

Rural Policy Centre

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Scottish Affairs Committee Inquiry on 'The  
Future of Scottish Agriculture post-Brexit'  
SRUC January 2019  
Consultation Response



*Leading the way in Agriculture and Rural Research, Education and Consulting*

# Scottish Affairs Committee Inquiry into the Future of Scottish Agriculture post-Brexit

January 2019

## Introduction

SRUC (Scotland's Rural College) welcomes the opportunity to contribute to the Scottish Affairs Committee's Inquiry into the 'Future of Scottish Agriculture post-Brexit'.

SRUC is an innovative, knowledge-based organisation that supports the rural sector through research, education and expert consultancy services. SRUC's vision is: "*To be a unique, market-led and mission diverse 21st Century rural university*", and our mission is: "*To drive the future needs of a dynamic, innovative and competitive rural sector in Scotland and to solve the biggest global agri-food challenges.*"

SRUC wishes to see, and contribute significantly to delivering, a sustainable agricultural and rural land use sector in Scotland. SRUC staff work in a broad range of areas (for more information see [www.sruc.ac.uk](http://www.sruc.ac.uk)) and our responses to the questions below reflect this broad expertise, but draw on specific research projects where appropriate.

Several SRUC staff have contributed to this submission<sup>1</sup> which has been co-ordinated by SRUC's [Rural Policy Centre](#). Our response here draws on SRUC's response to other consultations on this topic, including the Scottish Government's consultation on "*Stability and Simplicity: proposals for a rural funding transition period*" submitted in 2018<sup>2</sup>, a 2016 Scottish Government consultation on '*The Future of Scottish Agriculture*'<sup>3</sup> and the 2018 Defra consultation on '*The Future for Food, Farming and the Environment*'<sup>4</sup>.

It is also worth noting that the Scottish Government's Strategic Research Programme 2016-21 is addressing many of these questions through ongoing research and knowledge exchange projects<sup>5</sup>. We understand that the Committee will also be receiving a submission from the Scottish Environment, Food and Agriculture Research Institutes (SEFARI) in due course which will provide more detail on this work.

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<sup>1</sup> Andrew Barnes, Steven Thomson, Davy McCracken, Sarah Skerratt and Jane Atterton.

<sup>2</sup> For more information, see: [https://consult.gov.scot/agriculture-and-rural-communities/economy-post-brexit-transition/consultation/view\\_respondent?\\_b\\_index=60&uuld=1023087979](https://consult.gov.scot/agriculture-and-rural-communities/economy-post-brexit-transition/consultation/view_respondent?_b_index=60&uuld=1023087979)

<sup>3</sup> For more information, see: <https://www2.gov.scot/Topics/farmingrural/Agriculture/The-Future-of-Scottish-Agriculture>

<sup>4</sup> For more information, see: <https://www.gov.uk/government/consultations/the-future-for-food-farming-and-the-environment>

<sup>5</sup> For more information, see: <https://www2.gov.scot/Topics/Research/About/EBAR/StrategicResearch/strategicresearch2016-21/srp2016-21>

**1. What should be the priorities of any future agricultural support system in Scotland? Are the needs of the agricultural sector in Scotland different from the rest of the UK?**

It should be emphasised that the challenges and opportunities facing agriculture in Scotland differ markedly from elsewhere in the UK. Scotland is a large country covering some 6.3 million hectares of farmland but only 9% is used for cropping, 21% is used for grassland and 60% is rough grazing.

Percentage of agricultural land (%)	Scotland	England	Wales	N Ireland	UK
Grass	21%	41%	66%	76%	39%
Total crops and fallow	9%	44%	5%	5%	26%
Rough grazing	59%	9%	24%	16%	28%
Other	11%	5%	6%	3%	7%

Across much of the hill, mountain, upland, coastal and island areas land quality is particularly poor, and farmers are faced with significant biophysical constraints compared with the rest of the UK. Over 85% of Scottish farmland is designated as being Less Favoured Area compared to only 17% of land in England. This classification means that the majority of farmland in Scotland is only really suitable for grazing of suckler (beef) cows and sheep. Beyond the challenges that farming on poor quality land entail many Scottish farmers and crofters also have to contend with shorter growing seasons, wetter and colder climates and peripherality. Added to these natural constraints are further restrictions placed on farmers and crofters due to a plethora of international, national and local designations that are in place due to the fragile nature of the biome, and the importance of the area to endangered habitats and species (for example, Scotland contains 13% of global blanket bogs<sup>6</sup>). Despite these challenges Scottish agriculture does play an important role in the UK agri-food sector, accounting, for example: 27% of the UK's suckler cow herd, 20% of the national sheep flock, 37% of UK spring barley production, 22% of potato production, 25% of strawberry and raspberry output, 9% of the dairy herd etc.

Many of the challenges facing Scotland's farmers are not new, merely thrown into starker relief by Brexit. Nevertheless, we agree that change is required and that 'no change is not an option'. We believe that this relates not only to most agricultural business across Scotland, but also for future agricultural support policy. The overall aim of any future farm, food and rural policy should be to develop more resilient businesses that are better placed to improve resource use efficiency and boost productivity, while enhancing Scotland's environmental credentials and supporting the sustainability of our rural communities.

We believe that in order to unlock the true potential of Scotland's agricultural sector in the long run the 'path dependent' nature of agricultural support (where minimum disruption has been the preferred option over devising support schemes that deliver defined outcomes) has to be broken. In order to deliver a more resilient and prosperous agricultural sector that protects and enhances the environment and rural communities, new and innovative approaches to agricultural support, regulation, monitoring and evaluation and upskilling need to be devised that are fit for the 21st Century. These novel approaches need to help deliver a more efficient, competitive and resilient sector that provides more transparent 'public value for public money' to help justify to the general public (and politicians) why discretionary

<sup>6</sup> Peatlands: A summary of research outputs supported or facilitated by the Environmental Change Programme of the Scottish Government's Portfolio of Strategic Research 2011-2016 ([http://www.hutton.ac.uk/sites/default/files/publications/Peatlands%20final\\_web\\_reduced%20size.pdf](http://www.hutton.ac.uk/sites/default/files/publications/Peatlands%20final_web_reduced%20size.pdf))

expenditure on agriculture (no longer ring-fenced) should be supported in the future, rather than spending it on other competing demands.

## **2. What funding will Scotland's agricultural sector require post-Brexit? What should future agricultural support in Scotland look like, and what goals should it seek to achieve?**

Future funding must recognise Scotland's contribution to food and timber production alongside the environmental assets (public goods) that its farmers, crofters and wider landowners provide. Discussions of "per capita" or "Barnett-style" agricultural budgets are not helpful and fail to recognise that the current split of the CAP's agriculture and rural development support monies across the UK's administrative regions are a legacy of historic production and use of 'rural development' monies. There is no rationale for changing the existing budget allocation, particularly as agricultural outputs produced in Scotland are an integral part of a UK-wide food and drink supply chain that feeds the nation and contributes to export revenues.

We have concerns about the length of future UK funding cycles for agriculture – moving away from the EU's (warts and-all) multiannual financial framework with 7 year programming periods to a budget cycle aligned to UK Parliamentary terms. This means that, despite long term production cycles associated with farming (e.g. 2 to 4 years for beef cattle) the support mechanisms on which they rely may be only guaranteed for up-to 5 years – indeed shorter periods in many instances.

The UK Government's promise that agricultural budgets will remain at their current levels up to 2022 is welcomed, although the need for redistribution of "convergence funding" that fully reflects the natural handicaps on much of Scottish farmland remains unresolved. This short-term budget stability provides an opportunity for some stability and will allow some planned transition to future support mechanisms. This budget stability and transition period should allow farmers and crofters time to plan ahead, but in order to do so they need clarity around the future policy landscape – something that is lacking at this time. Only when budgets and future policies are better understood can farmers and crofters adjust their systems accordingly to reflect their business objectives (e.g. retiral, succession, intensification, extensification, etc.).

As indicated above, the overall aim of any future farm, food and rural policy should be to develop more resilient businesses that are better placed to improve resource use efficiency and boost productivity, while enhancing Scotland's environmental credentials and supporting the sustainability of our rural communities. However, there are risks in cutting direct support to agricultural producers too quickly if this puts the UK significantly out of step with other large producers, particularly our nearest competitors in the EU. Any heavy unilateral reduction in direct support, if not matched by reductions by our competitors would be severely detrimental to many of our sectors, making them uncompetitive with EU imports.

In the long term we believe future support arrangements are likely to need to combine an element of continued direct income support with additional funding aimed at encouraging productivity improvements alongside targeted agri-environment schemes and support for upskilling/ diversifying. Figure 1 below provides an illustration of a tiered approach to future agricultural support in Scotland that we believe may fit future policy and sectoral needs. In particular we believe:

1. There will likely be a need to maintain a reduced base level of direct support (BPS/Greening) that can be justified in terms of cross compliance requirements that

deliver public value, whilst acting as an income support tool that farms can use to mitigate volatile markets and adverse weather. A degree of coupled support may be required to maintain activity in remote or biophysically challenging areas or to retain critical mass in key sectors (e.g. beef). It would be worth reconsidering the CAP redistributive model (e.g. higher payment rates for the first 60 Ha) to provide smallholders with a slightly higher payment rate per hectare. As part of future justification for receiving these support payments, it may be worth (the Scottish Government) introducing application criteria in the long-run:

- Farm Environment Plan, including a nutrient plan;
- Animal health plan;
- Availability of key data from above plans for government policy planning/monitoring.

2. With a reduced direct support budget we believe that there will need to be a greater emphasis on transformative and agri-environment climate support. Support for effective knowledge exchange is therefore vital over the long term to drive innovation and support longer term change within the sector. In particular:

a) Medium-term structural adjustment could be facilitated by a gradual reduction in income support funding, together with explicit support for productivity improvements, structural change and knowledge exchange.

- i. This could include, for example, investment grants/loans designed with training assistance to improve technological adoption, resource use efficiency and productivity;
- ii. There are opportunities to support more innovative ways to release land and buildings to new entrants or expansionist farmers looking to benefit from economies of scale (Ireland successfully achieved this through tax incentives). Rather than maintaining farming systems for nostalgic/cultural reasons future support (or fiscal measures) should prioritise encouraging:
  - Innovative approaches to business entry (joint ventures/equity sharing/improved rental opportunities) in commercially oriented/market driven farming systems (e.g. poultry, horticulture, mushrooms, pigs);<sup>7</sup>
  - Diversifying businesses looking to capitalise on wider rural development opportunities.

b) Support for delivering environmental and social outcomes<sup>7</sup> will likely need greater prioritisation in the future in order to maintain justification of budget expenditure on the sector. In particular there could be continuation of many of the existing agri-environment climate and forestry schemes in the short run, with an introduction of some support for broad and shallow elements (paid from reduced direct support) to help producing farm environment and animal health plans that could be a condition of longer-term direct support (with key data available to the Scottish Government for monitoring). In the longer term there will be opportunities to introduce regionalised Payments for Results schemes and top-tier highly targeted Payments for Results schemes for priority species/habitats. Scotland has a range of environmental aspirations which farmers and crofters are well placed to help deliver<sup>8</sup>.

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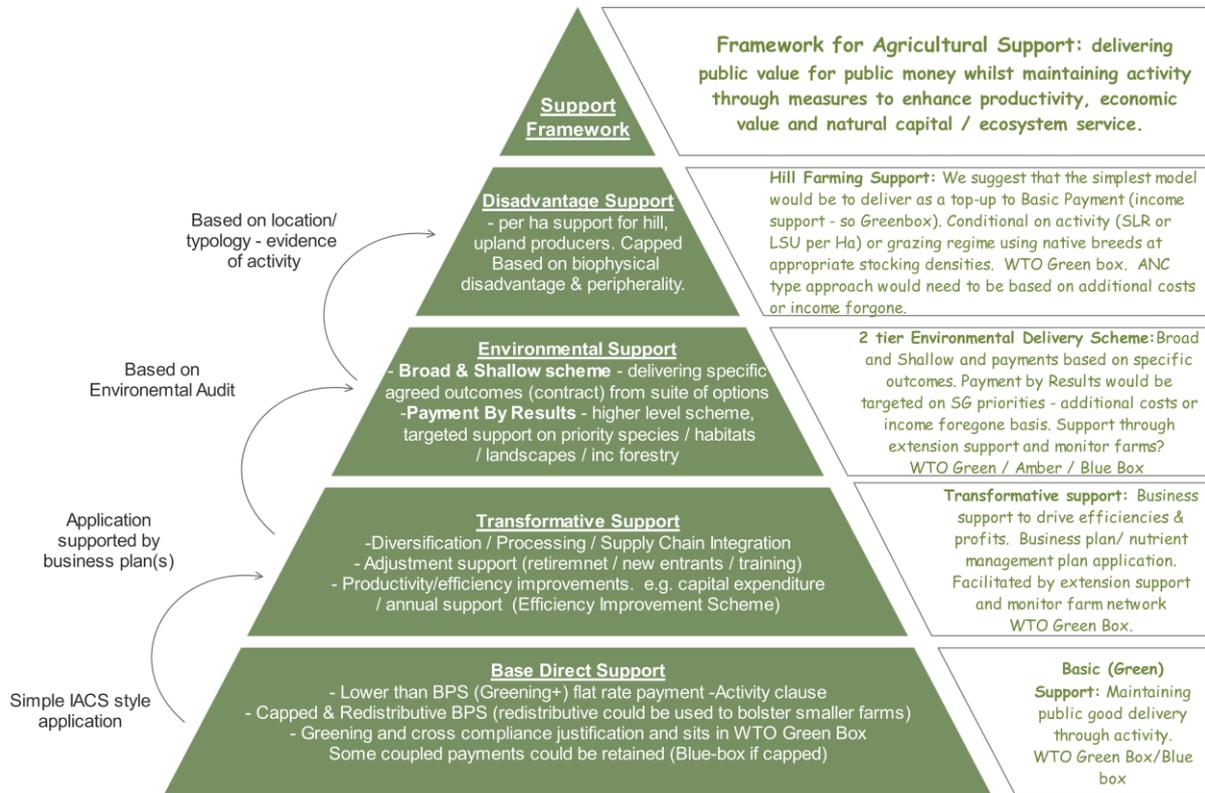
<sup>7</sup> See the end of this document for comments on future support for rural communities.

<sup>8</sup> For more information, see:

[https://www.sruc.ac.uk/download/downloads/id/3889/rpc\\_pb\\_key\\_characteristics\\_of\\_agriculture\\_the\\_environment\\_and\\_rural\\_communities\\_in\\_scotland.pdf](https://www.sruc.ac.uk/download/downloads/id/3889/rpc_pb_key_characteristics_of_agriculture_the_environment_and_rural_communities_in_scotland.pdf)

- c) There should be support for Continued Professional Development in the sector and some recognition of skills should enter any future inspection “risk” assessment.

**Figure 1: Illustrative Model for Future Scottish Agricultural Support**



### 3. How should a future agricultural policy seek to accommodate different sectors of the farming community, especially those in remote and less favoured areas, and crofters?

**Current situation:** There are currently around 19,000 businesses that claim direct CAP support in Scotland, although there are many small holdings and crofts beyond this that do not make CAP claims. There are currently around 11,000 full-time farmers/crofters with a further 26,500 farmers/crofters working part-time on their holding. There are estimated to be around 13,000 (full- and part-time) crofters that control some 1,100 common grazings that extend to over 580,000 hectares in the North West. The biophysical constraints faced, including the shorter growing seasons and poorer weather, means that making farming profitable remains challenging, particularly in the hill and island areas.

Scotland has had devolved decision-making over agricultural support for a considerable time. Indeed in the last 20 years (with Agenda 2000 followed by the introduction of the Single Farm Payment and cross compliance in 2005) the devolved administrations have become increasingly divergent in how their agricultural and rural development support is delivered – driven by local priorities and needs. For example, in Scotland we now have three Basic Payment Regions - with region three (extensively grazed rough grazing) only getting €13 per

hectare in 2019 compared to €43 per hectare for more intensively farmed rough grazing (this is to differentiate the quality of rough grazing lands) and €244 for arable and pasture land.

Further, in order to avoid the abandonment /of activity in some peripheral and challenging terrain, Scotland has maintained coupled payments for beef cattle and sheep (the latter in the most extensive grazing areas). Scotland is also unique in Britain in that we retain Pillar II payments for farmers in Less Favoured Areas to help counter some of the production and cost disadvantages they face. Some of our cross compliance measures differ to other parts of the UK, as do other regulatory requirements (for example on stand still periods for livestock or on TB testing intervals). Scotland has developed its own bespoke suite of Rural Development support measures – with the main difference to other parts of the UK being less emphasis on agri-environmental measures (25% Pillar 2) and greater emphasis on forestry measures (20% of Pillar 2) and LFA support (35% of Pillar 2) – in line with wider Scottish policy priorities.

**Looking ahead:** It is certainly the case that support for activity in Scotland's disadvantaged areas is absolutely vital if there is a desire to maintain agricultural activity in these areas. That activity supports associated social, economic and environmental outcomes in remote, often fragile rural economies. LFASS is often described as a "lifeline" payment, and it genuinely helps to maintain agricultural activity in hill and remote farms and crofts in Scotland's fragile and very fragile areas – and to a lesser extent in marginal areas (lowland/upland) with greater production flexibility that means LFASS is a much smaller proposition of their overall income. It is indeed unlikely that farm and croft businesses in the most remote and biophysically disadvantaged areas could return profits without their LFASS support, and indeed for some businesses LFASS is equally important as BPS and Greening support. We would suggest that LFASS is indeed helping support rural communities through population retention and economic activity. However, there is less certainty as to whether the secondary objective regarding environmental benefits are being delivered.

It is likely the case that the current LFASS is outdated - we are still using LFA mapped areas from the 1970s and the move from the Hill and Livestock Compensatory Allowance system to LFASS was largely an exercise in minimising payment redistribution (maximising "winners" and minimising "losers") rather than delivering specified outcomes for the scheme. Moreover, the LFASS grazing Category A is now embedded in the BPS and Greening direct payments in Scotland – having been used to delimit extensive grazing areas that receive the lowest level of support and acting as an eligibility criteria for the Scottish Upland Sheep Support Scheme. This means that there may be an opportunity to evaluate if the BPS/Greening payments and LFASS payments could somehow be merged (with a review of relative payment rates) – with enhanced payments for achieving environmental outcomes that may be determined by livestock grazing mixes.

We believe that in the medium term it is essential that there is a full review of how to provide a support package to our disadvantaged areas fit for a post-Brexit period that is not constrained by EU articles (or the EU's interpretation of the WTO's Agreement on Agriculture). This review needs to consider all possible support options in delimited areas, ranging from enhanced direct support payments, to uplift options for coupled support options such as the island uplift in the current Scottish Suckler Beef Support Scheme, through to a bespoke hill and uplands support scheme or specific support for High Natura Value farming. The review also needs to consider what the objectives of a future scheme are. For example:

- If the principle objectives are agri-environmental then the scheme will be constrained by WTO rules on additional costs or income foregone.
- If the principal objectives are income support to avoid land abandonment then support should be declared as such (similar to BPS) and it would be considered

“green box” alongside BPS and Greening support, provided it is paid on a per hectare basis.

We would strongly urge a consideration of how to factor in additional costs associated with farming and crofting in remote areas as part of any future support scheme. The rationale for this is supported by the evidence we were commissioned to provide the Scottish Government on the haulage costs faced by these remote businesses (e.g. £36 per tonne of fertiliser to Outer Islands, £28 per tonne to inner islands and £18 per tonne to remote mainland areas in 2016<sup>9</sup>). Additionally, there may be scope for a future scheme to link payments to the uptake of new technologies and innovative practices which can serve to improve cost-effectiveness at the farm and croft level thereby improving business resilience.

The Scottish Government rightly stress that there is an EU requirement to restrict the 2020 LFASS payments to 20% of the current value (parachute payments for LFA support falling out-with an ANC scheme), and this is of considerable concern to farmers and crofters in receipt of LFASS payments. We think that there may be an opportunity for the 2020 LFASS claim year to adjust the BPS and Greening payment rates (remembering 2019 is the last EU administered BPS claim year) for businesses in the LFA region as a means of mitigation. We think this should be seen as an emergency action and not a long term remedy for supporting disadvantaged areas without undertaking a full and thorough review of aims, objectives and support mechanisms for these areas.

Finally, it is worth noting that the hill and island areas in Scotland are often where priority habitats, species and landscapes exist and that sympathetic extensive grazing helps to maintain biodiversity, minimises risk of shrub encroachment on vulnerable habitats and reduces the risk of heathland fires. Without support, land abandonment may occur that could be detrimental to the hill and uplands ecosystem and lead to negative socio-economic consequences. Farming in remote areas will only survive to produce both agricultural products and the range of public goods desired by society if they are able to increase the viability and resilience of their farming systems to economic, climatic and policy shocks. Increasing productivity and cost-effectiveness of agricultural production, while at the same time diversifying into other income streams (management for environmental outcomes, integrating woodland into the farming system, developing tourism enterprises), will be essential to achieving this. Support therefore needs to recognise where public goods are being delivered but also some pump-priming (rather than continued public investment) might be all that is needed to encourage other areas of diversification.

#### **4. What should be included in common frameworks between the UK and devolved administrations in relation to agriculture? What balance should it strike between having a common UK-wide approach and providing flexibility to Scotland's needs?**

Having a common framework is necessary in areas where the issues - and hence the means to tackle them and benefits to be gained - are generic across the UK, including: animal welfare; pesticide safety; food safety; livestock traceability, and; environmental pollution/protection.

Specifically in relation to a common biosecurity framework across the UK, this provides coherence and mechanisms for effective information flows between the different parts of the UK. This framework, should, however, recognise the different priorities, assets, and susceptibilities faced by different nations within the UK.

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<sup>9</sup> Unpublished work conducted by SAC Consulting for the Scottish Government.

Under the current CAP framework, the UK administrations already have considerably different approaches to supporting agriculture – following common principles in the areas mentioned above. Payment rates per hectare under the Basic Payment Scheme vary significantly and to avoid abandonment the Scottish Government has maintained coupled support payments. Through Pillar II it also maintains support for Less Favoured Areas (these payments compensate lower per hectare payments through BPS for rough grazing and even acknowledge the challenges of peripherality through an islands uplift for beef calves).

There are clearly significant differences to the structure of agriculture and the biophysical opportunities that the land provides across the UK. This means that local level policy solutions for maintaining agricultural activity and farming's delivery of public goods are required. Therefore, providing the agricultural budgets remain ring-fenced at levels similar to existing levels, there should be flexibility in the delivery mechanisms – with all administrations complying with common “framework” standards.

In relation to farmers that are in a cross-border position, it is worth noting that we have a system currently in place where farmers in that position submit an application in each country and are then paid out of the administration where the largest part of the business is located. There is no reason going forward why the position would need to change – and having significantly different rural/agricultural policies in different parts of the UK would itself bring challenges.

Key if such situations were to arise is to ensure agreement on the baseline which is set with regard to the standards concerned. Different administrations may thereafter choose to require farmers to go above that baseline, but at least there is an agreed minimum standard.

It is essential as we develop a common framework that we move away from the fear culture that the EU audit process brings with CAP monies - although inspections will continue to exist if we have a future trading relationship with the EU. Reconsidering some of the regulatory requirements that come with agricultural support, and how farmers are treated during inspection processes is vital. If we can change how the common framework is administered there is an opportunity to develop the ‘mutual understanding’ and respect between farmers and Government officials that Brian Pack called for in his Doing Better review of red tape in Scotland<sup>10</sup>.

## **5. What should be done to meet the long-term labour needs of Scotland's agricultural sector?**

The most urgent labour requirement faced by Scotland's agricultural (and food processing and haulage) sector is access to migrant labour, to fill significant labour shortages from local labour pools. Recent work we conducted for the Scottish Government estimated that around 9,500 seasonal migrant workers<sup>11</sup> were engaged in Scotland's fruit, vegetable and potato sectors. Access to seasonal migrant workers is essential for Scotland's important soft-fruit sector, but also for vegetables and potato growers. In the last couple of years growers have been faced with considerable recruitment challenges that has left some crops unharvested, with some estimates of 20% workforce shortfalls - or less effective (often older, non-English speaking) workers being recruited through necessity. Under existing rules only EU citizens

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<sup>10</sup> <https://www2.gov.scot/Topics/farmingrural/Agriculture/doingbetter>

<sup>11</sup> See <https://www.sruc.ac.uk/seasonalworkers> for a short film on the importance and role of seasonal migrant workers and [https://www.sruc.ac.uk/downloads/file/3834/farm\\_workers\\_in\\_scottish\\_agriculture\\_case\\_studies\\_in\\_the\\_international\\_seasonal\\_migrant\\_labour\\_market](https://www.sruc.ac.uk/downloads/file/3834/farm_workers_in_scottish_agriculture_case_studies_in_the_international_seasonal_migrant_labour_market) for the full report.

are free to work on Scottish farms, and there have been shortages faced by farms and food processors across many other EU countries as economies and employment prospects in Romania and Bulgaria, in particular, improve. Improved prospects for young Eastern European workers (youth unemployment continues to fall) coupled with effective ‘take-home’ wage cuts of 20%, due to the weakening of Sterling, has hit seasonal workforce recruitment hard. The Migration Advisory Committee<sup>12</sup> recognised that without seasonal worker scheme to bring in non-EU workers “*there would be a contraction and even closure of many businesses in the parts of agriculture in the short-run, as they are currently very dependent on this labour.*” This is an immediate, pre-Brexit, issue<sup>13</sup> that has not been adequately addressed in our view – with the pilot scheme announced by the UK Government<sup>14</sup> only providing visas for 2,500 non-EU workers<sup>15</sup> - which we do not believe will be enough to meet the significant shortfalls farmers are likely to face in the next couple of years.

Beyond the seasonal migrant worker use in the Scottish horticulture and potato sector there is anecdotal evidence that EU workers now play an important role in Scottish agriculture in more permanent jobs, for example on dairy and poultry farms and working as tractor drivers on arable farms across the country. Additionally the food processing sector and the haulage sectors have increasingly become reliant on EU workers in recent years – meaning there are challenges that Brexit, particularly a hard (no-Deal) Brexit, may bring to worker recruitment across these sectors in the short to medium term – before alternative non-EU workers can be recruited, or suitable UK workers identified and trained.

We believe that some of Scotland’s agricultural businesses lack owners and managers with effective key risk management, business/financial and leadership skills and, more broadly, some employees lack key technical and environmental skills that will be increasingly called on in the future. It is worth noting that risk, and hence the ability to manage risk, will grow in importance with Brexit, climate change, less subsidy protection, etc. Support for continued professional development (peer learning, work-based learning, certificated training courses, etc.) within the sector is vital to equip agricultural businesses with the skills to drive business forward as a period of inevitable change occurs.

To fully reflect the sector as a great career choice, it must provide rewarding career structures/paths for those entering the industries, allowing for personal and professional development and progression, and providing appropriate levels of pay, to meet individual aspirations at all levels. In order to encourage more (young) people into agriculture (and associated sectors), the industry needs to tell a positive story about the attractiveness of a career in agriculture and land management, where new technologies and innovation can make the sector an exciting and stimulating place to work. Rather than reflecting and commenting on the negatives/challenges of working in the sector it is vital to inform the wider public of the successes and scientific and technological advancements within agriculture that can enthuse the next generation of workers – with young people, parents, teachers and careers advisers important targets for these messages.

Educational establishments need to be supported in the development of promotional materials which showcase the currency of career opportunities, skills, experiences and benefits for working in the land-based career. Further, there is a need for stakeholders to

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<sup>12</sup> The Migration Advisory Committee’s [Final Report on EEA Workers in the UK Labour Market](#) (18 September 2018)

<sup>13</sup> See <https://sp-bpr-en-prod-cdn.azureedge.net/published/2018/10/30/Migrant-labour-in-Scottish-agriculture/SB%2018-71.pdf> for a summary of the issues including how other countries are addressing their workforce shortages.

<sup>14</sup> See <https://www.gov.uk/government/news/new-pilot-scheme-to-bring-2500-seasonal-workers-to-uk-farms> for a discussion on why the announced scheme does not go far enough.

<sup>15</sup> See <https://spice-spotlight.scot/2018/10/01/stopping-the-rot-the-uk-seasonal-agricultural-workers-pilot-scheme/> for a discussion on the announced scheme.

work together to emphasise and promote the extensive range of career opportunities that exist, including (but are not limited to): scientific research, advisory roles, banking, legal, policy, welfare inspectors, feed scientists, sales people, hauliers, food and drink manufacturing, seed technologists, soil scientists, agricultural engineers, rural surveying, community development, etc.

More broadly, there needs to be support for the delivery of an engaging land-based curriculum within schools. A strong message is needed in schools about where food comes from. Also useful may be additional support in promoting and providing public-focused events on farms/related to agriculture and the wider land-based sector to shift the public perception to a more realistic one. There is an ever-widening gap in relation to many people being dissociated from the land and the food they eat, and this must be addressed.

Incumbent agricultural businesses and land owners also need to be more open to new entrants, and, where possible/appropriate, this should include more flexible (modern) methods through which land and capital can be made more easily available to new entrants. This includes contract farming, share farming, etc. opportunities that the newly launched NFUS New Ventures Hub aims to promote<sup>16</sup>. However, we also need to ensure new entrants to the agricultural – and forestry - workforce are provided opportunities and initiatives such as the Modern Apprenticeship programmes (such as the Shared Modern Apprenticeship being offered by Ringlink and SRUC<sup>1718</sup>) are likely to play a vital role in developing the next generation of agricultural workers.

Working towards greater integration across the food chain will help to focus and stimulate the sector and may help towards the re-establishment of a food culture, where people take pride in understanding where their food comes from, how it is produced and that working in the food sector (broadly defined) can be a fulfilling and rewarding career. Until people (and younger children) understand the nature and science of food production we are not going to get them excited about a career in it. We only need to look at what TV chefs have done for the profile of chefs and making it an attractive career opportunity.

We need to have a clear vision for UK food that provides a cost benefit or USP to bolster the image and safety standards of food produce – this will be beneficial for marketing domestic and export demand. There is a need for appropriate trade deals that facilitate the trade of high value food exports and secondary products (such as 5<sup>th</sup> quarter material). The benefits are twofold, (1) encourage consumer preference for UK produce, promote higher value purchases (2) present an export market value offering for the rising middle classes.

## **6. What role can innovation and technology have in improving productivity in Scottish agriculture?**

Current Scottish agricultural productivity is low, reflecting the structural and biophysical constraints of Scottish agriculture. Recent research<sup>19,20</sup> highlights wide ranges of performance between farm types within Scotland. Uptake of techniques and technologies

<sup>16</sup> <https://www.nfus.org.uk/policy/joint-venture-hub.aspx>

<sup>17</sup> Supported by Skills Development Scotland and Opportunity North East. See:

[https://www.sruc.ac.uk/news/article/2031/scotland\\_s\\_first\\_agricultural\\_shared\\_apprenticeship\\_scheme\\_announced](https://www.sruc.ac.uk/news/article/2031/scotland_s_first_agricultural_shared_apprenticeship_scheme_announced)

<sup>18</sup> [https://www.sruc.ac.uk/news/article/2259/the\\_future\\_of\\_forestry](https://www.sruc.ac.uk/news/article/2259/the_future_of_forestry)

<sup>19</sup> [https://www.sruc.ac.uk/downloads/file/3898/the\\_efficiency\\_and\\_productivity\\_of\\_farming\\_systems](https://www.sruc.ac.uk/downloads/file/3898/the_efficiency_and_productivity_of_farming_systems)

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[https://www.sruc.ac.uk/download/downloads/id/3704/a\\_report\\_on\\_resource\\_use\\_efficiency\\_for\\_scottish\\_agriculture\\_trends\\_causes\\_and\\_constraints.pdf](https://www.sruc.ac.uk/download/downloads/id/3704/a_report_on_resource_use_efficiency_for_scottish_agriculture_trends_causes_and_constraints.pdf)

have also been found to be driven by both educational and capital requirements, but are also predicated on engagement of the community, appropriate succession planning and approaches to risk-taking within the farming sector.

It is worth noting that as Scottish agriculture develops there may be a bifurcation of agricultural performance, namely in terms of transitions to higher levels of productivity or engagement in generation of 'public goods'. This might be through, for example, organic or agro-ecological pathways which are not wholly technology-based but generate natural capital which in turn supports higher resource use efficiency. Both of these should be seen as complementary and supported through the promotion of technological and non-technological approaches.

One example of this is precision agriculture and SMART farming generally. These approaches offer the benefit of targeting applications thus saving inputs and minimising environmental damage. However, they require an uplift in technical ability and training to operate these technologies optimally (see our earlier comments in relation to labour force skills in Scottish agriculture in Question 5). A recent survey of arable producers in Eastern Scotland found similar issues but also reliance on third parties to manage and provide management guidance on data provided<sup>21</sup>.

Current payment structures have embedded structural stasis within the farming industry, coupled with an ageing farm population which, whilst providing a deep knowledge of farm management, does not encourage greater innovation within the system. More focus on support for succession planning may engender an uplift in productivity as new ideas will permeate the business. This would also shift approaches to risk taking within Scottish agriculture. We find sections of the farming community disengaged from conversations around improving resource use efficiency and innovation within agriculture. Compounded by the current subsidy system, this dampens the appetite of some producers to fully invest in new technologies and approaches to manage the land which would have both resource and economic benefits.

Nonetheless, there is a need to support – through exchange of research and ideas, provision of thought- and skills-leadership, and opportunities for mentorship – greater ambition within the agricultural sector as businesses seek to adapt in this period of almost-unprecedented change. The time is right for the adoption of a “circular economy” approach, whereby all resources used in the agricultural industry are optimised, not just on the farm, but across the whole food supply chain, locally, nationally and internationally. SRUC is at the forefront of developing a collective effort by farmers, scientists, businesses, government and the public to produce an all-encompassing agricultural system that focuses on good yield, with the sparing use of resources and energy.

Such an approach would enable new processes and products to be engineered specifically with the circular economy in mind, creating tangible opportunities for the agricultural sector and its relationship with other industries. Collaboration with new partners would be encouraged, providing novel opportunities for a more sustainable system of managing land. It also offers opportunities for local economies to support new ventures and entrepreneurs, again encouraging the innovation necessary to make these aspirations reality.

SRUC's journey towards becoming the rural enterprise university of Scotland will provide the much-needed leadership, inspiration and support not only to the rural circular economy, but to the Scottish and UK-wide economies through and beyond this period of unprecedented change, based on a foundation of partnership-working for the common good.

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<sup>21</sup> [https://www.sruc.ac.uk/downloads/file/3900/precision\\_agricultural\\_technology\\_uptake](https://www.sruc.ac.uk/downloads/file/3900/precision_agricultural_technology_uptake)

## **Additional Comments – Future support for rural communities**

SRUC recognises that the focus of the Committee's Inquiry is on the future of Scottish agriculture. However, we would like to conclude our response by making a few additional points in relation to the future of broader policy for rural communities. Agriculture and rural communities have often been viewed quite separately, but Brexit offers an opportunity to re-think agricultural policy in the context of a more holistic, innovative and coherent policy for rural areas, which incorporates agriculture and other economic activity. The need for such a coordinated, coherent policy is perhaps particularly apparent in the uplands where changing agricultural support may lead to the removal of livestock and land abandonment with associated socio-economic (and environmental) consequences.

In recent decades rural areas across the UK have undergone significant economic and social change, including a growth in service sector activities, selective in- and out-migration, demographic ageing, and the availability of improved digital communications. However, these changes are far from uniform and evidence suggests that there may be growing diversity between rural areas, with some experiencing virtuous circles of population and business growth and others the opposite - a vicious cycle of (public and private sector) service decline and further depopulation.

This increasing diversity suggests that place-based policies are required, based on activities that are tailored for local places, that maximise local assets (including physical assets, networks, the knowledge and skills of local people, etc.), and that include all stakeholders in their design and delivery (as advocated by the OECD, the European Commission and the Scottish Government, for example). Moving away from narrow sectoral approaches towards territorial approaches to rural development that integrate policies across the range of issues that impact on rural areas, and that we also seek to ensure that all such policies are formulated so as not to disadvantage rural areas (i.e. are fully rural proofed). Moreover, we need to acknowledge the social as well as the economic aspects of 'development' in rural areas. For example, it may be that rural businesses do not generate huge turnover or employment, but that they are vital to the sustainability of rural communities and associated services – the latter, although often difficult to measure, needs to be appropriately recognised and acknowledged.

The National Council of Rural Advisers' 2018 recommendations set out in 'A new blueprint for Scotland's rural economy' called for a new radical, ambitious and positive approach to policy-making and action. More specifically the Advisers' called for an interim Rural Economy Framework to sit alongside the Scottish Government's National Performance Framework (NPF) and to guide activity towards rural being fully mainstreamed within the NPF and National Economic Strategy. To drive forward progress, the Advisers called for a Rural Economy Action Group to be set up to work on an initial action plan.

At UK-level, the UK Government has suggested that future support through LEADER may come under the Shared Prosperity Fund (SPF), but there remains considerable uncertainty around how the SPF will operate, what level of funding will be available, how funding will be allocated across devolved nations, rural and urban areas, etc. It is critical that the design of the SPF is 'rural proofed' to ensure that rural areas receive an appropriate share of this funding, delivered in way which is appropriately tailored to their circumstances, through ring-fencing, a separate rural funding stream or minimum spending requirements at an appropriate level. The extent to which this is the case will depend on what logic is taken to allocate funding (e.g. if a traditional competitiveness logic is followed, based on agglomeration, then cities will predominate in terms of funding decisions) and how inequalities are defined and measured (e.g. in terms of social, geographical etc.). Discussions regarding the funding for rural areas through the SPF need to progress in a

complementary and open way with related discussions regarding proposals for future agricultural and environmental policies, including a future replacement for LFASS.

There is a need to maintain prosperous and vibrant communities across Scotland's rural areas, from those close to urban areas (and perhaps within city region deals) to those remote from larger population centres. Rural residents should have fair access to services which meet their needs (including health, transport and housing), equal opportunities to participate in society, and a strong voice in decision-making. The extra (time and financial) cost of both delivering and accessing services in rural areas must be recognised, and innovative approaches encouraged which support and build on the long-term capacity-building of local businesses and people, and which can help to make the most of new opportunities (such as ageing, post-carbon and re-localised economies, digital technologies, etc.).

While Brexit offers an opportunity to 'do things differently', there is much that can be learnt from the experience of rural policy approaches that have gone before, including LEADER (which has run since the early 1990s) and LFASS, as well as previous place-based rural development initiatives, such as the Initiative at the Edge in the west Highlands. It is also important to acknowledge the varying capacities between individuals, communities, LEADER LAGs, etc. across rural Scotland. Support may be required to ensure that everyone can participate in designing, applying for and delivering future rural development policies.

Alongside locally-led development through LEADER, there may be an argument for other programmes and spending at regional level (e.g. by local authorities, city region deals, and other regional partnership arrangements [such as the Borderlands Growth Deal]) to tackle those issues that are best addressed at this larger geographic scale, such as digital and physical infrastructure provision (which underpins the prosperity and resilience of rural businesses and communities). It is critical, however, that the two levels i.e. communities and regional or local authorities, as well as other stakeholders, including funding bodies, etc. are well linked and work in partnership.

Overall, at national level, an over-arching vision and strategy for rural areas is essential to provide a transparent and coherent framework for policy activities to support rural businesses (including agriculture) and rural communities. While not forgetting the substantial and persistent challenges that are experienced by many rural areas (particularly the more remote rural areas), including poor infrastructure, isolation and poverty, this vision and strategy need to be based on a positive narrative grounded in the assets and opportunities that our rural areas have. While it is critical that all stakeholders buy-into this vision and strategy which may take time, it is required sooner rather than later in order to provide much-needed certainty and clarity for rural communities and businesses.

For further information, the Committee may wish to read the document published in 2018 by SRUC's Rural Policy Centre and the Centre for Rural Economy at Newcastle University on '[After Brexit: 10 key questions for rural policy in Scotland](#)'.

In 2018, SRUC researchers also undertook work for the Highlands and Islands Agricultural Support Group on post-Brexit implications for agriculture and associated land use in the Highlands and Islands which is available [here](#). In May 2017, SRUC also hosted a one-day workshop on 'Scotland's rural policy options post-2019' which the Committee may also find useful (a summary report is available online [here](#)).