Islands.

Restrictions on Land-use: It is often forgotten that farmers and crofters are regularly restricted in their potential management and development options. This extends to their opportunities to deliver public goods relating to renewable energy and woodland cover that can be restricted to the nature of the ground (in particular deep peat), the presence of nationally or internationally important habitats or species, or through landscape designations. The historic production oriented support provided through the Common Agricultural Policy did not effectively reward the public goods that the region’s farmers and crofter deliver - although there has been increased emphasis on supporting woodland and the environment through Pillar II of the CAP in the last 15 to 20 years. There is an opportunity for post-Brexit agricultural policy to focus greater attention on supporting these fragile and important lands.
**Brexit Challenges:** Brexit poses a threat to farming and wider rural development in the Highlands and Islands on a number of fronts: (1) whilst the agricultural budget has been guaranteed until the end of this (UK) Parliament, there remains longer term concern over the overall size of the agricultural and rural development budget beyond this parliamentary term; (2) there remain questions as to the extent of autonomy the Scottish Parliament will have over all aspects regarding future agricultural policy - the “framework”; (3) the composition of future trade deals are of utmost importance, particularly the UK’s future relationship with the EU - if there is “no deal” with the EU then facing tariffs for products entering the EU would likely mean a significant reduction in continental demand for Highlands and Island’s lamb. A cheap food policy would be significantly detrimental to all sectors of agriculture, particularly if the UK pursues Free-Trade Agreements that allow cheap beef and dairy imports into the UK.

**Potential Brexit Impacts:** Modelling analysis shows that extensive livestock farming systems are particularly vulnerable to potential post-Brexit agricultural policy changes as well as potential trade outcomes. Any significant change to Pillar I-type support, including coupled beef and sheep support, or LFASS, could lead to many farmers and crofters in the region being unable to return profits for their business that could lead to land abandonment or structural change with economic, environmental and social impacts. Existing trends of fewer livestock, reduced agricultural activity, land abandonment and a shrinking farm workforce will likely be reinforced by Brexit. Multiplier effects of this will ripple back along supply-chains and into the wider economy, risking economic activity and employment both upstream (e.g. input suppliers, marts, hauliers) and downstream (e.g. in Food & Drink and Sustainable Tourism businesses, both of which are priority growth sectors). Downstream linkages reflect agriculture’s role in sustaining a range of ecosystem services, including the provision of commodity outputs to processors but also aesthetic and cultural experiences that underpin many tourism activities: scenery and landscapes are cited by over 85% of tourists as a reason for visiting. Much of the land managed with positive environmental outcomes is at risk from abandonment if a positive Brexit outcome for the region is not delivered.
Mitigating Brexit Impacts:
The potential threats posed by Brexit could be mitigated in a number of ways. For example, there is some scope to improve agricultural productivity or adopt different land use (e.g. forestry) or diversify the business through improved management and innovation, supported through targeted information, advice, training and capital investments. However, poor land quality, remoteness and infrastructure limit potential gains. Moreover, a focus on agricultural productivity alone neglects wider ecosystem services linked to management of natural capital. These are not valued by markets, but do have economic value and provide a recognised rationale for support: “public funding for public goods.” Reliance on a network of resident of land managers with personal and cultural ties to the land suggests a need for continued income support alongside more targeted agri-environment payments.

Examples of agricultural public goods:
- Landscapes, biodiversity, air quality, water quality, soil quality, fire & flood resilience, cultural heritage, community resilience, food security, animal health & welfare

The WTO Agreement on Agriculture - Annex 2, Article 12 states that on environmental support: “The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme.”

"Unless we can continue support for hill and upland farming, it will be under serious threat and thousands of hill farmers and crofters will stop, there will be land abandonment and we have seen that already in some cases, the hillside we take for granted which is so beloved by our tourists changes into something which is not pleasant to look at and the environmental terms become degraded very quickly.”
Cabinet Secretary for Rural Economy and Connectivity, Fergus Ewing MSP. (The Scottish Farmer 3rd February 2018)

Focused Policy Need for the Highlands and Islands: The distinctive environmental and cultural characteristics of the H&I region, together with the exposure of its dominant agricultural land use to Brexit-induced pressures, provide a compelling case for distinctive and targeted policy interventions. However, many of the challenges are not new, merely thrown into starker relief by Brexit. The extent to which appropriate support is forthcoming will be a test of political commitments to the economic, environmental and social conditions of the region, but also of how well the case can be made to the public for discretionary expenditure on agriculture (no longer CAP ring-fenced) and associated public goods rather than on other competing demands. The vulnerability of H&I farming and risks to public goods merit a higher share of funding. The nature of support also needs to evolve, to better meet policy objectives and may involve tapered and capped payments, with changes ideally phased-in over a transition period to reduce disruption.

Photos courtesy of SRUC, Anne Rae MacDonald and Steven Thomson