

THE FUTURE OF SCOTTISH AGRICULTURE

A DISCUSSION DOCUMENT



The Scottish
Government
Riaghaltas na h-Alba

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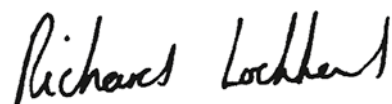
Foreword

Agriculture is one of Scotland's defining industries. Not only is it the foundation stone of our thriving food and drink sector, it strengthens the social fabric of our rural communities and provides essential services that all of Scotland benefits from including flood protection, clean air and water, and a rich and varied wildlife.

Now that the European CAP reform is over and the new rules for Scotland defined, it is time to take stock of the opportunities and challenges facing our agriculture industry over the next decade and position ourselves to take maximum advantage of these.

This discussion document describes a vision for agriculture that will lead the industry to prosper and enhance its performance in supporting our environment, communities and wider economy. It explores the outcomes needed to support this vision and proposes next steps towards achieving these. There are significant synergies and interactions between the outcomes. There are also strong links with other Scottish Government strategies. For example, it is essential that our vision for agriculture aligns with the wider vision and objectives of our Land Use Strategy, with farmers working with nature to contribute to Scotland's prosperity and deliver wider benefits to society. Our vision for agriculture must also align with our Food and Drink Policy and promote greater integration with our food and drink sector.

The purpose of this document is to launch a conversation on these issues with the public and stakeholders and to encourage wider dialogue. We will be listening to your views over the next six months. If you would like to register your interest in following this process, or wish to send us your views, please contact us at agriculturevision@scotland.gsi.gov.uk.



Richard Lochhead MSP,
Cabinet Secretary for Rural Affairs,
Food and Environment



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.

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 **p04**
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 **p06**
3. Agriculture, and the wider agri-food supply chain, is resilient to shocks and to future challenges **p08**
4. High levels of training, education and skills enable farmers to improve their profitability and become greener **p10**
5. Farmers boost their performance by embracing innovative techniques and best practice, underpinned by Scotland's world-leading research institutes **p12**
6. Scotland is a world leader in green farming **p14**
7. Agriculture is recognised as an exciting and rewarding career and there are a range of routes into the industry for new entrants **p16**
8. Agriculture is valued for its contribution to Scottish society **p18**
9. Scotland takes a leading role on key issues affecting agriculture on the UK, EU and world stage **p20**

Outcome:

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

Future vision

- Agriculture is more profitable and makes a greater contribution to the Scottish economy and to global food security by responding to market demand, producing food more efficiently and investing in our natural assets e.g. healthy soils and pollinators
- The industry responds to declines in the EU CAP budget by becoming less reliant on direct payments
- We continue to support the social and environmental benefits delivered by farmers in remote and fragile areas where the scope to become more productive is limited

Key facts

- Scotland's agricultural produce has a strong reputation for quality and there are notable industry success stories, such as Scotch Beef, which trades on its premium brand
- Scotland and the UK compare poorly with other EU countries on the overall economic performance of our agriculture sectors

- CAP payments account for over 70% of overall net profit from Scottish agriculture. With CAP support expected to decline in the long term, the industry must increase its profitability to remain competitive

Next steps

- Farmers become more market-oriented, anticipating demand from customers and from other parts of the agri-food supply chain and meeting consumers' expectations for quality and sustainability
- Farmers use energy, feed and fertiliser efficiently, saving money on inputs while reducing greenhouse gas emissions and improving water quality
- Farmers monitor their productivity, using benchmarking data and other tools to identify opportunities for improvement
- Use demonstration farms, training, education and advice to promote green farming and increased profitability through innovative techniques and best practices
- Proportionate and effective regulation



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CASE STUDY: Robert Ramsay. Arable farmer at Mains of Kinbelthmont, Angus

Robert Ramsay runs a 700ha arable farm in Angus. Six years ago, Robert began using controlled traffic farming techniques to reduce production costs while improving soil health and enhancing the farm's environmental performance. By using the same tracks for all agricultural operations, Robert ensures that 80% of his arable land is never touched by a tractor wheel, reducing soil compaction and removing the need to plough whole areas. As a result, his crop establishment costs are reduced by 40% without impacting on yield. This

resource-efficient practice saves money on diesel and results in a crop establishment process which is less dependent on weather conditions, thus saving time. This, in turn, generates environmental benefits including reduced CO₂ emissions and benefits to soils. In Robert's view, after controlled traffic farming, "soil is in much better condition and more alive". The farm supplements its income from a raft of renewable technologies including solar, wind and biofuel, with plans to expand solar energy production in the future.

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 & Drink

Future vision

- Farmers view agriculture as part of the wider food and drink sector, sharing in its ambition and success and strengthening its green credentials and reputation for quality
- More of our agricultural produce goes on to be processed in Scotland to retain the value-added in our economy
- Our food and drink sector sources more of its raw materials from Scotland, with farmers anticipating and responding to market demand
- Agriculture is the foundation stone of this sector but often does not share in its success
- Only 45% of our agricultural output is processed in Scotland, yet our food and drink sector sources twice as many inputs from the rest of the UK compared to Scotland

Key facts

- With an annual turnover of around £14 billion, our food and drink sector is one of the fastest growing sectors and makes a substantial contribution to the Scottish economy
- The sector increased in value by over 20% between 2008 and 2012, compared to 8% in the rest of the UK
- Farmers work in partnership with retailers, food service companies, processors and manufacturers to add value to, and increase sourcing of, Scottish raw materials
- Farmers are market-oriented and forward-looking, adapting their outputs and production methods to meet demand from customers and processors
- We capitalise on opportunities to demonstrate farmers' green credentials, e.g. using marketing and branding, in order to encourage improvements and strengthen Scotland's reputation





Outcome:

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

Future vision

- Our agriculture industry can withstand shocks and adapt to future changes such as reduced CAP support, price volatility, disease outbreaks and climate change
- The whole agri-food supply chain is fair, transparent and resilient
- Farmers are paid a fair share of the price of food

Key facts

- Many farming sectors face challenges on production costs and severe price volatility, for example dairy prices have recently fluctuated dramatically
- Co-operation, both horizontally (between farmers) and vertically (between farmers, processors and retailers), increases the resilience of agri-food supply chains but is often the exception not the rule
- Of the biggest EU farming countries, the UK has the lowest share of agricultural produce from farmer co-operatives

Next steps

- Farmers increase their efficiency and market focus and adopt high standards in biosecurity, traceability, health and welfare
- Collaboration between farmers (both informally and through co-operatives) to take advantage of economies of scale, share best practice, market produce and benefit from a stronger price-negotiating position
- Collaboration between farmers, processors and retailers to increase the resilience of the whole supply chain, with farmers benefiting from improved price security and transparency, shared risk management and feedback from retailers
- Farmers develop new supply chain models e.g. by diversifying products and markets and establishing farmers' markets
- Farmers supplement their income by diversifying into non-agricultural land uses, such as agri-tourism and farm woodlands

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CASE STUDY: Simon Barry. Chief Executive of Highland Grain Limited farmers' co-operative, the Black Isle

Over the last ten years, Simon Barry has helped to develop Highland Grain Limited farmers' co-operative on the Black Isle, with both farmers and processors benefiting. The co-operative now supplies 45,000 tonnes of barley per year to maltsters and distillers. Highland Grain Limited helps to protect its members from price fluctuations around harvest time. It has also invested in sustainability by using low-grade barley to power burners which dry quality grain, whilst saving on

oil costs for its members. Critically, the co-operative responds to market demand by focusing on the quality and consistency of product that processors require. For example, using a warm storage method, the co-operative is able to provide grain to processors six weeks earlier than normal, adding value for customers and the co-operative. Highland Grain promotes transparency throughout the supply chain, which helps to build relationships and trust between farmers and processors.

Outcome:

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

Future vision

- Farmers take advantage of a rich array of training and education opportunities that increase the profitability of their businesses as well as helping them become greener and improving health and safety
- Farmers value training and education as an investment and recognise the impact of continuous professional development on their business

Key facts

- Training, education and skills are recognised as important drivers of best practice and performance: not only practical and technical skills but also business management skills. The latter are increasingly important given the range of complex factors involved in running a farm business e.g. in responding to market demand and engaging with the wider supply chain

- In Scotland, 27% of farmers have formal agricultural training
- In 2014-15, 76 learners completed a Modern Apprenticeship in agriculture
- 380 learners, mainly farmers and agricultural businesses, have completed Scottish Enterprise's Rural Leadership Programme since 2006

Next steps

- Promote training and education as an investment for farmers that will recoup rewards
- Ensure that a wide range of learning opportunities are available throughout Scotland: including Modern Apprenticeships, the Rural Leadership Programme and formal qualifications, as well as one-off training events, demonstration farms, mentoring and on-farm advice on best practice and green farming
- Identify the skills needs of farmers and plan and promote learning activities to address these



Outcome:

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

Future vision

- Farmers adopt innovative and other best practices which are greener and improve the profitability of their businesses
- Effective exchange of knowledge between farmers and researchers makes sure research is focused on industry priorities and farmers can access findings

Key facts

- Scotland's research institutes, supported by £50 million annual investment from the Scottish Government, are recognised as among the best in the world. They provide an applied science knowledge base which addresses not only the immediate technical challenges of our agriculture industry but also those of society and the environment
- Collaboration between government, industry and research providers has led to notable successes, such as Scotland's bovine tuberculosis-free status and our reputation as a world leader in the production of high-quality seed potatoes

- More widespread adoption by farmers of innovative technologies and practices would further improve the industry's performance

Next steps

- Promote active exchange of knowledge through our Research Programme to make sure farm businesses, communities, the public sector and the Scottish economy can fully benefit from the world-leading research undertaken in Scotland
- Use demonstration farms, training, education and advice to facilitate the sharing of innovative and best practices, not only between the research community and farmers but across collaborating networks of farms
- Support knowledge transfer, innovation and efficiency measures through the Monitor Farm Network, Farm Advisory Service, European Innovation Programme and Scottish Rural Development Programme, including a new Beef Efficiency Scheme



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CASE STUDY: Jim Shanks. Dairy farmer at Standhill Farm, Roxburghshire

Jim Shanks runs a 205ha dairy farm with 220 cows in the Scottish Borders. Around four years ago, he began to explore innovative ways to adapt his business to boost its profitability. His journey to seek out new opportunities took him to Germany, where he discovered the multiple benefits that could be generated from using an anaerobic bio-digester. Since its installation in 2014, the bio-digester at Standhill produces natural methane and CO₂ through the anaerobic digestion of slurry and silage. The methane powers

a combustion burner and generates electricity, heating and powering the farm, including the farmhouse. Surplus electricity is fed back into the National Grid, receiving a feed-in tariff. Surplus heat is used to dry biomass wood chips, under contract. Standhill receives a Renewables Heat Incentive payment for using a renewable energy source as part of this process. As a next step, Jim plans to install glass houses which will use the surplus heat, electricity and CO₂ to help grow tomatoes.

Outcome:

6. Scotland is a world leader in green farming

Future vision

- Farmers work with nature, protecting and enhancing the benefits it provides (known as natural capital and ecosystem services) and embracing their role as custodians of much of our natural environment
- Scotland has a low-carbon agriculture industry, we have achieved good water quality in water bodies affected by diffuse pollution and halted the loss of farmland biodiversity
- As a result, we have strengthened the reputation of our food and drink sector and improved the long-term productivity of our farmland through sustainable management of soils, water and pollinators. Farmers also benefit from efficient use of energy, feed and fertiliser
- Farmers combine food production with other land uses including farm woodlands, renewable energy, natural flood risk management, tourism and recreation to make best use of their land and create multiple benefits

Key facts

- A range of indicators of farmland biodiversity are declining. Water quality in around 400 water bodies is adversely affected by rural diffuse pollution. Around a fifth of Scottish greenhouse gas emissions come from agriculture and the related land use sector

- As custodians of around 80% of Scotland's land area, farmers have a key role to play in addressing these challenges
- Farm productivity benefits from a healthy environment, including well-managed soils and rich biodiversity e.g. pollinators

Next steps

- Encourage a step-change in agriculture, where farmers combine environmentally and commercially successful management in the running of their businesses. Support this through advice, training, education and demonstration farms
- Use CAP Pillar 1 and 2 incentives to recognise and reward the delivery of environmental benefits and integrated land use
- Make sure regulation sets an effective standard for environmental performance
- Drive further improvements in the green credentials of our food and farming industries e.g. using marketing tools
- Agree a refreshed action plan for organic farming



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CASE STUDY: Shirley and Michael Clarke. Beef and sheep farmers at Williamwood Farm near Lockerbie

Shirley and Michael Clarke successfully integrate environmental and commercial management on a 115ha beef and sheep enterprise at Williamwood Farm. Less productive areas of the farm are used to create areas for biodiversity, funded through agri-environment payments under the Scottish Rural Development Programme, including buffer strips, creation of wetland habitats, management of hedgerows and wild flowering meadows. Since 2008, the farm has also diversified into agri-tourism, converting four cottages

into four star B&B facilities and offering a wide range of activities including bird watching, marked access paths and equine trails, as well as hosting wildlife education groups. These agri-tourism activities are enhanced by the environmental features on the farm. All elements of the farm business – the commercial farming, environmental management and agri-tourism – support each other to ensure the farm is economically viable. This means that land is used optimally to produce multiple benefits and income streams.

Outcome:

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

Future vision

- Agriculture is widely recognised as an attractive career which offers a high quality of life
- Men and women of all ages are able to enter the industry, introducing fresh ideas, skills and investment to boost its economic vitality and secure its long-term future

Key facts

- Farming has an aging demographic, with only 12% of farm occupiers under 45 and 38% over 65
- New entrants have faced a range of challenges. For example, Scotland has one of the lowest proportions of rented farmland anywhere in Europe, declining from 40% to 23% over the last 30 years

Next steps

- Promote agriculture as an exciting career and inform young people on how to get started in the industry
- Identify and address barriers to entry. The design of the 2015-20 CAP has improved access to support for new entrants, but availability of tenanted land remains a significant challenge. The Agricultural Holdings Legislation Review has delivered a range of recommendations, such as flexible tenancies, aiming to address this
- Provide training, mentoring and advice to ensure new entrants have the skills and knowledge needed to develop successful businesses, and promote opportunities for Modern Apprenticeships
- Provide more opportunities for people wishing to farm by building on the success of the Forestry Commission Starter Farms Programme
- Encourage better succession planning, to make sure farmers can retire when they wish and create opportunities for generational renewal



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Outcome:

8. Agriculture is valued for its contribution to Scottish society

Future vision

- We celebrate and strengthen agriculture's contribution to the social fabric of rural Scotland
- We build on the services agriculture provides to wider society, in both rural and urban areas, through opportunities for education, recreation and access to the countryside
- An increasing proportion of Scots take an active interest in the origin and quality of their food

Key facts

- Agriculture supports 1 in 6 jobs in remote rural areas (with forestry and fishing), annually purchasing £1 billion in goods and services from other parts of the Scottish economy and underpinning key growth industries such as food and drink, energy and tourism
- Agriculture and crofting help to sustain populations and amenities in fragile rural communities

- Farming and the landscapes it creates are an important part of Scotland's national identity and cultural heritage
- Many Scots are disconnected from where their food comes from or how it is produced, contributing to poor diet and high levels of wastage

Next steps

- More farmers take part in rural initiatives, such as the Scottish Rural Parliament
- We continue to support farming and crofting in fragile areas and their roles in sustaining rural communities
- Farmers are actively involved in public-facing educational activity about food and agriculture e.g. through open-door events and engaging with schools
- We continue to support opportunities for farm diversification and public access under the Scottish Rural Development Programme

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Image courtesy of Jonathan Hall

CASE STUDY: Lachlan Maclean. Sheep farmer at Knock Farm, Mull

Lachlan Maclean and his family run an extensive sheep and beef suckler farm with around 1800 ewes and 100 cows on 3,000ha of hill ground at Knock Farm on Mull. This fourth-generation farm provides employment for two generations of his family and an additional staff member. Through extensive grazing management, Lachlan views his role not only as a producer of livestock but as a custodian of his local environment and landscapes.

The scenery and wildlife supported by traditional farming in the area enables around 12 wildlife tour companies to operate, attracting tourism, investment and spending to the local community. Lachlan's business also supports his community by purchasing goods and services from contractors, hauliers, garages and shops, helping to sustain the local economy.

Outcome:

9. Scotland takes a leading role on key issues affecting agriculture on the UK, EU and world stages

Future vision

- Scotland speaks with its own distinct voice, has a strong international reputation and leads by example
- With clear and credible priorities, Scotland exercises influence on the EU and international stage on matters of importance to Scotland

Key facts

- 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
- Working with our partners, we promote 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

Next steps

- Delivering on our vision for the Future of Scottish Agriculture will strengthen the story we have to tell and the credibility with which we engage on an international stage
- Championing Scotland's voice within the EU, actively participating on EU reform and securing an EU agriculture policy that attracts investment, supports innovation and delivers our objectives for rural Scotland
- Strengthening partnerships within Europe and the wider world to deliver mutually beneficial outcomes, policies and programmes
- Continuing to make a positive case about the benefits to Scotland and the rest of the UK from EU membership
- Delivering an improved formal process for influencing within the EU and internationally as part of the Smith Commission implementation

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