



# A Future Agricultural Policy for Scotland



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# Welcome



**Stephen Kenyon**

**Chairman  
AIC Scotland**

... the collective strength of AIC and AIC Scotland means we have the opportunity to have our say and influence the future

**We are currently in very uncertain times.** Our likely exit from the EU and the changes to Scottish agricultural policy and funding which will follow means that it is imperative that we have an effective trade body with a strong voice. This Future Agricultural Policy document aims to ensure policy makers and other influential industry members understand the role that the agrisupply industry has to play in the future success and prosperity of Scottish farming.

Agricultural and rural life are central to Scotland and our economy. We have some of the best farming industry in the world which, coupled with the innate Scottish drive to innovate, means we have an opportunity to create farming systems and businesses which will meet the demands of our increasingly complex world.

The complexity of challenges that we face include climate and environmental challenges, global population growth, increasing consumer power, land and water availability, animal welfare issues and much more. These challenges mean we have to adapt, embrace change and improve. We must also showcase our and our customers' successes and excellence. This is very difficult to achieve individually but the collective strength of AIC and AIC Scotland means we have the opportunity to have our say and influence the future.

The information and ideas presented in this policy document summarise our current thinking along with the future challenges which we foresee. It also provides suggestions for future agricultural policy and supply industry interaction. Producing this document has required a tremendous amount of work from our Scottish Policy Manager Ian Muirhead and his colleagues at AIC Peterborough - I congratulate them all on their efforts.

I encourage everyone to take the time to read and study it. We would welcome any constructive comment.

# Executive Summary

**AIC Scotland's Future Policy** aims to provide both a vision for Post-Brexit Scottish Agriculture and sets out clear proposals and practical measures to enable Scottish Agriculture to succeed in the 21st century. By working closely with industry stakeholders, including key Holyrood politicians and civil servants, we have been able to provide fresh thinking and positive policy proposals.

We address the twin challenges of ensuring Scottish farming becomes more productive and efficient as well as helping to provide some solutions which will enable climate change targets to be met.

AIC Scotland agrees with the industry consensus here in Scotland of the fundamental need for Government to continue to support and invest in the agricultural industry, both to make it more financially and environmentally sustainable but also to recognise the multiplicity of downstream benefits which result from a productive farming base. This productive farming base underpins a wide range of jobs throughout the supply chain and indeed underpins Scotland's world-renowned food and drink export industries.

## Economic and environmental sustainability are inextricably linked

AIC believes that efficient and productive farms are also environmentally sustainable ones. Through the use of performance recording, farms can make efficiency gains which will reduce the environmental impact of production. Policy should incentivise improvements in financial and

environmental performance in areas such as Feed Conversion Efficiency, daily live weight gain, calving percentages, calving interval, arable input efficiency.

Given the renewed impetus to reduce greenhouse gas emissions – and in the face of competing pressures for public funds – it makes sense to re-centre agricultural support towards active farmers. They play a vital role in reducing emissions and in providing carbon sequestration through grassland and forestry. AIC believes that new approaches to forestry should be developed which enable a more integrated approach i.e. agroforestry or small-scale farm woodlands/ shelter belts.

This document sets out some key areas of thinking where AIC Scotland hopes to be able to build cross industry consensus to ensure that we have a productive farming base.

This productive base will support a wide range of upstream and downstream supply chain jobs whilst meeting Government environmental targets.

**This joined up approach is one which we believe should be considered by Government as the only realistic way in which to deliver a sustainable future for Scottish Agriculture.**



**Ian Muirhead**

**Policy Manager  
AIC Scotland**





## Future Agricultural Policy – AIC Scotland

The future success and prosperity of the agrisupply industry in Scotland is inextricably linked to the fortunes of the wider agricultural industry. Whatever policy emerges in the post Brexit world will have a major effect on Scottish Agriculture. This document sets out our vision for a post Brexit agricultural policy, which aims to secure a long-term future for productive agriculture.

It goes without saying that Scottish Agriculture faces several competing pressures which will have a profound effect on the industry's future shape, size and structure. The post-Brexit policy framework is a major issue which the industry must address.

Others, as important if not more so, include climate change, industry demographics, industry critical mass, Agri-tech and societal attitudes towards food and the consumption of animal products.

Scottish Agriculture is at a crossroads. However, there are opportunities for the agrisupply industry as well as for businesses in agriculture, food and the rural economy. By working in partnership government, we can secure a sustainable future for Scotland's rural economy.

### The Importance of Scottish Agriculture

Compared to other parts of the UK, agriculture is far more important to the Scottish economy. It is estimated that Scotland's rural economy is worth £36 billion or 27% of GVA from only 19% of the population. Some key statistics which highlight this are:

- Scottish agriculture is one of the cornerstones of our rural economy.
- Over 70% of Scotland's land area is under agricultural management.

- Supporting an estimated 427,000 jobs.
- Farmers are critical to both landscape management and food production which provides many secondary public goods including tourism and biodiversity.
- Estimated 25% of Scottish economic output is from rural areas.
- Global opportunity for Scottish Agriculture – population increasing from 8 – 9.8 billion by 2050, 60 –100% more food required.

Our agricultural industries not only underpin our world-renowned food and drink industry but also provide a wide and varied range of socio-economic benefits. These range from maintaining employment in rural areas to sustaining the social fabric of rural communities and rural services, such as schools.

This document sets out an overview of the industry as it currently is, the immediate policy framework between now and 2024 (as set out by Scottish Government) and a longer term view of the opportunities we have to both shape policy for the benefit of Members, the wider agricultural industry and, indeed, wider society.

### Stability and Simplicity

AIC has welcomed Scottish Government's framework for rural funding in the immediate post Brexit period. It provides Scottish farmers with a level of certainty which in turn can only be positive for AIC Member companies. It is worth noting that has never been a 'no change' option. Within the EU, there are plans to reduce the CAP budget by 5% with a new policy expected to be agreed and implemented from 2023/24 onwards. The key changes anticipated in the next CAP iteration: more flexibility for individual member

states to design support schemes to suit their individual circumstances; higher percentage of support tied to greening measures (30%); convergence of CAP funding to reduce the differences in per ha payments between member states (moving from 50% to 90% of average payments). It should be noted that in the event of a Brexit Deal being agreed, the CAP will apply during that transition period, ie. 2020.

It is vital therefore that we continue to engage with our European partners on the future shape and direction of the CAP, as it will continue to influence Scottish agriculture.

The Scottish Government has included a Rural Support Bill in the Programme for Government 2019-20. This will provide the legal basis for delivering farm payments until 2024. It is envisaged that there will be a number of relatively small changes in the initial 2020-24 period which will revolve around simplifying such matters as inspections, mapping and penalties. The idea being to reduce the administrative burden and costs associated with the delivery of subsidies. The government is in the process of setting up a new rural policy group which will inform policy development post 2024.

## Funding

The Scottish Government position is markedly different to the approach being taken in England, ie a longer period of the status quo. It should, however, be noted that the above mentioned is subject to agreeing a funding settlement with the UK government beyond 2020 to allow this system to continue. Funding guarantees are in place until 2020 with a vaguer undertaking to maintain levels of farm funding beyond then. An amendment has been put forward to the UK Agriculture Bill to allow for a multi-annual financial framework (MFF) to create longer term certainty and stability for the industry. AIC Scotland urges both UK and Scottish governments to work towards a mutually agreeable funding settlement which

reflects the distinctive needs of Scottish agriculture. The issue of convergence uplift will also have a bearing on funding levels. A review, currently being carried out by Lord Bew, will bring recommendations forward this summer on funding distribution in certain areas. The Scottish Government is also open to some level of subsidy capping to free up monies for re-distribution.

## Post 2024 Transition

It is envisaged that between now and 2024 discussions will take place to agree any changes to agricultural support systems in Scotland. Once principles have been agreed upon, resources can be directed in the most efficient way to deliver targeted support. The length of any transition period post-2024 will very much depend on the level of change proposed. There will also be outside pressures on government which will need to be factored in, including market conditions and funding. During this immediate post Brexit period, the government is keen to run pilot schemes to test new ideas and methods for providing support. This will provide an opportunity for AIC Scotland Members to put forward their ideas on practical ways to develop policy for the good of the industry.

AIC Scotland Members have a wealth of practical knowledge which will be invaluable in designing and trialling new support schemes.

## UK Agriculture Bill

UK government policy will shape certain areas of Scottish agriculture which are reserved, examples include; producer organisations and marketing standards. There is a practical need for common frameworks in areas such as;

1. **Animal health and welfare.**
2. **Pesticide regulation.**
3. **Plant breeding policy.**
4. **Feed regulations.**
5. **Seed equivalence (with EU).**



A model of how these cross-border issues will be dealt with is still being discussed, but will most likely include some form of joint decision-making body with a dispute resolution function.

Other key influencers and drivers of current policy include the NCRA (National Council of Rural Advisers) and the Agricultural Champions Report. One key recommendation has been the mainstreaming of Rural Funding as opposed to the current separate funding stream. This creates challenges and requires a clear case to be made for why agriculture should be supported against other competing demands for government money.

## The need for continued government support?

AIC recognises the need for a distinct Scottish agricultural policy post-Brexit which gives the Devolved Government flexibility to shape Scottish solutions for Scottish circumstances, whilst recognising the need and benefits of common frameworks in certain areas to reduce duplication and avoid unnecessary bureaucracy. Ideally these frameworks should be conceived on the broadest possible basis with mutual agreement between the Scottish and UK administrations.

AIC believes that policy should be in line with the 'public goods for public money' concept and as such welcome the Scottish Government's

recognition that food is one of the ultimate public goods which should be recognised in any future system. Increasingly Agriculture will play a part in helping to achieve government targets on reducing greenhouse emissions through increased on-farm efficiency measures as well as through land management techniques which increase carbon sequestration. This is another example of a public good which is a by-product of core food production activity.

The policy should be underpinned by prosperous and sustainable farm businesses which in turn can invest in agrisupply inputs, technology and professional advice to improve efficiency and contribute to enhanced environmental outcomes.

AIC Scotland members have a crucial role to play in delivering future agricultural policy both through on farm knowledge transfer and through the research and development our Members undertake which turns academic research into near market solutions to benefit the wider industry. Our Members invest heavily in research and development.

## Key Policy Asks

### Research and Development

R&D is vital to ensure our industry becomes more efficient, environmentally sustainable and creates more added value. This, in turn, has the added benefit of creating and sustaining more jobs. The government should consider new ways of funding R&D which are more accessible to SMEs. One option would be to create a funding pot for near market research for which private companies could bid and would fund research into new and innovative ideas, eg turning findings from university PhD projects into practical on-farm solutions.

An example of the potential transformative effect would be the proposed Dairy Innovation

Centre which has secured Ayrshire Growth deal funding (ci. £13 million). This centre to be based in Ayrshire will have R&D facilities alongside an educational role. Through such investment it is envisaged that it will be possible to create a unique Scottish milk which is nutritionally dense and able to help combat the growing number of mineral deficiencies in our diets, eg iodine. Such initiatives can secure the future of a key Scottish commodity, building on our strong brand and turn it into hard export orders. With only 896 dairy producers left in Scotland investment in near market R&D is vital.



**£50  
MILLION**

invested in research and development  
by AIC Members



spent across the industry turning research  
findings into added value technical solutions

# 89% of Britain's

farmed area, is managed with support of third party advice

**A WEALTH OF SUPPORT FOR MODERN, SUSTAINABLE, COMMERCIAL AGRICULTURE**





R&D partnered with knowledge transfer will be key in future policy. AIC Members already invest heavily in R&D (£50million in 2018) and would encourage Government to invest more. The services our Members provide can help farmers become more efficient whilst reducing their environmental footprint. The UK's established and trusted network of advisers provides invaluable advice to farmers with over 44,000 on farm conversations per week – delivered by 5,000 professionally qualified advisers through BASIS (crop protection and agronomy), FACTS (plant nutrition and agronomy) and the Feed Adviser Register. Almost 90% of UK farmland is managed with support from third party advice.

Without continued investment there is a very real danger that there will be a loss of critical mass in Scottish agriculture which in turn would undermine the wider sectors of food and the rural economies.

## Trade/Tariff Policy

This is an area of policy which will have a profound impact upon the environment in which our industry operates. Not only will future policy affect the import and export of both agricultural inputs and commodities such as cereals but also on the ability of farmers to export products to the EU. Indeed, if we have a combination of tariff barriers to export and a lowering of tariff barriers to imports there may be significant pressure on domestic prices.

Exposing Scottish agriculture to unfair competition may risk losing critical mass in the industry and exporting production and jobs to third countries. Whilst in the short term such a policy may reduce food prices; in the long term it would increase exposure to world food price

volatility with currency movements affecting the price of imports. In the event of a zero import tariff policy being adopted, the government must take a clear and consistent position on standards for imported products.

In the context of Climate Change emissions reductions, it is vital that protections are put in place against carbon intensive imports which are not subject to equivalent emissions regulations.

For the period 2017-18 the amount of wheat exported to the EU was 443,020T (UK-wide) with a further 1,925T exported to non-EU countries. The figures for barley were 1,022,851T exported to the EU and 78,574T to other third countries. One major cereal import to the UK in is maize – 1,096,529T was imported in 2017-18 from the EU and a further 78,574T from third countries. In light of recent announcements of tariffs in the event of a no-deal Brexit, it is likely that the Scottish cereals sector will come under pressure from a combination of tariff free imports and tariff barriers on our grain exports to the EU. In this scenario there could be increases in the amount of EU maize coming into the country which could undermine domestic prices, eg for distilling.

Of equal importance is the need for agreement between the EU 27 and the UK on the issue of seed equivalence so that post-Brexit, AIC Members can continue to import and export seeds from and to the European market. Without an agreement in the event of a 'no deal' Brexit seed trade will effectively stop.

## Productivity

Government policy plays a key role in both encouraging activity and thus stimulating demand for agricultural inputs. Of equal importance is the need for policies which foster greater productivity which can be achieved in several ways, some of

which are outlined below. AIC Members can play a key role in increasing productivity which both enhances the financial and environmental sustainability of farm businesses. In the livestock sector, this can be done through adopting technology to monitor performance and identify areas where performance increase and emissions reduction could be achieved. Pivotal to this is improving nutritional and health advice, the agrisupply industry is best placed to advise farmers and should be encouraged to do so.

AIC's Feed Adviser Register is a good example of an industry-led initiative helping to deliver government policy. By improving animal performance through increased feed conversion efficiency finishing times can be reduced and thus lifetime carbon footprint can be reduced. Enhanced benchmarking is also important to help farmers understand how to improve performance. Equally important are Agri-tech developments which can boost productivity and reduce environmental impact. A prime example would be new plant breeding technologies (NPBT) which could improve productivity.

### Productivity support proposals;

1. Agri-tech (precision farming equipment, eg. variable rate fertiliser application, GPS spraying, etc).
2. Support for infrastructure investment.
3. New plant breeding techniques to speed up development of new crop varieties with better disease resistance, resilience to extreme weather, higher input efficiency, healthier consumer food products, wheat varieties which allow coeliacs to access them.
4. Support for maintaining soil health, eg soil sampling/soil mapping/cover crops.
5. A knowledge transfer policy based on fact and accurate data, eg feed conversion efficiency data/benchmarking.

6. Support payments linked to productivity/active farmers.
7. Continued access to a wide range of crop protection products for efficient crop production backed by a science-based approach to regulation. The loss of products such as chlorothalonil will have a disproportionate effect on Scottish spring barley growers.
8. Maintaining access to active ingredients for seed treatments.

### Sustainability

This is an area of policy which is increasingly important for all sectors and where AIC wants to work with government. Sustainability is by its very nature multi-faceted with many inter-dependencies. For instance, if farms are not financially sustainable, they will be unable to deliver wider benefits which could help government meet ambitious targets for soil health, water quality, clean air and greenhouse emissions reduction.

### Sustainability support proposals;

1. Government recognition of the level of training and CPD which existing advice network services offer. Their annual training covers the latest developments in agri environmental policy and knowledge enabling farmers to find new and long-term solutions to the sustainability challenge (through Feed Adviser Register/FACTS/BASIS).
2. Support for new plant breeding techniques which create varieties which are more resilient, higher yielding, more resource-efficient, and provide consumers with healthy, affordable foodstuffs.
3. Government support for industry led advice services which drive on farm performance





## Farm advice



alongside ongoing improvements in environmental protection.

4. A climate change policy which recognises the positive benefits of livestock production – for food production, landscape value and on-farm carbon sequestration.
5. Support for renewable energy technology installations which do not have the unintended consequence of reducing the availability of feedstuffs for the livestock industry, eg distillery by-products used in AD plants. Therefore, future support should be focussed on technologies such as solar, wind, hydro and battery storage.
6. Support to establish farm level climate change metrics and sequestration potential.
7. Support for sustainable domestic protein production/processing, eg OSR contingent upon access to a broad range of Plant Protection Products (PPP) to enable successful production.
8. Support for investment to improve soil properties and condition as well as optimising the resilience of Scottish soils and farming systems.
9. Recognition of the interdependency between arable and livestock systems in Scotland and

the cross benefits it provides, eg soil health, crop rotations and provision of animal feed.

Arable represents the second largest sector in Scotland with an output of £1.069 billion. It should be noted that a significant proportion of arable activity takes place in the LFA's which highlights the pivotal importance of maintaining the LFASS scheme to help underpin agricultural activity in marginal areas.

## Future agri-environment support/greening

AIC Scotland recognises the growing importance of environmental benefit within agricultural policy, indeed many AIC Members are involved in providing inputs such as conservation seed and cover crop mixtures required in such schemes. The transition period represents the ideal opportunity to design new schemes which are flexible, attractive and will deliver widespread public benefits. Schemes should therefore be designed in consultation with industry stakeholders **which optimise uptake and therefore maximise public benefit**. Examples of options which would deliver multiple benefits and meet government objectives, whilst maintaining productive agriculture could include:

1. Soil management payments, eg ploughing in rotation with min-till cultivation.
2. Flexible cover cropping in conjunction with livestock.
3. Support for CPD in balancing production and environmental goals – rewarding farmers for their own CPD and for that in conjunction with their advisers.
4. Sustainable protein production, eg OSR, beans, lupins (use of EFA land for protein production under a more commercial structure, i.e. allowance for CPP use).
5. Soil mapping/precision input application.
6. Agri-tech, eg GPS.
7. Support for maintaining soil health/animal welfare (land drainage).
8. Sustainable intensification. Focussing production on better land with extensification of production in poorer areas.
9. Support measures for efficient livestock production, eg weighing/recording equipment/handling facilities/performance benchmarking.

## Climate Change – Net Zero 2045

AIC Scotland wants to work with Scottish Government to help achieve ambitious new targets. Government support will be vital to achieve this and we have to understand what is technically possible in the context of the farmed/ natural landscape. What is absolutely clear is that Scottish agriculture is part of the solution. With this in mind AIC Scotland has set out some clear areas which need to be addressed to meet government objectives and create new opportunities for the rural economy.

The starting point in achieving net zero emissions must be to establish accurate farm level emissions and sequestration data. By doing this we will, as an industry be able to understand

the size of the challenge and chart progress. Clearly AIC Members with their extensive network of on farm advisers and technical knowledge will be key partners in helping to deliver this government objective.

1. Establishing accurate farm level emissions/ sequestration data is vital.
2. Net Zero must be based on the contribution that agriculture and land-use make combined, ie in a landscape context.
3. Net Zero must be implemented in a pragmatic way which doesn't export jobs and emissions to other countries; nor increase carbon intensive imports thus leading to a loss of critical mass within Scottish agriculture.
4. Work with government to highlight the positive steps that have been taken to date to improve the industry's environmental credentials, eg improvements in on-farm efficiencies such as FCE (feed conversion efficiency) and fertiliser use efficiency through on-farm advice delivered by qualified members of FAR (Feed Adviser Register) and FACTS.
5. Pilot projects to trial new support mechanisms which help deliver climate change targets i.e. support for sustainable homegrown protein sources (OSR).
6. Support for agri-tech which can help improve on-farm input efficiency, eg precision fertiliser application, new plant breeding technology.
7. Recognition of the interdependent relationship between livestock and arable production in terms of nutrient cycling, soil health and carbon sequestration benefits.
8. The right type of production on the right type of land – acceptance of our natural climatic and topographic suitability for sustainable livestock production.



9. Supporting home produced feed and fertiliser which has one of the lowest CO2 footprints in the world – opportunities to onshore production?

## Maintaining Critical Mass

Successful delivery of a future agricultural policy, with multiple cross sector aims such as increasing exports of Scottish food and drink or reducing climate change emissions, is contingent upon maintaining critical mass throughout the agricultural supply chain from agrisupply through to farm and on to the processing sector. Therefore, central to successful implementation is the need to address the industry's ageing demographics. Policy must be shaped to deliver support to new entrants and young farmers who are the industry's future. The wider industry, including agrisupply also has an ageing demographic with long term labour requirements which need to be addressed. Support from government to promote the benefits of a career in the agrisupply industry with its wide range of roles available would help.

Providing support to active businesses and younger farmers who are growing their businesses and contributing to the critical mass of Scottish agriculture is vital. Existing policy mechanisms can be used or modified to continue this. Due consideration should be given to some of the delivery proposals set out below;

1. Recognition of the importance of LFASS in maintaining farm businesses in marginal livestock areas.
2. Support for infrastructure investment and agri-tech to help growing businesses.
3. Consideration of other support mechanisms to help establish new farmers and make farming a more attractive proposition, eg soft loans for those under 40 (as practiced in France).
4. Capital grants for land purchase/steading/housing grants.
5. Tax incentives for long term letting of both estate farms and owner-occupied farms.
6. Protection from imports of a lower standard and from carbon intensive sources – enhancing our reputation as a producer of consistent quality, high value products.
7. Activity/productivity linked support payments, eg beef efficiency scheme, Scottish Suckler Beef Support Scheme, Scottish Upland Sheep Support Scheme.
8. Policies which secure and promote our world-renowned reputation for quality/consistency – underpinning our production base with premium prices.

An example of the stark contrast in the critical mass of comparable sectors would be a comparison of dairy producers in Scotland and the Republic of Ireland. In Scotland there are currently 896 dairy producers with the equivalent figure in Ireland being 18,000. The milk output of Ireland stands at over 6.65 billion litres in comparison to Scottish output currently at 1.529 billion litres.

Thus, Ireland has exploited its natural advantage to produce more and more dairy produce with a positive impact on demand and underpinning jobs throughout the supply chain.

## Next Steps – Pilot Schemes – Testing New Approaches

AIC Scotland has secured a place on the recently launched Farming and Food Production Future Policy group. Part of this group's role will be to work with government to develop detailed policy proposals including pilot schemes. With this in mind AIC Scotland has put forward some ideas which could be piloted which pull together various strands of policy which could have both positive environmental and economic benefits.

- Intensive commercial farms should be required to measure basic performance of outputs,



egg growth rate, egg production, milk yield and inputs, egg feed.

- Programme of carbon foot-printing of farms to assess efficiency/unit output. This could be rolled out through existing mechanisms such as the beef efficiency scheme. By modelling a range of different farm types, it will be possible to establish what 'good' looks like from a carbon emissions level.
- Announce an intent to change support payments to production efficiency and carbon efficiency.
- Champion the use of Scotland's grassland/LFA's for livestock production with an increased focus on hardy/traditional breeds which can efficiently utilise grass and maximise time spent grazing.
- All finishing systems (beef/lamb) must be as efficient as possible – methane emissions for maintenance are enormous. Penalties should be paid where animals are either too old or have been in none carbon neutral systems for too long.
- Develop agroforestry systems. Forestry density should be low enough to ensure sunlight for forage growth. Forestry will provide shelter for livestock and extend the grazing season. Added benefits include enhanced bio-diversity, egg dung

beetle populations, avian populations and small mammals.

- Within this strand of policy there is also the possibility of developing upland milk production in LFA's. There are examples of successful low input dairy farms relying on more traditional genetics and robotics.
- Future support payments should be linked to performance levels and an agreed improvement plan. These will vary by farm type but would not just be limited to finishing performance but also cow/ewe efficiency i.e. number of calves/lambs per animal/year.

These proposals could form part of the proposed pilot projects, they offer the opportunity to both improve the productivity of Scottish farming, whilst further enhancing our world-renowned environmental credentials which underpin the Scottish food and drink sector. Further, by linking support to outcomes – which have wider public benefits – we can build a strong case for continued government support for Scottish Agriculture.



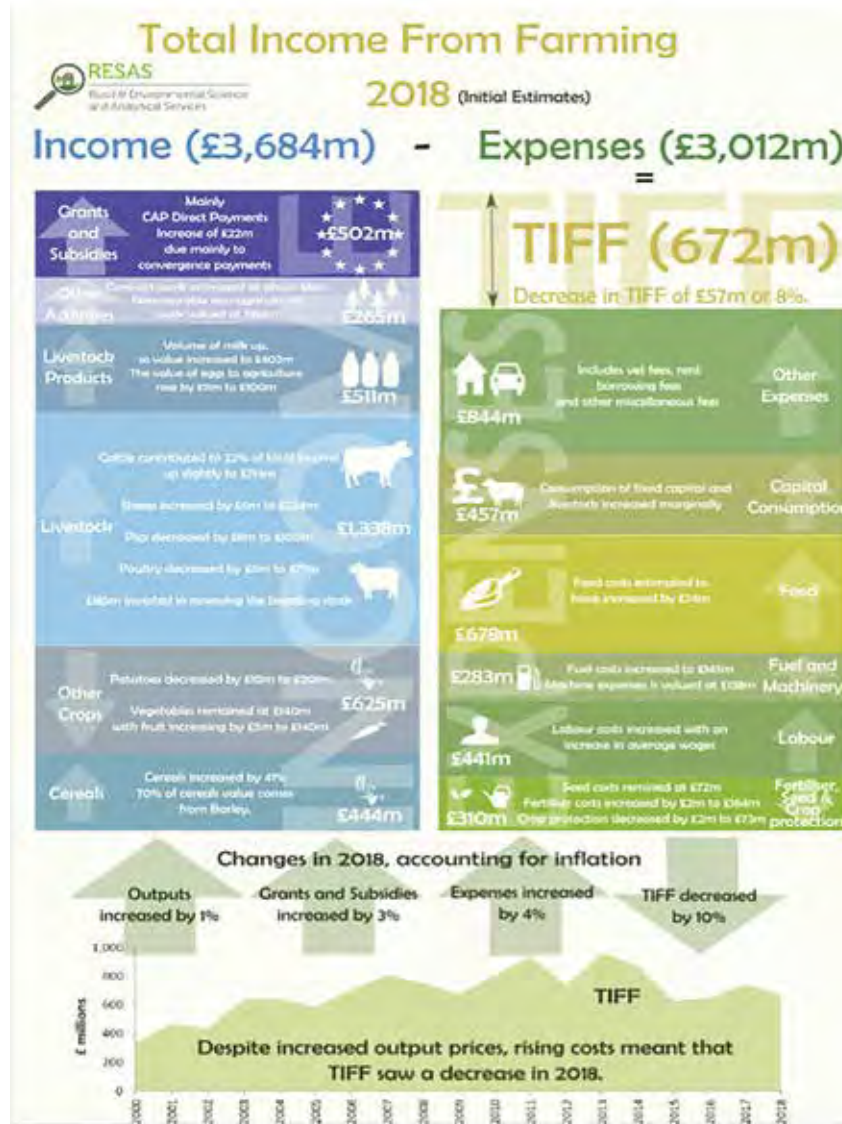
## Appendix 1

### Scottish Agricultural Statistics – Key Trends

The information below is provided to give Members a snapshot of some key trends which may help to inform what policy measures may be required to ensure a profitable agrisupply sector post Brexit and help stabilise the size of the agricultural industry in Scotland. Regardless of the Brexit outcome, there are key reasons to be optimistic about the future of the industry. It remains one of the key industries

within the Scottish economy employing an estimated 427,000 people throughout the entire industry, and providing the foundations for the highly successful food and drink manufacturing sector. With a strong brand and worldwide reputation for quality and provenance there are firm foundations from which to grow and prosper.

### Scottish Total Income from Farming (2018)



## Scottish Agriculture and the Economy

Agriculture in the economy					
	Scotland	England (1)	Wales	NI	UK
Agriculture as % of Gross Value Added (GVA) at basic prices 2017	<b>0.90%</b>	0.40%	0.70%	1.70%	<b>0.60%</b>
Total employed – all sectors ('000) 2017	2,638	27,149	1,439	829	32,055
Numbers employed in agriculture ('000) 2017	67	306	52	49	474
Percentage employed in agriculture	<b>2.60%</b>	1.10%	3.60%	5.90%	<b>1.50%</b>

Source: Scottish Government: Agriculture facts and figures: 2018

As shown above, Scottish Agriculture on a range of measures has a disproportionately larger

importance as a percentage of the economy compared to UK agriculture.

## Key livestock trends in Scottish agriculture



Sheep sector				
	2007	2015	2016	2017
Breeding ewes ('000)	2,920	2,588	2,618	<b>2,661</b>
Number of holdings with breeding ewes	13,629	12,661	12,685	<b>12,799</b>
Average no. of breeding ewes per holding	214	204	206	<b>208</b>
Sheep output ('000) (1)	2,717	2,350	2,461	<b>2,462</b>

Source: Scottish Government: Agriculture facts and figures: 2018

Beef sector				
	2007	2015	2016	2017
Beef cows ('000) (1)	483	437	437	<b>433</b>
Number of holdings with beef cows	10,315	9,265	9,154	<b>8,989</b>
Average no. of beef cows per holding	47	47	48	<b>48</b>
Cattle output ('000) (2)	628	578	605	<b>606</b>

Source: Scottish Government: Agriculture facts and figures: 2018



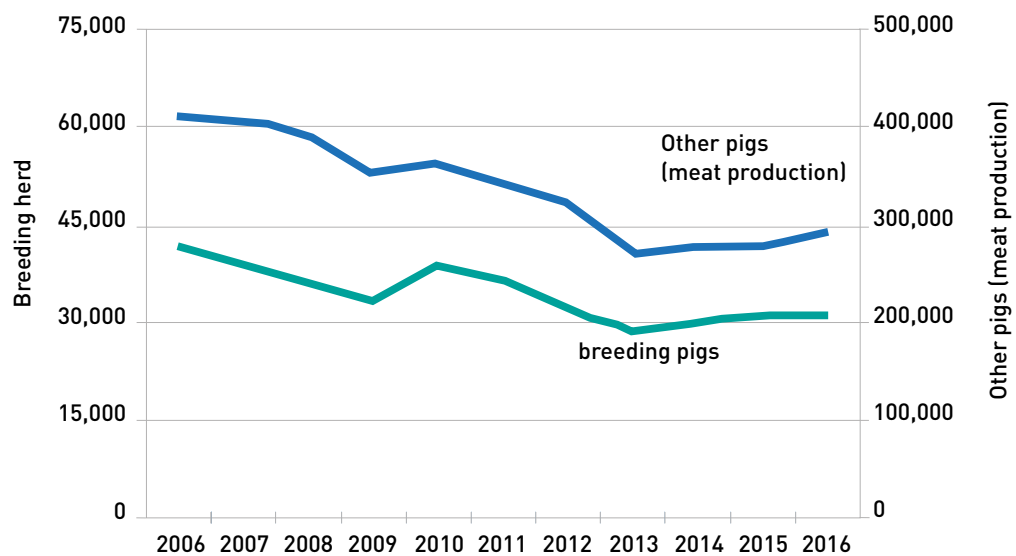
Dairy sector				
	2007	2015	2016	2017
Dairy cows ('000) (1)	181	176	175	<b>174</b>
Number of holdings with more than 25 dairy cows	1,305	1,000	980	<b>942</b>
Average no. of dairy cows on the above holdings	136	173	176	<b>182</b>
Total Milk production (million litres)	1,329	1,525	1,430	<b>1,529</b>

Source: Scottish Government: Agriculture facts and figures: 2018

As illustrated above there are clear trends of declining output in the beef and sheep sectors. Conversely, the dairy sector has seen marginal increases in output from a smaller national herd. It is imperative that future policy addresses the twin challenges of maintaining critical mass whilst also focussing on livestock productivity. Such policy

should ensure that livestock are efficient both in terms of climate change and output per unit. AIC Members are integral to helping ensure these challenges are met through knowledge transfer, advice that provides practical solutions to improve performance and keep farmers producing.

### Scottish pig numbers

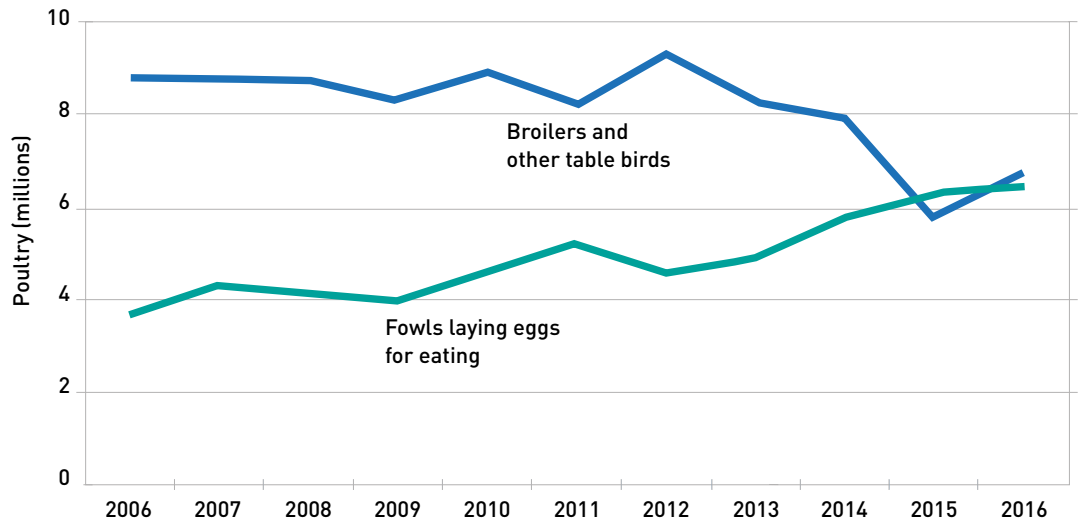


Source: Agriculture Census, June 2016

There has been a steady decline in Scottish pig numbers since 1990 which culminated in numbers dropping below 300,000 in 2013 shortly after the closure of Halls' meat processing facility in late

2012. However numbers have risen since 2014. In 2015-16 total pig numbers increased by 3.9% to 330,000.

## Scottish poultry numbers

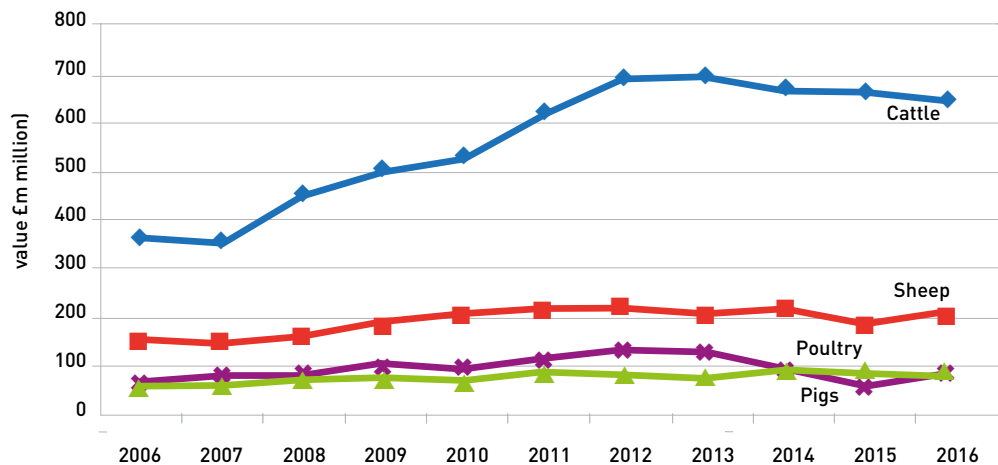


Source: Agriculture Census, June 2016

In the year 2015-16 total poultry numbers rose by 1.06 million (or 8%) to 14.11 million, this consisted of an increase in laying hens of 216,000 (3.5%) to

6.33 million and in broilers up 840,000 (15%) to 6.51 million.

## Livestock output by sector



Source: Agriculture Census, June 2016

The table above illustrates the relative outputs of our livestock sectors (excluding subsidies) and the relative importance of each sector to the agricultural economy as a whole.

Clearly future policy needs to take account of these trends and ensure that outcomes include maintaining a sufficient critical mass to sustain supply and processing sectors. Without targeted intervention, especially in a tougher free trade environment, the likelihood is

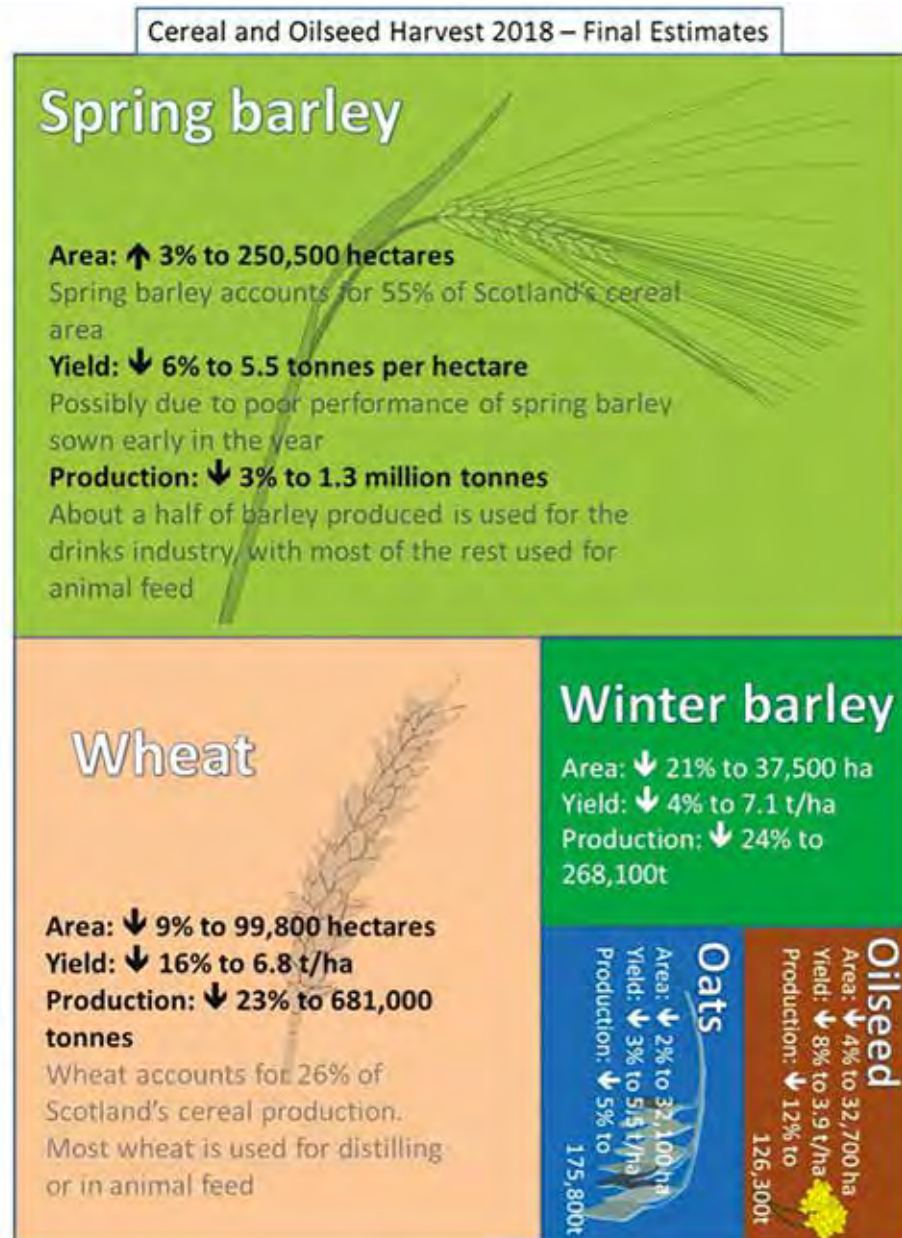
that these trends will not only continue but could be exacerbated further especially in the beef and sheep sectors.

This would have clear economic as well as social consequences; especially in areas most likely to be hit hardest, ie upland livestock areas. Social consequences and environmental issues could also arise in less favoured areas.





## Key trends in the arable sector



Source: Scottish Government – Cereal Harvest Summary 2018

As shown in the infographic above and in the adjoining table, arable production plays a key part in Scotland's agricultural economy. Spring barley accounts for over half of cropping area with wheat and winter barley in second and third place respectively. Key interdependencies exist between the arable and livestock sectors

in areas such as soil health and crop rotations. Also note that a significant proportion of arable activity takes place in LFA's which highlights the importance of continued support to maintain activity in marginal areas.

## Land use in Scotland

Scottish agriculture in 2017			
	Non- LFA	LFA	Total
Number of holdings	15,600	35,538	51,138
Agricultural land:	hectares	hectares	hectares
Wheat	99,865	9,624	<b>109,489</b>
Barley	220,938	70,409	<b>291,347</b>
Oats	24,596	8,029	32,625
Oilseeds	31,790	2,398	34,188
Potatoes	26,837	2,448	29,285
Other crops	46,334	26,541	72,875
Fruit and vegetables	20,200	1,531	21,731
Total grass	283,355	1,035,452	<b>1,318,807</b>
Rough grazing	37,437	3,097,296	<b>3,134,733</b>
Other land	78,316	630,883	709,199
Total agricultural land (1)	869,668	4,884,610	5,754,278
Livestock:	number	number	number
Dairy cows (2)	54,712	119,730	<b>174,442</b>
Beef cows (2)	88,314	344,498	<b>432,812</b>
Total cattle and calves	509,628	1,272,075	1,781,703
Breeding ewes	259,247	2,401,609	<b>2,660,856</b>
Total sheep and lambs	761,247	6,223,770	<b>6,985,017</b>
Pigs	259,832	66,009	<b>325,841</b>
Poultry	9,930,229	4,359,223	<b>14,289,452</b>

Source: Scottish Government: Agriculture facts and figures: 2018

Predominant land-use in Scotland is grass/rough grazing, the climate and topography is naturally suited to livestock production. Evidently livestock numbers have declined partly due to government policy and partly due to market returns. New policies must take these factors into account to stabilise numbers and avoid any further loss of critical mass. As with many policy areas there are other influences and areas of policy which have a direct impact upon the long- term prosperity of the

industry. One example is the need for new entrants and younger farmers to enter the industry, both to sustain critical mass as well as driving innovation and championing new methods. This brings in other strands of government policy around access to land, tenancies, taxation and indeed the role of subsidies in influencing land tenure. These issues need to be addressed if the industry's long-term demographic problem is to be resolved.



## Appendix 2

### Suggested policy options - NFUS (Post Brexit Legislative Priorities for Change)

NFUS has put together an outline blueprint for a future agricultural policy for Scotland. It is based on a number of key principles which NFUS wants reflected in any new policy.

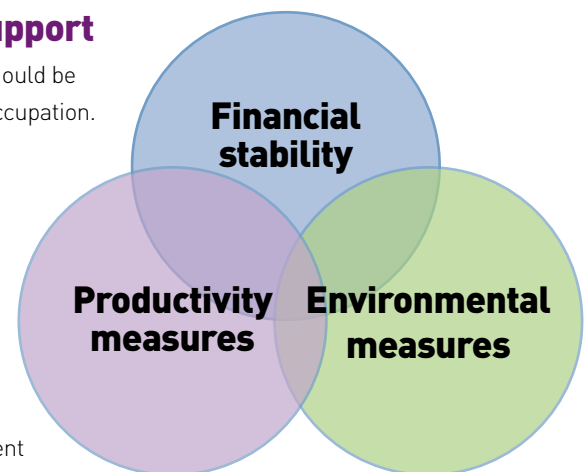
- Geared towards active and sustainable agriculture and encourage positive change.
- Incentivise farm businesses to be dynamic, resilient and able to adapt to new opportunities – whilst also delivering environmental benefits and improved productivity.
- Provide financial stability, but only rewarding the risk/decision taker.
- Underpin the social and environmental contribution of farming as well as the role it plays in the growing food and drink sector and the wider economy.

### Three key components of future support

Financial stability will remain a vital component, but it should be built upon agricultural activity rather than simple land occupation.

Environmental and productivity measures could be categorised as either non-competitive or competitive measures which businesses would have to apply for.

It is envisaged that in the initial period the three areas would work in harmony, but over time the weighting could be shifted away from financial stability payments to productivity and environmental measures. Any timetable for transition should be dependent upon market conditions, emerging trade deals and improvement in the supply chain.



**Better and stable market returns = faster transition**  
**Poorer and volatile market returns = transition paused**

### Environmental measures

A policy which recognises farmers' crucial role in delivering environmental goods and outcomes. A flexible approach which recognises farming practices and local variations. Environmental measures which are not at odds with improving

agricultural productivity and which aim to enable more efficient input use and improve resource efficiency. Research and development have an important role to play in improving resource use and reducing any adverse environmental impacts.

## Examples of environmental measures

- Cover/catch crops
- Pollinator friendly cropping
- Soil health and nutrient management plans
- Carbon Audits
- Soil sampling and targeted input use
- Integrated Pest Management (PM)
- Biodiversity options for arable and grassland

## Productivity measures

Increased productivity is an essential component of any future policy. Scottish agriculture needs to be less reliant upon support, more profitable, delivering more public benefits and seizing new market opportunities.

Profitable Scottish agriculture will mean higher farm incomes and in turn renewed investment meaning businesses are better

placed to weather volatility. More competitive and profitable agriculture will attract further investment in the supply chain in Scotland.

Increasing productivity will also be contingent upon investment in research and development. R&D is essential if productivity gains are to be realised. Coupled to this is the need to ensure farmers have the right skills, training and knowledge.

## Examples of productivity measures

### Livestock

- Data management systems for health and welfare ie yield/weight gains
- Electronic identification/data capture systems
- Automated systems for milking/feeding
- Soil health and nutrient management plans
- Soil sampling and targeted input use
- Renewable energy

### Cropping

- Precision farming technologies inc GPS software
- Precision harvesting, picking and crop analysis technologies
- Investment in minimum tillage
- Capital investments to improve energy/fuel efficiency
- Improved field drainage/increasing organic matter

### Productivity measures for people

- Benchmarking – enhanced benchmarking across all enterprises
- Education and skills development
- Membership of quality assurance and health schemes
- Hosting of farm visits
- Support for succession planning



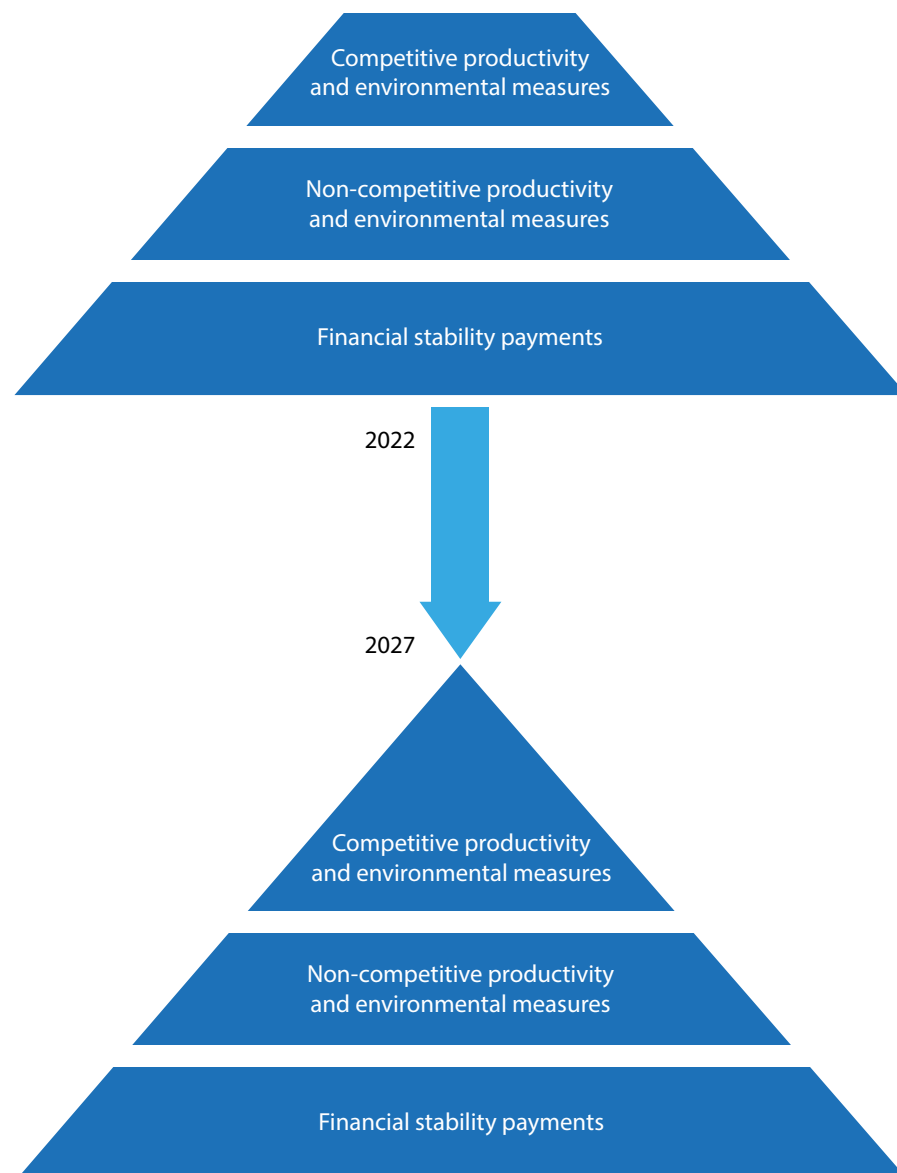
## Structure of Future Support

NFU Scotland considers it essential to have a flexible transition period, as in England, but with different policy outcomes. Any transition period should run until at least 2027 – reflecting the next iteration of the CAP.

During this period, it is envisaged that the financial stability, productivity and environmental

measures proposed would work in harmony but the emphasis would shift over time.

Through transition from 2022, the funding for financial stability payments will reduce while funding for non-competitive productivity and environmental measures will increase as illustrated below.







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