Scottish Government
Riaghaltas na h-Alba

Scottish Rural Development Programme 2014-2020: Evaluation of Capital Grant Schemes: Annex A - Policy and sector review

AGRICULTURE, ENVIRONMENT AND MARINE

social research

This document was prepared for The Scottish Government by EKOS Ltd.

Please find the related publications here:

- Scottish Rural Development Programme 2014-2020: Evaluation of Capital Grant Schemes – Main Report
- Annex B: Survey data
- Annex C: Fieldwork materials

Contents

Abbreviations

CAGS	Crofting Agricultural Grant Scheme
CAP	Common Agricultural Policy
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
FT	Full Time
FTE	Full Time Equivalent
GVA	Gross Value Added
H&I	Highlands and Islands
LFA	Less Favoured Area
NECGS	New Entrants Capital Grant Scheme
NLFA	Non Less Favoured Area
NPF	National Performance Framework
MA	Managing Authority
PT	Part Time
RA	Responsible Authority
RDP	Rural Development Programme
RDR	Rural Development Regulation
RESAS	Rural and Environmental Science and Analytical Services
SDRP	Scottish Rural Development Programme
SEA	Strategic Environmental Assessment
SFGS	Small Farms Grant Scheme
SG	Scottish Government
SI	Strategic Interventions
SWOT	Strengths, Weaknesses, Opportunities and Threats

1. Programme and Policy Context

Introduction

This section sets the scene for the evaluation, including consideration of the capital grant schemes within the context of the development of the Scottish Rural Development Programme (SRDP) 2014-2020, its focus, priorities, strategic alignment, and finance. The information presented in this chapter is based on a review of key background documentation, and in particular the SRDP programme document.

The section then considers the transition period to 2024 as well as Scottish Government (SG) ambitions to provide support for farming and food production in Scotland to become a global leader in sustainable and regenerative agriculture from 2025 onwards.

Rural Development Programme finance

Rural Development Programmes (RDP) in the European Union (EU), including the SRDP 2014-2020, were co-financed by the:

- EU through funding available to member states from the European Agricultural Fund for Rural Development (EAFRD) which was part of European Structural and Investment Funds (ESIF).[1] The EAFRD was funded through the EU CAP Pillar II which supported rural development initiatives including agri-environment schemes, payments to compensate farmers and crofters in areas of permanent disadvantage,[2] skills and training, woodland creation, diversification, and community projects.
- domestic funding from national and regional Managing Authority (MA) or Responsible Authority (RA) – the SG in the case of the SRDP 2014-2020.

The SRDP 2014-2020 had an approved budget allocation of around £1.3 billion, of which:

- £20 million was originally indicatively approved for the New Entrants Schemes, of which the New Entrants Capital Grant Scheme (NECGS) was one of.

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[1] Five EU funds: the EAFRD, the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund and the European Maritime and Fisheries Funds (EMFF).

[2] Referred to as Areas facing Natural Constraints or ANCs.

- £20 million was originally indicatively approved for the Small Farms Grant Scheme (SFGS) and Crofting Agricultural Grant Scheme (CAGS).[3]

While the European Commission (EC) approved and monitored RDPs, decisions regarding the selection of projects and the granting of payments were handled by the MA.

Policy context

The SRDP 2014-2020 operated under a strategic framework aligned to the EU 2020 Strategy – this outlined three thematic priorities or objectives to help focus the Strategic Interventions (SI) enabled through the use of European funds, comprising:

1. Smart growth - developing an economy based on knowledge and innovation.
2. Sustainable growth - promoting a more resource efficient, greener, and more competitive economy.
3. Inclusive growth - fostering a high-employment economy delivering social and territorial cohesion.

Flowing from the EU thematic objectives were the EU rural development priorities, which directed the focus of funding through the EAFRD towards priorities for rural areas. The six EU priorities for rural development which guided the types of activity that could be funded over the programme period to 2020 were to:

1. foster knowledge transfer and innovation in agriculture, forestry, and rural areas.
2. enhance the viability and competitiveness of all types of agriculture and promote innovative farm technologies and sustainable forest management.
3. promote food chain organisation, animal welfare and risk management in agriculture.
4. promote resource efficiency and supporting the shift toward a low-carbon and climate resilient economy in the agriculture, food, and forestry sectors.
5. restore, preserve, and enhance ecosystems related to agriculture and forestry.
6. promote social inclusion, poverty reduction and economic development in rural areas.

[3] Referred to as one grant scheme in the SRDP 2014-2020 Programme Document – Crofting and Small Farm Support Scheme. Subsequently separated into two grant schemes.

The EU priorities for rural development were broken down further into 18 specific Focus Areas – the three capital grant schemes were programmed under Priority 2 and Focus Area 2A.

Priority 2: Farm Viability and Competitiveness. Focus Area 2A: Improving the economic performance of all farms and facilitating farm restructuring and modernisation. Target indicator: T4: Percentage of agricultural holdings with RDP support for investments in restructuring or modernisation. Target value 2023: 16.35%

There was also an expectation that CAGS would contribute to Priority 1 and Focus Area 1A and 1B.

Priority 1: Knowledge Transfer, Cooperation and Innovation Focus Area 1A: Fostering innovation, cooperation, and the development of the knowledge base in rural areas. Focus Area 1B: Strengthening the links between agriculture, food production and forestry and research and innovation.

The cross-cutting objectives were also set for RDPs: innovation; environment; and climate change mitigation and adaptation.

At a Scotland level, the SRDP 2014-2020 thematic objectives were developed to align with EU as well as Scotland's policy focus and priorities, most notably:

National Performance Framework (NPF) outcomes: all SG policy continues to align with the overarching NPF which sets out the direction and ambition for Scotland – "to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth".

Priority 2: Farm Viability and Competitiveness. (Original) National Outcomes: We are better educated, more skilled, and more successful, renowned for our research and innovation. We realise our full economic potential with more and better employment opportunities for our people. We live in a Scotland that is the most attractive place for doing business in Europe.

The latest refresh of the NPF (2018) places a more explicit focus on 'increased wellbeing, and sustainable and inclusive economic growth'. The original National Outcomes were subsequently revised to encompass a broader range of National Outcomes and indicators to measure Scotland's performance in both economic and wellbeing terms. This provides a more holistic picture of the extent to which Scotland's economy and society is resilient and thriving.

Scotland's Economic Strategy (2015): the SRDP 2014-2020 firmly and clearly sat within the priority of 'inclusive growth' which aimed to create opportunity through a fair and inclusive jobs market and place and regional cohesion to provide economic opportunities across all of Scotland.

The ambition was to deliver more equal growth across the country, including rural areas. Scotland's Economic Strategy recognised the:

- diverse nature of Scotland's rural economy and the challenges rural communities face relating to their geography (for example, accessibility, connectivity) and their fragility.
- important contribution of rural areas to Scotland's economy, including being home to significant activity in sectors such as tourism, farming, fishing, food and drink, and renewables. As well as an identified need for continued support to enable the future growth of key sectors and those sectors identified as critical to local and regional economies.
- the importance of supporting businesses in all sectors, as well as recognising the contribution of targeted business support for industries including farming, given its long history, tradition, and presence at the heart of rural communities.

Process for developing the SRDP 2014-2020

SG undertook various consultation exercises to inform the development of the SRDP 2014-2020, including:

- a broad consultation on the underpinning principles for programme in May 2013.
- a follow-on consultation in early 2014 which set out proposals for how SG expected to use the funds, including an outline of proposed priorities, schemes, and budget allocations.

The main purpose of the ex-ante evaluation (June 2014)[4] was to contribute to the development of the SRDP 2014-2020 – ensuring alignment with both Scotland's national needs and wider EU priorities, as well as informing delivery, monitoring, and evaluation. It included a Strategic Environmental Assessment (SEA) which referred to the wider New Entrants Scheme and helped to shape the final SRDP 2014-2020.

The SEA identified the potential for the New Entrants Scheme to deliver a range of environmental benefits highlighting, however, that the scope of these benefits would depend on how support is targeted (for example, focusing on cleaning-up poorly managed holdings may result in the most positive environmental outcomes). To ensure that the environmental benefit of the scheme was maximised, the SEA recommended that a specific mechanism be utilised to ensure that poorly managed holdings were addressed. This included wider implications for related schemes in terms of training and information provision, for example, through the Knowledge Transfer and Innovation Fund and Advisory Service schemes.

The Scottish Government have highlighted how it would be challenging to target New Entrants support according to the SEA recommendations. However, it may be the case that New Entrants support is enhanced through the activities of the Advisory Service (for, example, specific input on business planning). In addition, capital support for agriculture will be targeted on crofts, small farms and new entrants as opposed to large scale, existing enterprises. As a result, New Entrants support may end up targeting the types of holding that are in need of support (for example, in terms of improved systems, infrastructure, technology).

SRDP 2014-2020

After extensive negotiations the SRDP 2014 to 2020 was formally approved by the EC on 26 May 2015. The Agriculture and Rural Economy (ARE) Directorate within SG is the MA for the SRDP 2014-2020 – this role spans policy lead for the programme and overall responsibility for the AIR.

The SFGS now sits within the Agricultural Holdings and Women in Agriculture Team, NECGS sits with the Agricultural Development Team and CAGS sits within the Crofting Team in the Agriculture Policy Division.

[4] Agra CEAS Consulting Report for The Scottish Government, Ex-Ante Evaluation of Scotland's Rural Development Programme 2014-2020, June 2014.

Management and delivery

The SRDP 2014-2020 implemented a diverse range of economic, environmental, and social measures to support the sustainable development of rural Scotland, including the three capital grant schemes which were managed by the Rural Payments and Inspections Division (RPID) whose key responsibilities are:

- payment of CAP scheme grants and subsidies - around £650 million per annum.
- inspection of agricultural land and livestock to ensure compliance with regulations.

RPID has around 600 staff across 16 area offices throughout Scotland providing a range of services (**Table 1.1**) – some in the offices cover administration and policy development, while others out in the field update maps or conduct inspections.

Table 1.1: Area offices by region

Region	Area office
Highlands and Islands (H&I)	Benbecula, Golspie, Inverness, Kirkwall, Lerwick, Oban, Portree, Stornoway, Thurso
South Western Scotland	Ayr, Dumfries, Hamilton
Eastern Scotland	Galashiels, Perth
North Eastern Scotland	Elgin, Inverurie

The capital grant schemes were just a small part of what the RPID area offices do. In relation to the schemes, RPID headquarters were responsible for: marketing and promotion of the grant schemes; producing application forms and guidance; appraisal scoring criteria; making grant payments; and identifying projects for post completion inspection.

The area offices were responsible for: undertaking eligibility checks; assessing grant applications; liaison with clerk of works regarding applications for agricultural buildings; issuing grant award letters; processing grant claims; and undertaking validation inspections.

Geographic focus

The geographic focus for the SRDP 2014 to 2020 was rural areas in Scotland[5] - defined as:

- home to some 982,000 people or 18.5% of the total Scottish population.[6]

[5] The SG definition of rurality is settlements of 3,000 people or less.

[6] SRDP 2014-2020 Operational Programme Document V10.1.

- comprising 95% of the total Scottish land area.[7]
- being made up of significant agricultural land - 85% is currently designated as Less Favoured Area (LFA) (remote and constrained rural areas).[8]

Four priorities were agreed for the SRDP 2014-2020, and these align closely with or map onto the EU priorities as follows.

Table 1.2: EU and SRDP 2014-2020 Priorities

EU priorities	SRDP priorities
Enhance the viability and competitiveness of all types of agriculture and promote innovative farm technologies and sustainable forest management. Promote food chain organisation, animal welfare and risk management in agriculture.	Protecting and enhancing natural assets.
Foster knowledge transfer and innovation in agriculture, forestry, and rural areas. Promote resource efficiency and supporting the shift toward a low-carbon and climate resilient economy in the agriculture, food, and forestry sectors. Restore, preserve, and enhance ecosystems related to agriculture and forestry.	Adapting to, and mitigating, climate change.
Promote social inclusion, poverty reduction and economic development in rural areas.	Sustainable economic growth.
Promote social inclusion, poverty reduction and economic development in rural areas.	Vibrant and sustainable economic communities.

[7] SRDP 2014-2020 Operational Programme Document V10.1.

[8] SRDP 2014-2020 Operational Programme Document V10.1.

The Programme operated under the Rural Development Regulation (RDR).[9] The regulatory base for a wide range of physical investments is Measure 4 - Article 17 (Investments in physical assets) of Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the EAFRD (see box below for more information).

Physical investments should be carried out to improve the economic and environmental performance of agricultural holdings and rural enterprises, improve the efficiency of the agricultural products marketing and processing sector, provide infrastructure needed for the development of agriculture and forestry and support non-remunerative investments necessary to achieve environmental aims. Investments could be supported in four key areas: improving the overall performance of the farm; processing, marketing, development of Annex I farm products and cotton (the output of the process can be a non-Annex-I product); infrastructure related to the development of agriculture and forestry; and purely environmental improvements ("non-productive" investments) linked to the achievement of agri-environment-climate objectives.

In relation to the three capital grant schemes, under Measure 4, SG provided capital funding support for agriculture, focussed on crofting and small farms, in particular to address issues identified in the strengths, weaknesses, opportunities and threats (SWOT) analysis for Focus Area 2A within the ex-ante evaluation such as:

- developing small agricultural holdings into economically viable businesses and improve their efficiency with respect to mitigating climate change and enhancing the environment.
- developing virtual and physical infrastructure.

There have been various amendments to the SRDP 2014-2020 Programme Document over the programme delivery period. This has included editorial amendments, amendments to some Measures to provide clarification for the support offered, some updates to State Aid conditions, revisions to the co-financing rate and to the financial plans. These modifications have resulted in a decrease to the overall indicative Programme budget due to a reduction in the SG contribution, while still allowing the full allocation of EU funds to be accessed.

The last payment run to draw down EC co-financing for SRDP 2014-2020 was 20 December 2023. This was to meet timescales for the final EC drawdown of funds by 29 December 2023. The Programme is now closed.

[9] Regulation of the European Parliament and of the Council on support for rural development by the EAFRD COM(2011) 627 final/2 and Article 48 of Regulation (EU) No (CSF/2012). It includes 30 investment articles governing the measures available to EU Member States and the type of activity that may be funded by the EU.

Transition period to 2024 and beyond

SG set out its proposals for future agriculture funding in its 'Stability and Simplicity' consultation (June 2018) which set out the approach for future rural policy until 2024. This consultation focussed on:

- what might be done to provide stability in the period immediately after Scotland might have to leave the EU in 2019.
- short-term simplifications that could help current claimants of CAP-related support and improve or enhance the delivery of policy goals.
- how best to support and integrate agriculture into the broader rural economy over the transition period and beyond.
- how pilot projects might be developed and used to test different approaches.

Among other things, it also sought views on:

- creating a defined transition period of approximately five years to 2024 with minimal changes to current funding and payments in the earliest stages.
- how to reduce the administrative burden on a range of steps in the payments system and process, including inspections, mapping and scheme rules.
- how to protect and enhance long term future support for Less Favoured Areas.
- proposals to streamline and synergise some of the Pillar II schemes.
- where SG should be piloting new approaches, expanding on activity we want to continue into the future and testing fresh ideas and innovation.

Following EU exit, SG had a period where some schemes, such as Less Favoured Area Support Scheme (LFASS) were totally funded using domestic funds from 2021 onwards. For other schemes such as CAGS, Agri-Environment Climate Scheme (AECS), etc. SG had a period where contracts agreed pre-Brexit were still co-funded whereas contracts agreed from 2021 onwards were funded using 100% national funds. SG is currently delivering the proposals set out in the 'Stability and Simplicity' consultation to continue the majority of CAP schemes in the transition period to 2024.

The SFGS continued issuing contracts until February 2023 (formally closed to new applications in November 2022), and the last payments (still to be made) are part of the transition period to 2024. In partnership with the Scottish Agricultural Organisation Society (SAOS) and agriculture, small holding and food industry stakeholders, SG set up an industry-led steering group to co-design a replacement fund to the SFGS.

The Small Producers Pilot Fund aims to help individual small producers increase their resilience and enhance their contribution to the rural economy. The revenue based fund will improve access to training, skills, further processing, and food supply chains – helping producers enhance their value and become more sustainable.

The NECGS is not in the transition programme as the budget was exhausted. A range of support for new entrants continues to be funded by SG. These largely focus on training, advice, knowledge transfer, freeing up public land, and a policy group governing these outputs and thinking creatively about existing and future new entrant support.

The Crofting national development plan (2021) touches on the establishment by the SG of a CAGS Focus Group to look at possible improvements that could be made over the 2021-2024 period, and beyond. Following an internal review of the scheme, the Group explored three areas, including:

- access and eligibility criteria - whether the scope of the CAGS should be widened to include those crofters who are not engaged in agricultural operations, and whether the list of eligible works should be extended.
- preparatory work required by the crofter before submitting an application – applicants need to provide at least two competitive quotes when submitting an application (three when total costs exceed £10,000). The Group considered whether standard costs should be introduced as this would do away with the need for quotes.
- payment process and timings - the CAGS payment (like other capital grant schemes) is processed once the project is complete, and the Group considered advanced payments. For example, providing a percentage of the grant to the applicant in advance of the work being carried out, with the remainder paid to the applicant on completion.

Some of these issues were also raised during the evaluation process.

It is our understanding that some changes that the SG plan to make to the CAGS will require legislative change and will require time. A commitment has been made to widening the scope of the CAGS to allow those crofters who are not engaged in agricultural activities to apply, and to explore the introduction of standard costs.

Feedback to our farmer and crofter grant recipient survey confirms support for standard costs as well as advanced payments. Advance payments, however, runs contrary to the guidance in the Public Finance Manual which sets out the statutory, parliamentary and administrative requirements on the proper handling and reporting of public funds.

As touched on in the grant recipient survey feedback, while farmers and crofters identify a need for revenue support in the future, much of what they need funding for is in line with what was eligible for support via the capital grant schemes.

Any future grant support schemes also need to be considered in the context of the SG Agriculture and Rural Communities (Scotland) Bill.[10] This outlines how government aims to reform support for farming, food production, forestry and rural (and island) communities, in line with its ambitions for the Vision for Agriculture (March 2022). There may be different forms of support as the mechanisms which are developed as part of the Agricultural Reform Programme take shape.

We will transform how we support farming and food production in Scotland to become a global leader in sustainable and regenerative agriculture – Vision for Agriculture (2022).

Work is ongoing to develop a framework to underpin Scotland's future agriculture support regime from 2025 onwards – with a focus on supporting farmers, crofters and land managers maintain thriving rural and island communities. The support framework will deliver: high quality food production; climate mitigation and adaptation; nature restoration; and wider rural development.

The resulting five-year Rural Support Plan will provide details and priorities for farming, forestry, and rural development support, and will give Scottish Ministers the power to form a new support framework to replace the current CAP and to provide financial and non-financial assistance.

It will also be important to keep a watching brief on progress with the Rural Delivery Plan which is being led jointly by the Deputy First Minister and the Cabinet Secretary for Rural Affairs, Land Reform and Islands as part of a wider Ministerial Working Group.

[10] The Scottish Government plans to use this new framework to deliver its Vision for Agriculture. That document outlines the Scottish Government's wider agriculture policy aims. You can read more about why the Bill has been created in the Policy Memorandum.

2. Socio Economic Review

Summary overview

The agricultural industry in Scotland makes an important contribution to the Scottish economy, supporting jobs and economic activity. The sector also continues to face a range of challenges.

Key positive aspects about the state of the agricultural industry include that:

- around 80% of Scotland's land mass is used for agricultural production.
- total area of land either used for growing crops or rearing livestock has grown by 10% between 2014 and 2022 to 5.66 million hectares.
- the agricultural sector employs around 67,000 people directly in Scotland – employment has remained relatively stable over the past decade.
- Scottish farmers, growers and crofters produce an output worth around £3.18 billion annually.
- income generation from agriculture has grown - from an average loss of £17,400 (pre subsidy) per farm in 2012-2013 to a profit of £5,100 (pre subsidy) by 2021-2022.

On the flip side the agricultural sector

- farm work has become increasingly uncertain, with around 12% of the agricultural workforce classed as either seasonal or casual labour – up from 10% in 2014.
- farming and crofting remains a male dominated industry, albeit female participation has increased.
- farmers and crofters are getting increasingly older.
- pay in the farming sector is below the national average (by about 12%).
- the crofting sector in Scotland faces significant challenges, with the average crofting income less than £5,000 per year – a recent survey published by SG (2019) found that 92% of crofters surveyed felt that crofting was not economically viable without a household member supplementing their income from non-crofting related activities.

Agriculture continues to be crucial to economic growth (directly and indirectly) – there is more to do on succession planning and attracting more people into the industry - driving up pay and income to ensure economic viability is part of this. Not least given the cost of living pressures currently facing households and businesses, including farmers and crofters.

Introduction

This section provides an overview of the agriculture sector in Scotland, analysing various time series data over the programme period to identify trends and changes that have occurred. This helps to contextualise the operating environment in which the capital grant schemes were delivered.

The section looks at:

- agricultural employment, including demographic changes.
- farm income and Gross Value Added (GVA).
- economic output.
- the size of the worked agricultural area.
- the impact of subsidies.
- the economic condition of crofting.

Sector overview

The agriculture industry employs around 67,000 people directly in Scotland, representing around 8% of the total rural workforce.[11] The number of people employed in agriculture has remained relatively stable over the last 10 years. The median age of farmers and crofters has, however, increased.[12]

It is estimated that a further 360,000 jobs (roughly 1 in 10 of all Scottish jobs) are dependent on agriculture in some way.[13] This would include the likes of the Scotch Whisky industry which uses cereal for its malt whisky products or the tourism and hospitality sector (for example, for restaurants, cafes, hotels).

Farming also uses a significant proportion Scotland's land mass, with around 80% under agricultural production, with Scottish farmers, crofters and growers producing an output worth, in monetary terms, around £3.18 billion annually.[14] Although agriculture only makes up around 0.8% of Scotland's total GVA, it accounts for around 2.5% of the country's employment.[14]

[11] NFU Scotland, Farming Facts, Scottish Farming

[12] Scottish Agricultural Census, Supporting documents - Results from the Scottish Agricultural Census: June 2023

[13] NFU Scotland, Farming Facts, Scottish Farming.

[14] Scottish Government, Farm Business Survey 2018-2019: profitability of Scottish farming

Income

In terms of income generated from farming, things have begun to improve. In 2021-2022 the average farm in Scotland (including subsidies) had an income of £50,000, up from around £37,700 in 2012-2013 (an increase of 33%).[15] Although when excluding subsidy support, the average farm income in Scotland was only £5,100 in 2021-2022 – though this is a vast improvement on the average in 2012-2013, when the average farm lost £17,400 (pre-subsidy),[16] see **Figure 2.1**. Only in the years post 2020 (from 2012) has farm income excluding subsidies been positive (that is, in the black), with the average Scottish farm registering a pre-subsidy loss between the years 2012 and 2020.[17]

Figure 2.1: Scottish farm business income 2021-2022 with/without subsidies

Source: Scottish Government, [Scottish Farm Business Income 2021-2022]

The recently improved financial position of farms is in part a reflection of a diversification in activities – many more farms are embracing the likes of agritourism as a way to generate additional revenue and reduce reliance on traditional agricultural activities. This is further highlighted in **Figure 2.2**, which

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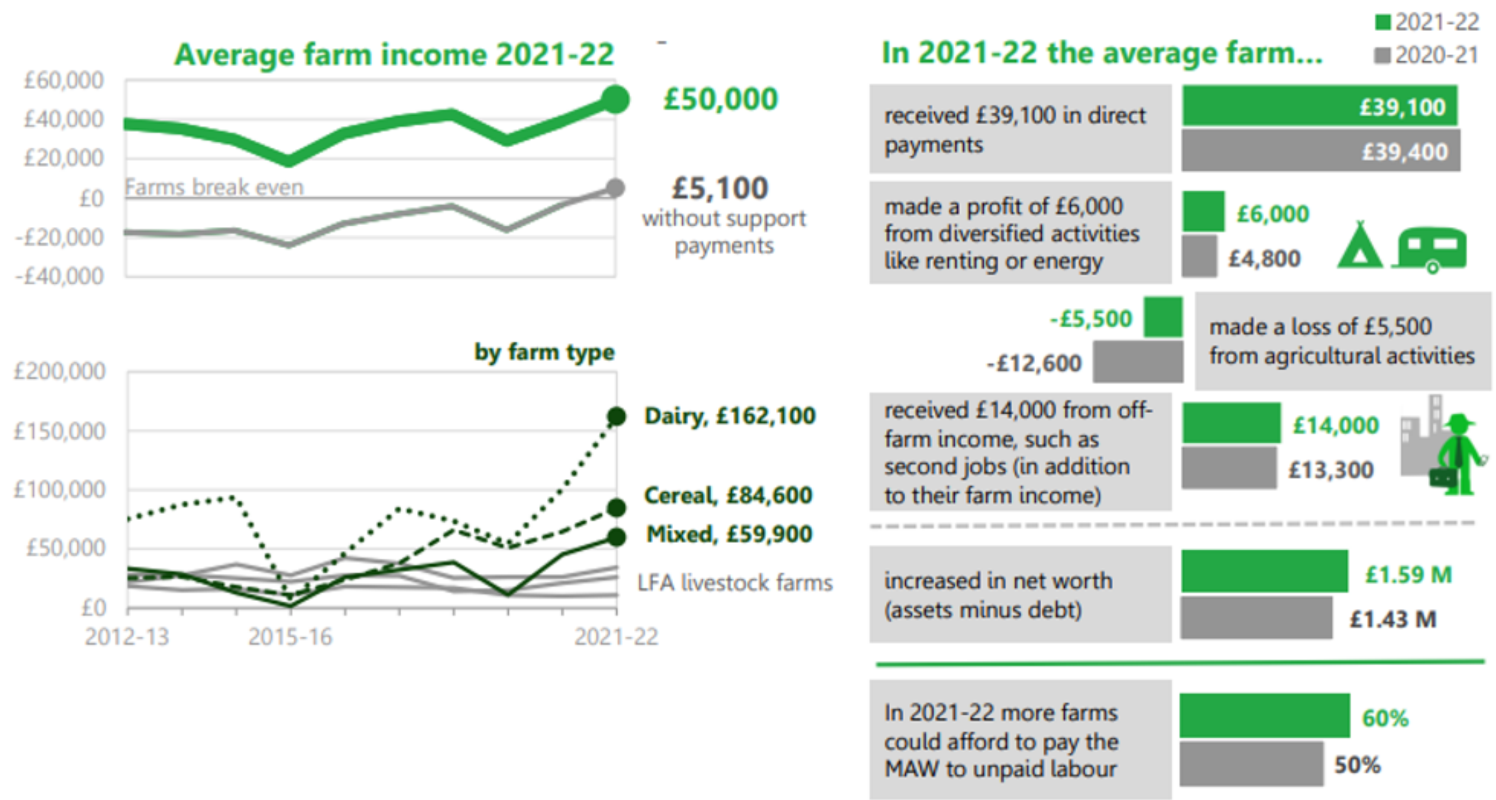
[15] Scottish Government, Farm Business Survey 2018-2019: profitability of Scottish farming
[16] Scottish Government, Farm Business Survey 2018-2019: profitability of Scottish farming
[17] Scottish Government, Farm Business Survey 2018-2019: profitability of Scottish farming

shows that purely based on agricultural activities the average farm in Scotland would have lost £5,500 in 2021-2022.

Figure 2.2: Scottish farm business income 2021-2022



Source: Scottish Government, Scottish Farm Business Income 2021-2022

Land use

Around 85% of agricultural land in Scotland is classified as being a Less Favoured Area. This is an EU classification which recognises natural and geographic disadvantage.[18]

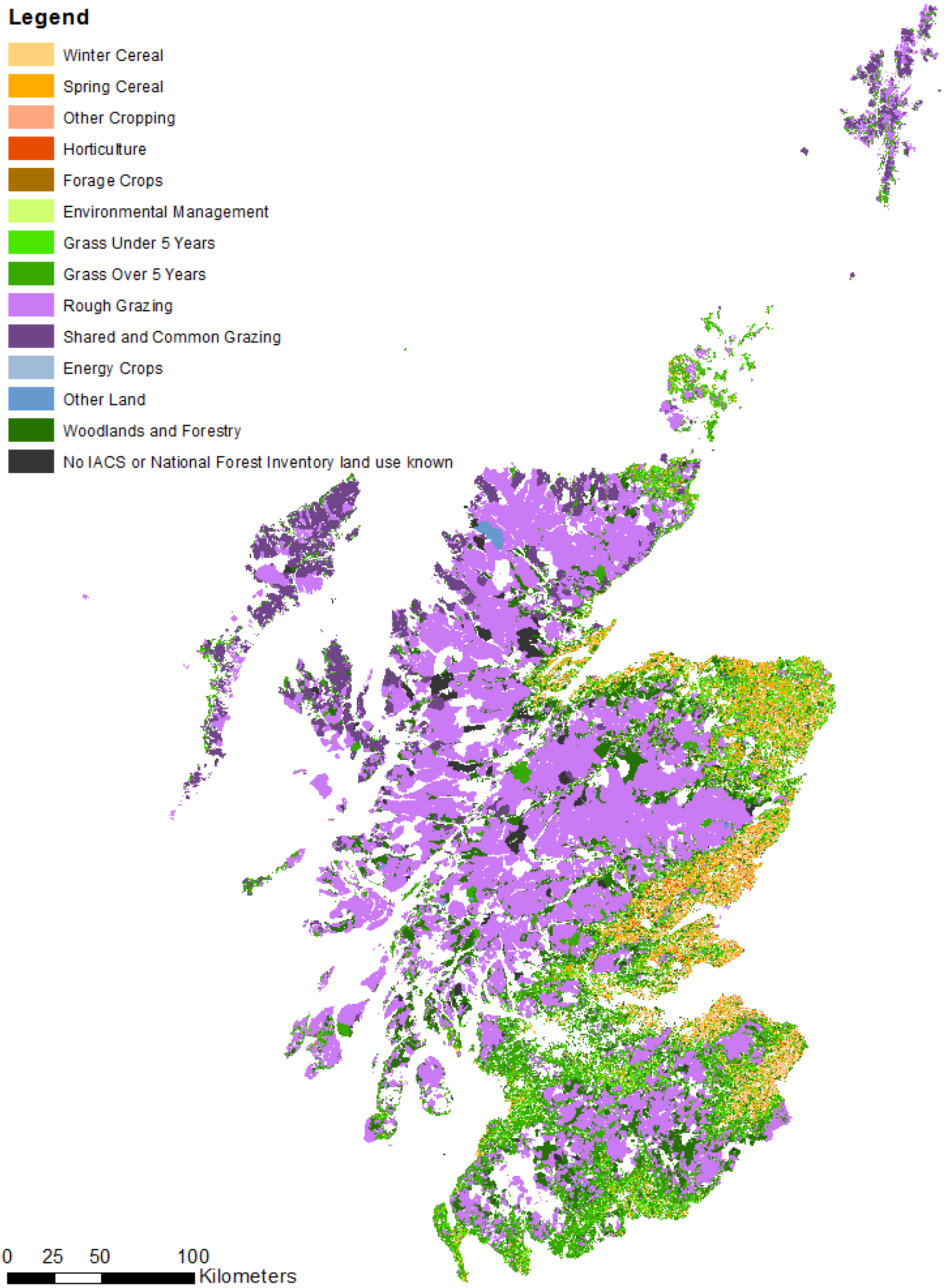
Due to the geographic landscape of Scotland, the type of faming tends to vary on a West-East basis. Sheep farming is the predominant farming type in the North-West and West of Scotland, where the land is generally mountainous and rocky, with the largest cereal and fruit producing areas concentrated in the East, where the land is generally flatter, more fertile and receives higher amounts of sunshine.

Dairy farming is particularly prevalent in the likes of Dumfries and Galloway and the wider South-West of Scotland, with the North-East having the greatest mix of farming types and a particular strength in beef production.

[18] UK Government, Less Favoured Areas

Figure 2.3 provides a map of the various land uses across Scotland.

Figure 2.3: Land use by geographic area



Source: James Hutton Institute: [Natural Capital Accounts for Scotland: Agriculture Sector Accounts] (Reproduced under CC BY 4.0 license)

Demographics

The median age of farmers in Scotland has increased from 57 in 2012-2013 to 60 in 2021-2022, with increases experienced across all farm types (barring specialist cattle which has remained the same). This can in small part be explained by Scotland's overall ageing demographics.[19]

That being said, workers in the farming sector in Scotland are ageing at a much faster rate than the population as a whole, with a lack of new entrants coming into the sector. This means that existing farmers are working to an increasingly older age without young entrants to replace them, see **Table 2.1**.

Table 2.1: Age profile of farmers – median age by farm type, from 2012-2013 to 2021-2022

Year	Cereal	General Cropping	Dairy	Specialist Sheep (LFA)	Specialist Cattle (LFA)	Specialist Cattle & Sheep (LFA)	Lowland Cattle & Sheep	Mixed	All types
2012-13	58	59	51	60	58	56	57	56	**57**
2013-14	59	59	51	61	57	56	56	57	**57**
2014-15	59	60	52	61	58	58	58	57	**58**
2015-16	61	58	53	63	58	58	58	59	**59**
2016-17	60	58	54	64	57	59	59	60	**59**
2017-18	61	57	52	65	58	59	56	60	**59**
2018-19	62	58	53	65	59	60	56	61	**59**
2019-20	60	60	54	63	59	60	56	61	**60**
2020-21	61	61	55	64	58	61	57	61	**60**
2021-22	62	61	56	65	58	62	58	62	**60**
Overall Change	**+4**	**+2**	**+5**	**+5**	**-**	**+6**	**+1**	**+6**	**+3**

Source: Scottish Government, Scottish Farm Business Income 2021-2022

Employment

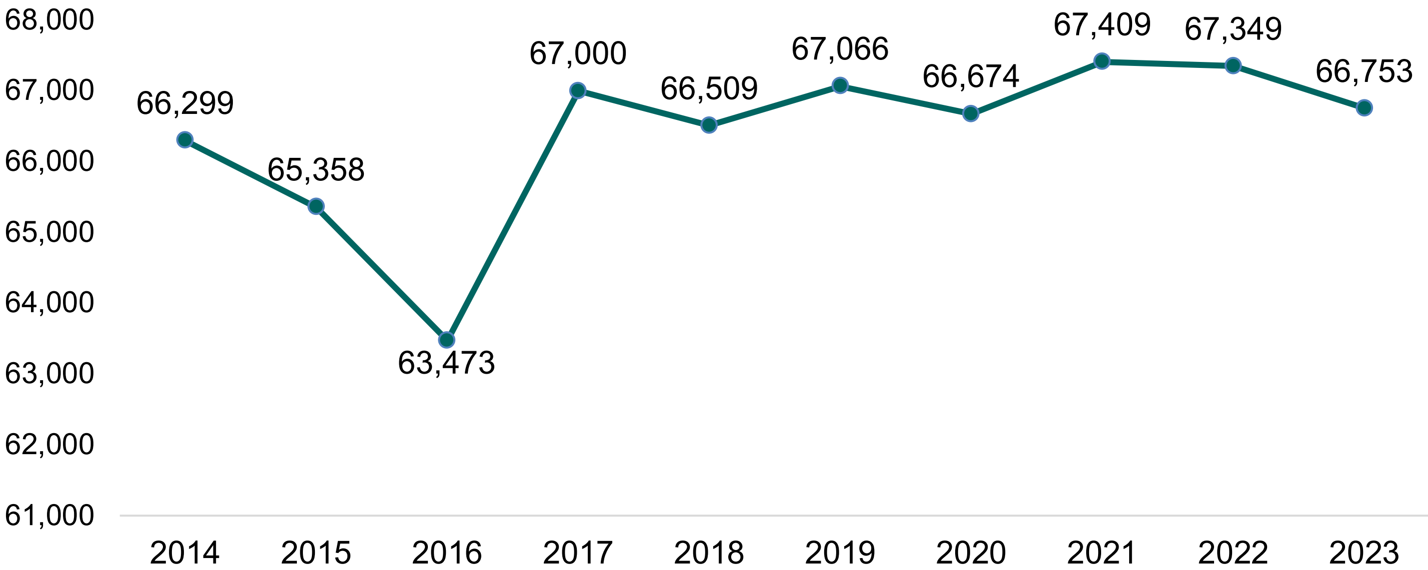
In terms of employment in agriculture, at most recent count (based on the June 2023 Scottish Agricultural Census), the total Scottish agricultural workforce totalled 66,753 people.

The number of people employed in agriculture has remained relatively stable over the last 10 years, with 2015 and 2016 registering a noticeable fall in employment

[19] Scotland's Census 2022 - Ethnic group, national identity, language and religion | Scotland's Census

(**Figure 2.4**) which was likely due to poorer cereal yields in 2016, which were down by 11% on 2015 levels.[20]

Figure 2.4: Total agricultural workforce in Scotland (2014-2023)



Source: Scottish Government, Scottish Agricultural Census, June 2023
Note: Includes Occupiers, FT and PT employees and seasonal/casual workers

The agricultural sector tends to have quite a large element of casual labour given the seasonality of the industry and the need at certain points of the year to increase labour supply (for example, lambing season, sheep shearing).

Although seasonal/casual working has always been an intrinsic part of the agricultural industry it has grown in recent years. In 2014 the proportion of the total agricultural workforce who were classed as seasonal/casual was around 10% (6,666 workers), while by 2020 the number of casual/seasonal workers had risen to 8,307, around 12% of the agricultural workforce.[21]

Other key points to note from the Scottish Agricultural Census include the following.

Of those workers who are not farm occupiers, but either employed staff, partners of the occupier or a family member of the occupier, there are particularly interesting changes around gender, including that:

[20] Farming Online, Farming News - Scotland's 2016 cereal harvest is expected to fall 11 per cent on 2015

[21] Scottish Agricultural Census, 2023.

- women are making up a growing share of farm workers, with a 92% increase in full-time female staff working in agriculture over the last 10 years (2014-2023), whilst over the same period the number of full-time males has increased by only 2.2%. SG has since introduced the Women in Agriculture Practical Training Fund to support the personal development of women and girls aged thirteen years and older, providing them with additional skills to progress their careers and employment opportunities in Scottish agriculture beyond their current role – an important development to create more opportunities for women in agriculture.
- although this is significant change, the industry is still male dominated, with 78% of all full-time (non-occupier) farm workers male - although this is down from 87% in 2014, see **Table 2.2**. In terms of the number of farm occupiers, there has been very little change in the number either working ‘full-time’ or ‘half-time or more’.
- there has been a significant decrease (-17%) in the number of occupiers working ‘less than half-time’ - this suggests firstly that there are fewer occupiers working in farming and that those that are, are working a greater number of hours.

Table 2.2: Agriculture - staffing profile in Scotland (2014 to 2023)

Measure	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	% Change 2014-23
Total Number of Casual and seasonal staff	6,666	6,838	6,350	8,249	8,215	8,580	8,238	8,003	7,993	8,307	+25%
% of total employment that are causal or seasonal	10%	10%	10%	12%	12%	13%	12%	12%	12%	12%	+2%
Occupiers - Fulltime	11,382	11,203	10,699	11,108	11,193	11,270	11,385	11,722	11,684	11,391	+0.1%
Occupiers – Half time or more	6,027	5,932	5,745	5,923	6,030	6,021	6,041	6,354	6,339	6,035	+0.1%
Occupiers – less than half time	21,576	20,834	20,270	20,704	20,198	20,540	20,462	20,232	20,234	17,908	-17%
Non-occupiers - Fulltime Males[22]	11,542	11,529	11,324	11,568	11,373	11,160	10,985	11,182	11,166	11,796	+2.2%
Non-occupiers - Fulltime Females[23]	1,691	1,769	1,769	1,848	1,866	1,950	1,934	2,204	2,221	3,253	+92%

Source: Scottish Government, Scottish Agricultural Census, June 2023

[22] These are non-occupier workers – either a hired member of staff, a family member or partner of the occupier (does not include occupiers).

[23] These are non-occupier workers – either a hired member of staff, a family member or partner of the occupier (does not include occupiers).

Economic value

The agriculture industry has a significant wider impact within the Scottish economy.

The output multiplier for agriculture in the SG input-output tables[24] has typically been around 50% over the past 20 years. This in lay terms means that, for example, £10 million of activity in the agricultural sector, would typically generate a further £5 million in economic activity in other sectors of the Scottish economy. Essentially, agricultural activity has a large indirect impact on the wider economy via supply chains and supporting activity elsewhere in the economy.

In examining Scottish Annual Business Statistics[25] data for the sector, specifically the category entitled 'Crop and animal production, hunting and related service activities' the average GVA per head was £45,022 in 2021, which equates to £48,732 in 2024 prices.[26] GVA is a measure of the value of goods or services produced by an individual over an annual period (that is, the average agricultural worker in Scotland in 2024 will produce goods/services worth £48,732).

In terms of wages, the agricultural sector in Scotland has tended to pay below the Scottish average, with average wages approximately 12% higher for full-time workers outside the agricultural sector than those working within it. The gap is beginning to close, falling from an 18% difference in 2014 to 12% by 2019 (the latest year in which comparable data for the agricultural sector is available), see **Table 2.3**.

Table 2.3: Average weekly gross earnings of regular full-time hired workers versus full-time employee jobs in Scotland

Measure	2014	2015	2016	2017	2018	2019
Fulltime hired agricultural worker*	£439	£454	£479	£478	£518	£517
Fulltime employee - Scotland Average	£519	£527	£536	£547	£563	£578
% Difference (Scottish average compared to Agriculture)	18%	16%	12%	14%	9%	12%

Source: Scottish Government, Economic Report on Scottish Agriculture, 2020
Note: *Includes cash earnings, bonuses and overtime payments

[24] Scottish Government, Supply, Use and Input-Output Tables, November 2023.

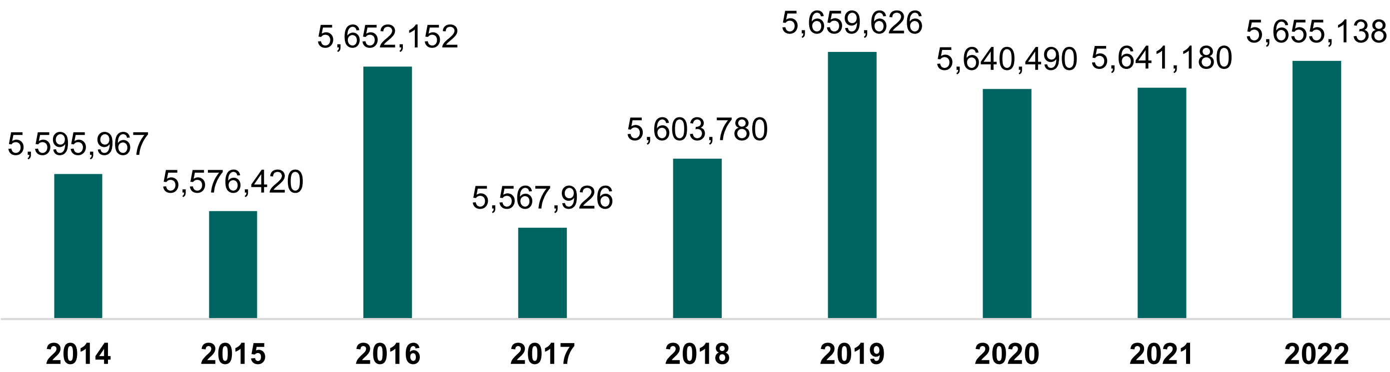
[25] Scottish Annual Business Statistics, Scottish Annual Business Statistics 2021

[26] We have uprated to 2024 prices using Office for National Statistics Gross Domestic Product Deflator.

Land use

The amount of land in Scotland that is used for agriculture increased by around 10% between 2014 and 2022, with the area used as 'total sole right agricultural land' – that is, land solely used for the purpose of growing crops or rearing livestock, growing by 60,000 hectares (equivalent to around 85,000 football pitches), from 5.60 million hectares in 2014 to 5.66 million by 2022, see **Figure 2.5**.

Figure 2.5: Total sole right agricultural area (area in hectares), 2014-2022



Source: Scottish Government, Scottish Agricultural Census, June 2023

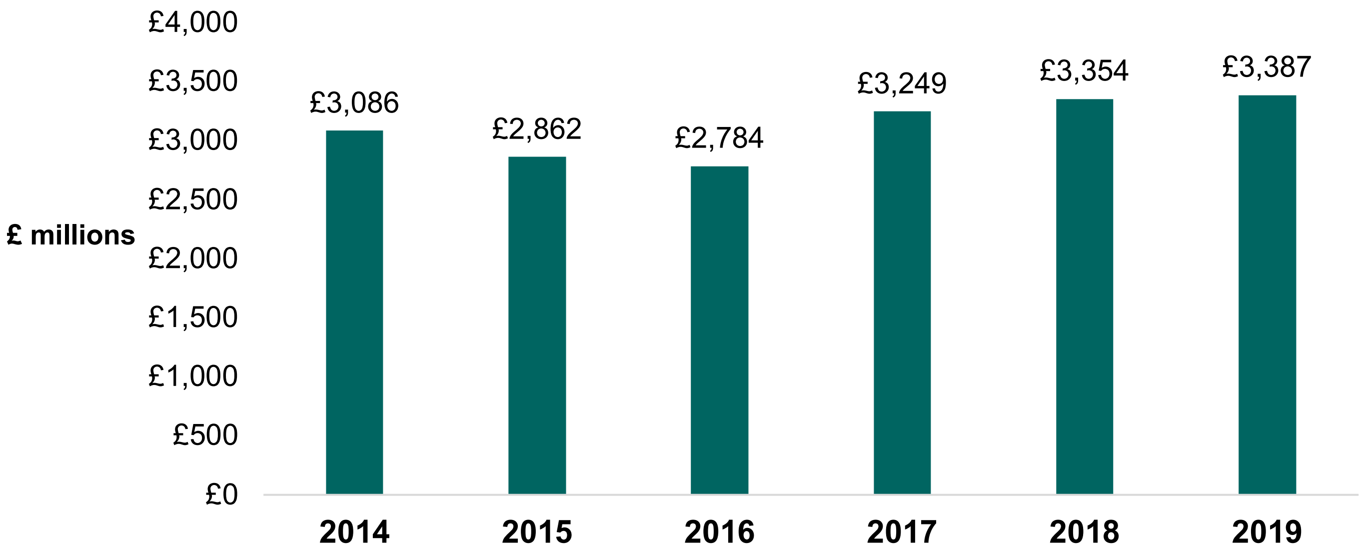
Value of output

The economic output from the Scottish farming industry has increased over recent years (2019 being the last remaining year in which SG Economic Reports on Scottish Agriculture were published) reaching £3.39 billion in 2019.

There were reductions in economic output in 2015 and 2016, with poorer than expected crop yields during this period.[27] A large increase was then registered between 2016 and 2017, with steady increases in subsequent years, see **Figure 2.6**.

[27] Farming Online, Farming News - Scotland's 2016 cereal harvest is expected to fall 11 per cent on 2015

Figure 2.6: Total agricultural output value – Scotland (£ millions), 2014-2019



Source: Scottish Government, Economic Report on Scottish Agriculture, 2020

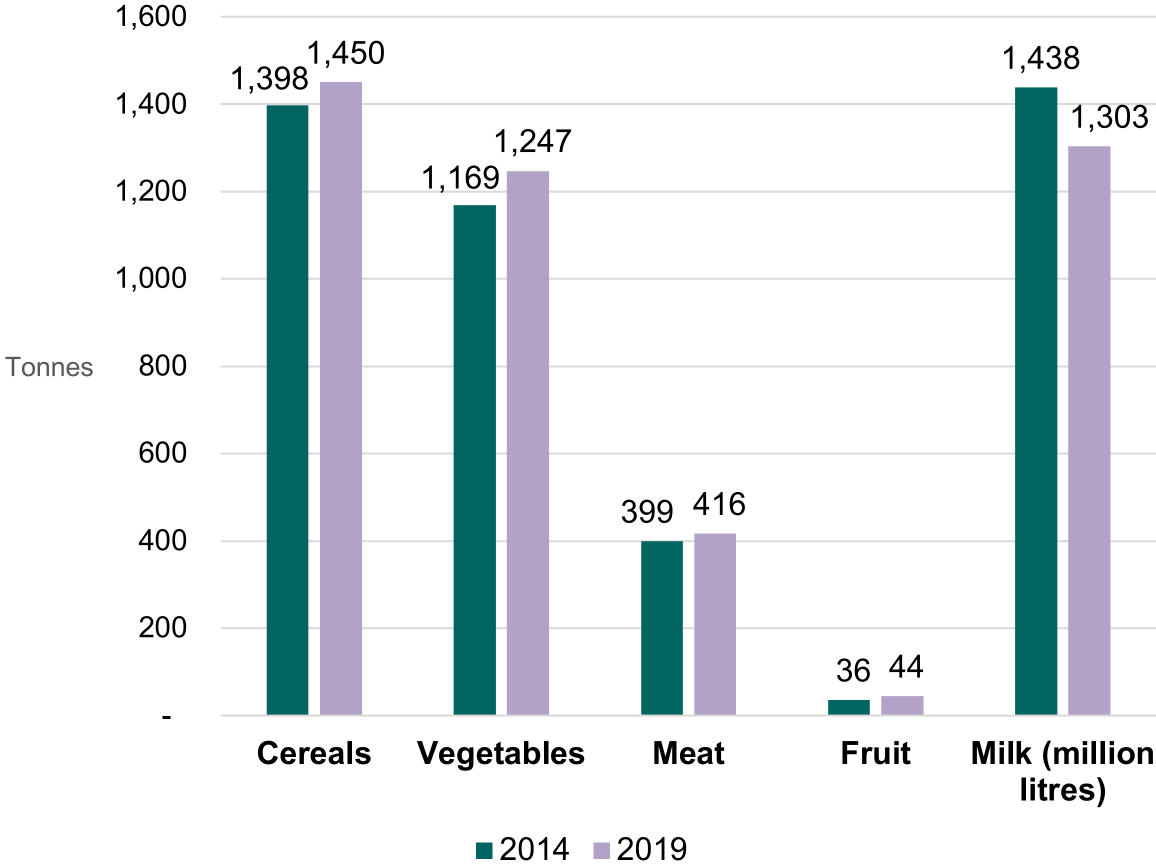
Each category of agricultural product (excluding milk) has experienced an increase in output between 2014 and 2019 - particularly notable was fruit (output grew by 25% over this period), although the volume of fruit production is considerably lower in tonnages than the likes of vegetables or cereals, see **Table 2.4** (below) and **Figure 2.7** (next page).

Table 2.4: Changes in output between 2014 and 2019

Item	% change in output (2014-19)
Cereal	+4%
Veg	+7%
Meat	+4%
Fruit	+25%
Milk	-9%

Source: Scottish Government, Economic Report on Scottish Agriculture, 2020

Figure 2.7: Changes in output between 2014 and 2019

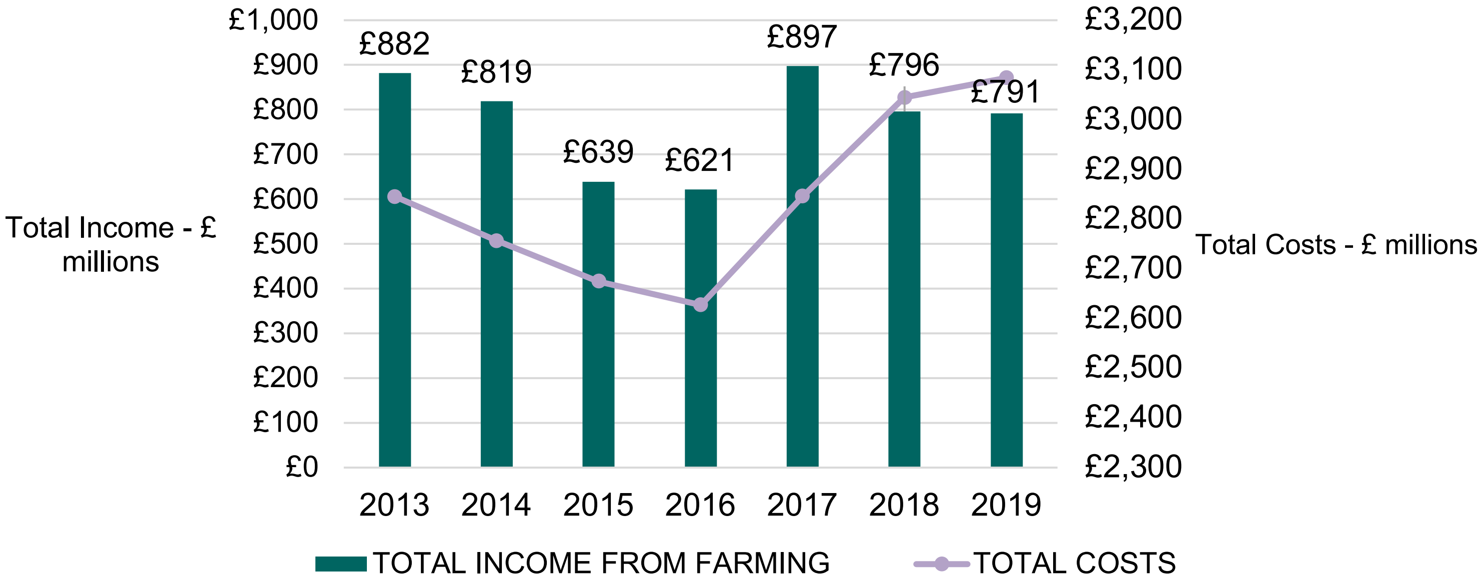


Source: Scottish Government, Economic Report on Scottish Agriculture, 2020

Farm income and costs

Despite the rises in agricultural output, the income generated from farming has tended to be slightly more erratic over recent years. Over the period 2013 to 2019, it peaked at around £900 million (2017), then fell to £791 million (2019), a decrease of 12%, despite output increasing by 4% over the same period. Total costs have also increased significantly from a low of £2.63 billion in 2016 to £3.08 billion in 2019, see **Figure 2.8**.

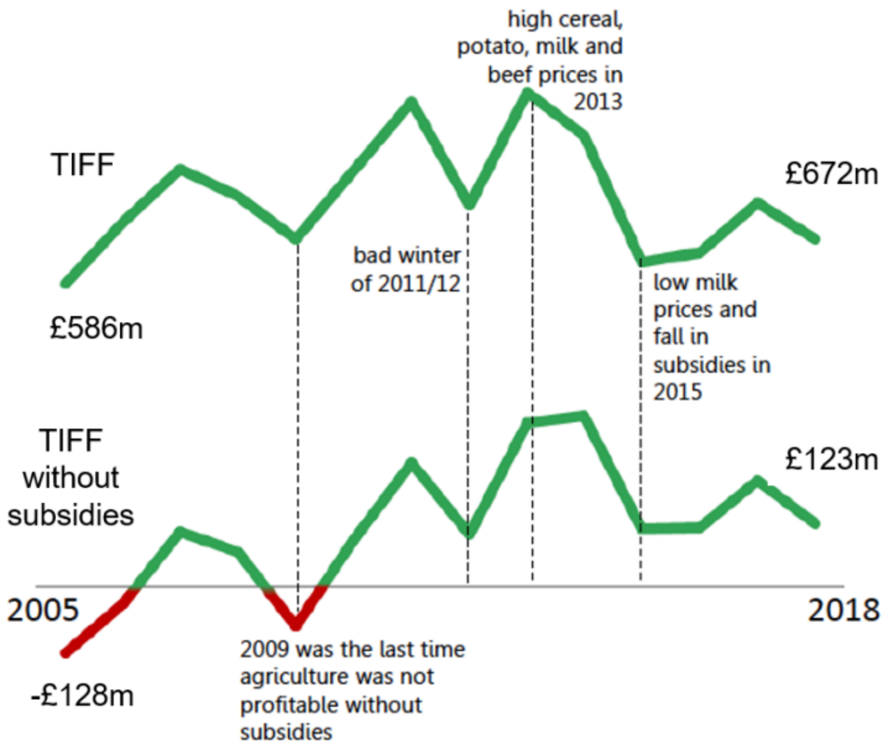
Figure 2.8: Total Scottish farm income and costs (2013 to 2019)



Source: Scottish Government, Economic Report on Scottish Agriculture, 2020

What is clear is that without subsidy support, income from farming would be significantly lower, as shown in **Figure 2.9**. The years 2005 and 2009 would have experienced losses without subsidy support. Income tended to fluctuate quite significantly thereafter, with lower milk prices having an impact on farm income from 2015 onwards.

Figure 2.9: Total income from farming (TIFF) – 2005 to 2018



Source: Scottish Government, Economic Report on Scottish Agriculture, 2020

Crofting sector

In December 2022 SG published an [Economic Conditions Report of Crofting 2019-2022](#) which provides an overview of the current economic conditions facing the crofting industry. It provides an update to the previous reports covering the periods 2011-2014 and 2015-2018. The research took the form of a survey of 4,000 crofters between July and September 2022 which sought views on a range of social and economic issues.

A key finding is that crofting remains an economically challenging industry in which to make a living, with one-third of crofters stating that they had made no income from crofting over the last 12 months, with just over half of crofters receiving an income from grant money and/or support schemes.

Other key findings from the report are set out under the following sub-headings.

Background/Demographics

- crofters tend to be male (68%) and over the age of 55 (68%), although the proportion of female crofters has risen considerably, from 13% (2014) to 26% (2018) and is now 30% (2022).
- the most likely reason to become a crofter is having been brought up in a crofting family – 48% of crofters have been doing so for over 20 years, although this is down considerably from 70% in 2014.

Income and Expenditure

- those receiving no income from crofting has increased from 25% in 2018 to 38% in 2022 - the average crofting income is £4,538.
- 82% of crofters have running costs of under £5,000 a year.
- a greater proportion of crofters are now paying rent or a mortgage (64%) - up from 57% in 2018.
- the vast majority of crofters (92%) agreed that crofting was not economically viable without household members supplementing their income from non-crofting related activities.

Croft Investment

- there has been a slight decrease in the proportion of crofters looking to make investment in their croft, at 61%, down from 68% in 2018.
- plans for investment in crofts had risen significantly, with 62% stating they planned to invest in their croft, compared to 48% in 2018.
- livestock was the most common response in regard to the type of investment planned, 52%, followed by crops (30%) and forestry and woodland creation (22%).

Biodiversity

Questions on biodiversity, peatland restoration and woodland creation were newly added to the 2022 survey, and key findings include that:

- 28% of crofters had undertaken one or more of these activities during the reporting period (2019-2022).
- the most common activity undertaken was woodland/forestry creation (18%), followed by biodiversity activities (12%).
- 25% of crofters have used available schemes to either restore peatland, carry out biodiversity activities or create forestry/woodland.
- a lack of information (38%) and uncertainty on the potential benefit (37%) were the most common reasons for not undertaking these types of activities.

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