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**AGRICULTURAL FOOD PRODUCTION IN ARGYLL AND BUTE –  
ECONOMIC IMPACT OF SECTOR AND NEXT GENERATION STRATEGY**

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**1.0 SUMMARY**

- 1.1 Quality food products with provenance reared in a high quality natural environment is a key economic sector within Argyll and Bute with significant potential for growth.
- 1.2 In addition to the creation of wealth and jobs, our food production sector plays a significant role in sustaining our communities, particularly in our remote rural areas.
- 1.3 With support from the Council and other key partners, the Argyll and the Isles Agricultural Forum commissioned a review of our agricultural sector and survey of our food producers to allow an informed understanding of the status, issues and challenges for the sector to inform a new strategy for the forum and to provide evidence in the development of land use policy and legislation.
- 1.4 This paper provides an overview of the findings of the review and survey and the new strategy going forward. In addition, representatives from the Agricultural Forum seek to provide a short presentation to the Council to provide further information on the role of the forum going forward in assisting the Council in realising our potential together.

**2.0 RECOMMENDATIONS**

- 2.1 That members note the report and presentation from representatives of the Argyll and the Isles Agricultural Forum including the new strategy going forward.

**3.0 DETAIL**

- 3.1 Argyll and Bute is renowned for quality food with provenance including lamb, beef, dairy, game and other products dependent on a pristine high quality natural environment.
- 3.2 The Council recognises through its key documents the significance of the food industry as a key sustainable economic asset for Argyll and Bute, not only in the creation and retention of employment and wealth, but also

in the provision of local sustainable food, a key exporter of primary ingredients to Scotland and as an integral part of the visitor experience in the tourism sector.

- 3.3 The Council's Economic Development Action Plan 2013 – 2018 includes a clear outcome to collaborate with partners to add value across the key components of the food supply chain from primary producers to processors.
- 3.4 The Council is a key partner in the Argyll and Isles Agricultural Forum, the industry forum for land use and agriculture in Argyll and Bute which includes SNH, NFU, SAC, Quality Meat Scotland (QMS), Scottish Government, Scottish Land and Estates and other organisations. Representatives of the forum are attending this meeting of the Council to give a short presentation on recent developments and the new strategy going forward.
- 3.5 Established in 1999, the forum has been the key driver to raise awareness of agricultural issues across Argyll and Bute, promote sustainable development and create unique opportunities for joint working and projects. Key partners jointly fund the post of the Agricultural Development Manager.
- 3.6 Examples of projects include the award winning Food from Argyll, the Dairy Improvement Project, Monitor Farms, Argyll Hill Lamb, a woodland collaborative project and more recently the Taste of Rural Europe transnational European project and the Scottish Island Abattoir Programme.
- 3.7 A key role for the forum is the discussion of land use policy and legislation including the current reform of the Common Agricultural Policy (CAP) which may have significant implications for payments to food producers in the Highlands and Islands which are established and classified as an area of natural constraints, namely mountainous regions, high levels of precipitation, poor quality agricultural soil and distance to markets.
- 3.8 It should be noted that Council officers are working in partnership with the other local authorities through the short life working group Highlands and Islands Agricultural Support Group (HIASG) to ensure a collective voice when making representations to the Scottish Government on matters relating to the reform of the CAP. The forum provides invaluable advice and insights to Council officers on the CAP and other land use matters with regards to Argyll and Bute.
- 3.9 In 2011, the agricultural forum agreed to undertake a review of agricultural holdings (including crofting) in Argyll and Bute to allow understanding of the make-up of the holdings, the aspirations of farmers and crofters, and the wider environmental, social and economic benefit of agriculture in Argyll and Bute. This included an open survey within the agricultural sector.
- 3.10 This was a significant piece of work undertaken by the consulting arm of the Scottish Agricultural College, which in addition to consulting the

agricultural community, utilised data from the Scottish Government's Agricultural and Horticultural Census for multiple years (2004 to 2011). It should be noted that in addition to partner funding via the forum, a specific part of the report was part funded by the Scottish Government's Strategic Rural Affairs and the Environment Research Programme.

3.11 A previous review was undertaken in 2003 providing a baseline for the new survey therefore allowing insights into changes in food production in Argyll and Bute. It should be noted that for historical and strategic reasons, the survey includes Arran and the Cumbraes.

3.12 The recent review was designed to provide three key outcomes as follows; a) to provide evidence as part of the CAP negotiations and demonstrate the need for continued/increased support for the region, b) aid the forum partners in shaping their individual priorities, and c) allow the forum to create and agree on a new strategy to supersede the original strategy of 2005.

3.13 The key research findings are as follows;

- Regional output for Agriculture is estimated at £56m in 2011 (similar to 2003), this has been achieved by an increase in the value of outputs as the volume of production has diminished.
- Output in primary industries in all Scottish regions has declined. However the primary industries economic contribution to the Argyll and the Isles economy is proportionately higher than all other regions bar Orkney, Shetland, Borders and Dumfries and Galloway
- Sheep, Beef and Dairy livestock numbers dropped significantly during 2003-11. The removal of 'headage' payments appears to have been the main cause for the large sheep number reductions as farms have retained sheep but reduced the size of their flock.
- In all sectors changing business directions by large producers has a significant impact on overall numbers.
- Lowest livestock numbers recorded were in year 2009/10 with an increase in numbers seen in the year since.
- Less people employed in agriculture and an ageing farmer population

3.14 The key findings from the survey of agricultural food producers are as follows;

- Over half the respondents anticipated increasing their production levels through technical efficiency with livestock and improvements to pastures, soils, drainage and infrastructure. Many also cited opportunities to add value engage in agri-environment schemes and undertake forestry activity.

- Many businesses are operating at low levels of profit, with a significant number of businesses highlighting the importance of subsidy income to their continued profitability.
- Diversification remains a large component of many businesses with tourism being the most prominent activity.
- Lack of available finance continues to act as a barrier to progress for many businesses.
- Risk to livestock health is regarded as an increasing threat to business viability.

3.15 The review and survey has highlighted areas for development and the themes of the new Argyll and the Isles Agricultural Forum Strategy 2014 - 2018 are as follows;

1. Next Generation – seeking to improve the conditions that will assist in securing a vibrant, active and progressive agricultural community that play a vital role in safeguarding and maintaining our pristine natural quality environment, further improve the value and volume of our food production in a sustainable manner, and enhance the established provenance and authenticity of quality food from Argyll and the Isles. Priorities include;
  - a. Land based education and skills training.
  - b. Increased access to productive land.
  - c. Promoting succession planning.
2. Land Use Policy and Legislation – ensuring the common interests of Argyll and the Isles are evidenced and fully represented with regards to developments in land use policy and legislation.
3. Sustainable Food Production and Development – seek to improve best practice and knowledge in our region to engender technical efficiency and added value across key components from producers to processors.
4. Diversification – encourage further sustainable diversification of agricultural assets specifically with regards to tourism, small scale renewables and environmental projects in a manner that supports the economic viability of agricultural activities, processes and our agricultural communities.
5. Partnerships - the success of the Agricultural Forum has been wholly dependent on collaboration between partners and it is recognised that the new strategy will require further partnership working and improved lines of communication within the sector, across Scotland, and across Europe.

3.16 The agricultural forum and partners have commenced developing plans and projects that will be aligned with the themes above to ensure that

the forum is prepared for the next round of the European Regional Development Fund (ERDF) 2014 – 2020.

- 3.17 The strategy is aligned with Council plans and seeks to play a key role in supporting our rural communities, wider economic growth, and mitigating climate change. This is predicated on an understanding that the sustainable development of our food production sector is dependent on and will support a growing population which is critical for the economic success of the region.

#### **4.0 CONCLUSION**

- 4.1 The Argyll and the Isles Agricultural Forum has been successful in raising awareness of agricultural issues, promoting sustainable development and creating unique opportunities for joint working and projects across Argyll and Bute.
- 4.2 The recent review of agricultural holdings and survey of the agricultural food producers has provided evidence and an insight into the status of one of our primary sectors from which key themes for action have emerged.
- 4.3 The five themes set out by the Agricultural Forum establishes the framework for the development of new action plans aligned with other strategies and plans with a particular focus on the next round of the ERDF which is currently emerging.
- 4.4 The Council remains a key partner in the Agricultural Forum to assist partners in developing plans and projects to assist the sustainable development and growth of our food sector.

#### **5.0 IMPLICATIONS**

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| 5.1 | Policy:    | Within the Corporate Plan, a corporate objective is to improve the potential of our area including ensuring the full potential of our natural environment is realised through partnership working.   |
|     |            | Within the Economic Development Action Plan a key outcome is for a sustainable food supply chain that adds value across all its key components, primary producers to processors, in order to generate growth and wealth for Argyll and Bute. |
| 5.2 | Financial: | None   |
| 5.3 | Legal      | None   |
| 5.4 | HR:        | None   |

5.5 Equalities None

5.6 Risk: None

5.7 Customer Service: None

## **6.0 APPENDICES**

6.1 None

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