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Official Report

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

Wednesday 26 May 2010

Session 3

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RURAL AFFAIRS AND ENVIRONMENT COMMITTEE
13th Meeting 2010, Session 3

CONVENER

*Maureen Watt (North East Scotland) (SNP)

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

*Aileen Campbell (South of Scotland) (SNP)
*Karen Gillon (Clydesdale) (Lab)
*Liam McArthur (Orkney) (LD)
*Elaine Murray (Dumfries) (Lab)
*Peter Peacock (Highlands and Islands) (Lab)
*Bill Wilson (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Rhona Brankin (Midlothian) (Lab)
Jim Hume (South of Scotland) (LD)
Nanette Milne (North East Scotland) (Con)
Sandra White (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

David Barnes (Scottish Government Rural and Environment Directorate)
Bruce Beveridge (Scottish Government Rural and Environment Directorate)
Richard Lochhead (Cabinet Secretary for Rural Affairs and the Environmen)
Roy McLachlan (Scottish Government Rural Payments and Inspections Directorate)
Willie Towers (Macaulay Land Use Research Institute)
Dr Tony Waterhouse (Scottish Agricultural College)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Committee Room 6

Scottish Parliament

Rural Affairs and Environment Committee

Wednesday 26 May 2010

[The Convener *opened the meeting at 10:00*]

Interests

The Convener (Maureen Watt): Good morning, everyone, and welcome to the Rural Affairs and Environment Committee's 13th meeting this year. I ask everyone to switch off their brambles and phones, and other such devices, because they impact on the broadcasting system.

The main purpose of today's meeting is to take evidence on the Royal Society of Edinburgh's report on the future of Scotland's hills and islands. We will hear from two academic experts on hill farming, followed by the Cabinet Secretary for Rural Affairs and the Environment and his officials. Today is our second and last day of evidence taking on this particular issue, although I am sure that we will return to the general issue of support for agriculture at future meetings.

I welcome Aileen Campbell to the committee and invite her, under item 1, to declare any relevant interests. Aileen is replacing Alasdair Morgan. I put on record all members' thanks to Alasdair for his work on the committee during nearly two years.

Aileen Campbell (South of Scotland) (SNP): Thank you, convener. I have no declarable interests, but I want to put on record—especially given the subject of today's evidence session—that my father was, but is no longer, a tenant hill farmer.

The Convener: Thank you very much.

Decision on Taking Business in Private

10:01

The Convener: Item 2 is consideration of whether to take item 6, which is consideration of European aspects relevant to the committee's future work programme, in private. Are members agreed?

Members *indicated agreement.*

Crofting Reform (Scotland) Bill

10:01

The Convener: Item 3 is the Crofting Reform (Scotland) Bill. I have lodged a motion to modify the order of consideration of the bill. The main reason for doing so was to enable part 2, which relates to the register of crofts, to be taken in one meeting rather than breaking the debate into two. It was considered that that would enable a better flow of discussion and debate. We aim to consider parts 1 and 4 at our next meeting on 2 June, part 2 on 9 June and the rest of the bill on 16 June.

I move,

That the Rural Affairs and Environment Committee considers the Crofting Reform (Scotland) Bill at Stage 2 in the following order: Part 1 (with schedule 1 to be taken after section 1), Part 4, Part 2, Part 3, Part 5 (with schedule 2 to be taken after section 35) and the long title.

Motion agreed to.

The Convener: I hope that that means that the items will flow properly, although the Minister for Environment says that there may be some issues with part 4. We will hope for the best. Parts 1 and 4 will be considered next Wednesday.

Subordinate Legislation

Transmissible Spongiform Encephalopathies (Scotland) Regulations 2010 (SSI 2010/177)

10:03

The Convener: Item 4 is consideration of a negative instrument, the Transmissible Spongiform Encephalopathies (Scotland) Regulations 2010. If members ask me to say it again, I will just say TSE. No member has raised any concerns about the regulations, and no motion to annul has been lodged.

Do members have any comments to make on the regulations?

John Scott (Ayr) (Con): Was there a Subordinate Legislation Committee report on the regulations? Did I not receive a copy of it?

Nick Hawthorne (Clerk): No; the Subordinate Legislation Committee had no comments to make.

John Scott: So that is why there was no report.

The Convener: Do members agree not to make any recommendation on the regulations?

Members *indicated agreement.*

Scotland's Hills and Islands Inquiry

10:04

The Convener: Item 5 is our inquiry on Scotland's hills and islands. We are taking evidence on the Royal Society of Edinburgh's 2008 report on Scotland's hills and islands. I welcome our first panel: Willie Towers, who is principal research scientist at the Macaulay Land Use Research Institute; and Dr Tony Waterhouse, who is head of hill and mountain research at the Scottish Agricultural College.

Willie Towers (Macaulay Land Use Research Institute): Professor Bill Slee sends his apologies for not being here. I will do my best to step in with any answers on his behalf.

Peter Peacock (Highlands and Islands) (Lab): I will start with the land use strategy that the Government was working on some months back. In passing the Climate Change (Scotland) Bill, the Parliament approved a requirement for the Government to produce a land use strategy. The Royal Society of Edinburgh has commented that the fact that the Climate Change (Scotland) Act 2009 contains a statutory requirement of that sort might narrow the focus of the strategy, so that it is principally about how land is used for climate change-related purposes, rather than land use for broader purposes. Do you share that concern? What is your involvement in the development of the land use strategy, and how do you view it? Will it be the broader, more integrated strategy that people are generally looking for?

Willie Towers: The Macaulay institute generally welcomes the existence of a land use strategy. However, I have some sympathy with the concern that it might be too narrowly focused on using land for carbon sequestration, say, at the expense of the other products, benefits and services that land can provide. We should not get too hung up on land's ability to sequester more carbon. Agricultural land in particular does have the ability to do so, but we cannot keep adding organic carbon to soils if we want to retain the function of food production, as the soils will become too rich in organic matter. There is some concern about that, although I broadly support the basis of a land use strategy.

For some time, I have been considering how we can achieve the target of 25 per cent of forestry cover. That is a laudable aim. I keep thinking of our institute's previous mantra: one land, many options. The land use strategy appears to address that question of how to balance different land uses in different parts of the country. One size does not fit all, by any means. The Forestry Commission recently produced figures showing that planting is now at its lowest rate since the second world war, so, if we are to meet the 25 per cent target, some serious incentivisation is required, which it is beyond my capability to address.

Dr Tony Waterhouse (Scottish Agricultural College): A land use study was undertaken, led by the Macaulay institute and with involvement from the Scottish Agricultural College, and it turned out to be a precursor to the work that went ahead later.

I whole-heartedly agree that there are a significant number of potential trade-offs between climate change measures and food production, for instance—not to mention some of our more precious environmental assets, which we value in different ways. The developing strategy from the Government's rural and environment research and analysis directorate—RERAD—for the next funding round will take into account just those issues of how to trade off climate change, which is polarised in one way, with other issues. On a more practical level, a land use strategy will, as it develops, provide a way to bring those things into focus.

Hills are not singularly useful; they have significant, multiple benefits, which we would like to continue.

Peter Peacock: Are both your organisations actively involved in helping to develop the strategy?

Willie Towers: My understanding is that some of our colleagues are involved in the carbon sequestration aspect. We provide data to various arms of government in that respect. I personally am not yet directly involved—although I would wish to be, given that I have worked on Scottish land for longer than I care to remember. We are involved, anyway.

Peter Peacock: How do you view the land use strategy? It is inevitably a difficult concept, as it potentially involves zoning land or thinking about different uses for it. Land can be used for flood management, forestry, carbon sequestration, peatland, grazing, wind generation and a variety of other purposes. How practical can the strategy become? Will it inevitably be pitched at a high level, indicating what might be possible, rather than detailing specific proposals?

Willie Towers: Possibly the indicative forestry strategies guidance to local councils, which is now about 20 years old, is the sort of guidance that a land use strategy might give. A democratic society probably could not implement an overprescriptive set of rules, so the land use strategy will be guideline led.

To pick up on the previous point, I am sure that many will know that more than half Scotland's land is dominated by organic-rich soils. Current guidance is not to do much with those soils, given the climate change agenda. For example, blanket peat stores a huge amount of carbon that we want to be kept there. Current guidance is not to use such soils apart from for their biodiversity and habitat values. We also have a whole range of other shallower soils that could be put under trees, but ploughing up those areas could mean that we lose carbon stores in the short term before we gain from the growth of new trees.

Peter Peacock: Are there tensions between the targets for forestry cover and our potential for food production in the longer term? Presumably, some of that same land might be suitable for grazing.

Willie Towers: In a Forest Research project for the Forestry Commission that I was involved in in 2005 and 2006, we went through a sieving process whereby we identified land that would be completely unsuitable for trees because of exposure and shallow soils—for example, the Cairngorm plateau—and we also took into account a number of other sensitivities, such as designations of sites of special scientific interest and special protection areas. We also considered things such as prime agricultural land, which is very unlikely to go under large-scale forestry. Through that process, we identified at a broad level land that is in LCA classes 3.2 to the lower 5s—I hope that people are familiar with the land capability for agriculture classification—which might be considered the middle ground between the good arable land and the really rough grazing land. Those sorts of areas seemed to have the least sensitivity to new planting. However, those areas still produce food, albeit in the form of livestock such as cattle and sheep. Therefore, there might well be tensions between those things. Perhaps that is why the 10,000 hectare target has not been met.

Dr Waterhouse: I am aware that individual farmers and land managers on the ground hold a variety of views on planting trees, so there is clearly a tension. At the moment, it is quite difficult to do both things on the same bit of land—although that is possible within the same estate—other than by policies such as more formal agriforestry, which is a pet interest of many people around the world but is not heavily supported, although it perhaps could be, here in Scotland. Clearly, that middle ground produces a lot of our better beef and a lot of our better sheep. Such areas do not necessarily produce the high tops or the very best, but they provide that bit in the middle, which probably most epitomises the best products of the Scottish livestock industry. That is probably where the tension will be seen. Practically and on the ground, it might be quite difficult to meet the target because people do not necessarily want to plant trees if they see themselves as continuing to be active farmers. The retreat from hill farming is occurring not in those areas but at the higher levels.

Peter Peacock: Convener, before I move on to the next subject, others might first want to pick up issues from what has been said.

The Convener: Yes, I think that Bill Wilson and John Scott have some supplementary questions.

Bill Wilson (West of Scotland) (SNP): I have two questions following on from Peter Peacock's comments. The questions are not related, but I will put them together and let the witnesses decide whether to answer one at a time or both at the same time.

On the land use strategy, I was approached recently by the John Muir Trust about its wild land campaign, which seeks to determine that certain areas be limited to community development. How might that fit into a land use strategy. Is that at all practical?

On the struggle to find land for forestry and on the clear conflict that exists between agricultural land and forestry land, I know that there used to be a lot of debate about using forestry yields from larger cities that have a high percentage of tree cover, but I have not heard much about that recently. As you guys are the experts and are much more up to date on such things, can you tell me anything about the potential within Europe to take forward that idea of using forestry yields from cities?

Dr Waterhouse: Sorry, using forestry in what way?

Bill Wilson: I am asking about using forestry yields from cities. In other words, because cities often have large parkland areas and lots of trees along the streets, there has been an idea around for some time that those might be used in some way.

Dr Waterhouse: Over the past few years, the Forestry Commission has certainly had a major push on what it has called woodlands in and around towns, in which it has taken a significant amount of interest as the national forest service. That scheme has had some success in increasing the number of new trees that are planted and in ensuring that woodland is managed better, both in the urban context and in more rural areas. I do not know the numbers, but I think that they are quite significant. The amount of commercial forestry in that area is probably still quite negligible because of the amenity-versus-production tension that often exists.

Wild land is an interesting issue. Clearly, a variety of people have a strong interest in wild

land. When we ask people what they think some of the land that we farm is used for, many of them think that it is wild. They do not realise that it is farmed; they perceive it as wild land.

The SAC recently did a study in which we looked at options for hill land. The one that came out poorest as far as public good was concerned was the abandonment/wilderness approach. When we asked a variety of people who are involved in land management in local communities, that is the option that came out as being the least appropriate.

10:15

Bill Wilson: I suspect that, when people say "wild land", they are referring to semi-natural land, because most of our land is semi-natural; at the very least, it is grazed.

Dr Waterhouse: Absolutely. It is a matter of wording. Much of our land in Scotland is intermediate ground, as opposed to land that is clearly unmanaged.

Willie Towers: A couple of things occur to me. Many people come to Scotland because there are no trees—some people like the bareness of the land; they do not appreciate that it used to be covered in trees. We must take that into consideration.

I know that the John Muir Trust has a policy of not planting trees—it lets natural processes take over. Given that John Muir Trust land forms an increasing part of the Scottish landscape, its contribution to the target of achieving 25 per cent forest cover will be an extremely slow process, given that it involves natural regeneration.

I must express my ignorance of the urban issue, which means that I cannot comment on it, other than to say that I know there is a huge drive to plant more trees in west central Scotland, for social and amenity reasons, as well as for the other benefits that woodlands produce.

John Scott: I declare an interest as a hill farmer.

I know that both of you have spent a lifetime in the industry. From your perspectives, what should the land use strategy's priority be? Should it be food production, the environment or forestry?

Dr Waterhouse: The priority is the impossible task of trying to achieve all those ends. Frankly, that is what we must try to do—achieve a decent balance.

The tree community's view that the right tree should be planted in the right place could be spread across other areas. An important element of the process is doing the right thing in the right place, because there are areas that are quite good for carbon offsetting and others that are good for food production. To be fair, much of Scotland is probably good for both, if the land is managed correctly. It is a question of teasing out which issues are the most important. The challenge is working out what we need to do and how we can achieve that. By and large, a multifunctional rather than a single-use approach will still be needed.

Once we move to a slightly larger scale than individual farms or crofts, it is probably necessary to have a mix of land uses rather than a lot of one particular land use if we are to have a healthy ecosystem. There is a danger that the effect of blocking things up might not be that good. We have seen examples of that. I would argue that the significant forestry expansion that took place in Dumfries and Galloway in the 1960s and 1970s had a detrimental effect on the local community for a while. That is a good example of what we do not want to do next time round—we do not want a policy that brings a wave of change. That is almost what we are seeing at the moment in hill farming. The changes in hill farming have happened almost by default, which is why we see them as negative. We need a thought-through, multifunctional approach, even though it might be a problem to see how to adopt such an approach. That must be the way in.

Willie Towers: We should not disconnect the hills and uplands from the lowlands. One area that I have a bee in my bonnet about is urban expansion. I know that the cabinet secretary knows this, but one or two of you might also be aware that every year in Scotland we build a new Dunfermline. That is the amount of open ground lost each year, which you will agree is quite a large area. I should also say that I did not choose that analogy because it is the former Prime Minister's constituency—it just seems to work with people. The land use debate needs to take into account concerns beyond hills and uplands, given the connection between what happens in low ground and in uplands.

Things have moved on since the 25 per cent forestry cover target was set in 2006. For a start, food and energy security has become a bigger issue and climate change, which has always been a big issue, has become even more so. I do not want to set policy—that is not my job—but, personally, I think that the 25 per cent target should be revisited given how quickly things have changed over the past four years.

John Scott: A question on that very target is coming up later.

Liam McArthur (Orkney) (LD): I was struck by Dr Waterhouse's comment about putting the right tree in the right place and taking a similar approach to other land uses. Is that achievable alongside the requirement for democratic

accountability that Mr Towers referred to? In any case, can it be achieved through guidance or can we get the right tree in the right place only through being more prescriptive and less high level, as Peter Peacock suggested in his question?

Dr Waterhouse: The issue is complex because in Scotland we have to deal with very complex land tenure and ownership patterns. After all, we are talking about a significant amount of wild land and a whole range of people who have a whole range of interests, and it is difficult to force people to take what is still in many respects a voluntary approach. To a certain extent, that is where the current aim of planting trees has gone wrong; the people on the ground who make the real choices have not done so. Similarly, it is all very well telling people, "Don't take your sheep off the hills," but, unless there is a mechanism in place to do something about it, those sheep will continue to go. The big challenge is in balancing carrots and sticks.

Liam McArthur: But you can foresee the risk of ending up with a land use strategy that is exemplary at an indicative level but has no mechanisms for delivery.

Dr Waterhouse: Yes. For example, I guess that there has not been enough of a national strategy for wind farms. Local planning deals with certain aspects, but the overall situation has not been dealt with properly. Can we really have a land use strategy that covers wind farms, agriculture, forestry, leisure and nature conservation at one and the same time? Clearly, if we are to have such a strategy, it has to be indicative, but the question is whether the right levers have been put in place to move it on from that.

Liam McArthur: Could we take an approach similar to that taken in the waste strategy, with incentives being put in place to make local authorities collaborate instead of simply leaving it up to each to define what it thinks it needs and thereby causing duplication of effort?

Dr Waterhouse: I am afraid that I do not know enough about how the waste strategy works.

Willie Towers: Mr McArthur, are you worried that the strategy might become too aspirational and end up almost as a dream?

Liam McArthur: Yes, in the sense that we could end up with a strategy that does everything that we need it to do but has no mechanism for ensuring its delivery.

Willie Towers: Part of the problem—well, perhaps it is not a problem as such—is that most land is privately owned, which means that there is no control over how it is used other than through financial incentives and, of course, the physical constraints that are imposed by the natural environment. We simply need to get the right incentives in the right place—which, again, is beyond us.

Dr Waterhouse: The land use community that we are talking about does not have a lot of money, which means that you cannot use a lot of sticks such as extra compliance measures or added red tape, if you want to call it that. We cannot, for example, put some kind of land use landfill tax on them, because they cannot afford it. The fact is that these people tend to vote with their feet. There is no easy way of managing the situation except by taking a different approach to the significant amount of positive support that already goes into the hills; indeed, one of the key issues in that respect is how we move that support around.

Karen Gillon (Clydesdale) (Lab): Will you expand a little on the wind farm issue? I have an interest in that as I have the biggest onshore wind farm in my constituency. With wind energy, we have some levers in the planning system, so I am interested in how you think that the strategy needs to be developed and what concerns you have, for good reasons, about the spread of onshore wind farms and the impact on hills.

Dr Waterhouse: I am using examples that I perhaps know less about than I should, so I will not go into policy. We can see on the ground that wind farms clearly provide a lot of money in the land use base and they can help with some infrastructure requirements by making the keeping of sheep easier in some situations, but often the animals are not there any more. There are pluses and minuses on a local scale, but I would prefer not to go too deeply into policy issues.

Willie Towers: Some of my colleagues are working on the trade-offs in building wind farms on vulnerable organic soils. If we have to remove carbon-rich soils to establish wind farms, how long does it take to pay back the loss of the terrestrial carbon that has been there for millennia? As far as I am aware, the debate is still going on, and various models are being developed. It is a simple question, but there is not a simple answer.

The Convener: Before we move on to the next set of questions, I want to clarify something that you said at the beginning, Mr Towers, about soils becoming too rich. Did you mean that too much organic matter is being put on some soils?

Willie Towers: No. I meant that, if we load up certain soils that have naturally poor drainage with too much manure or slurry, they will become very difficult to work because the organic matter enhances the water-holding capacity of the soil. Although we may sequester more carbon in doing that, we cause more problems to the soil itself as it becomes compacted and can give out methane, which is also a greenhouse gas. We must be

careful in targeting carbon sequestration to the soils that will benefit from it most. One example is the sandy soil along the Moray Firth.

The Convener: Is that a big problem? I was at the all-energy conference last week in Aberdeen, where there was talk about biomass plants on farms using surplus slurry and manure. Is that a way of using slurry and manure without further harming soils?

Willie Towers: When it is applied at the correct rate, slurry is very beneficial to soil, and farming manure is even more beneficial because there is less liquid in it. Biomass energy plants, at either farm or collective scale, are a good way of recycling the material—producing energy and recycling the by-product back to the land. Collective systems are very big in Denmark.

Peter Peacock: I want to move on to broader rural development policy. We have had from the Royal Society of Edinburgh a fairly broad criticism that there is no joined-up rural development policy in Scotland. It suggests that we tend to look at economic development through our economic development agencies and that we have a strategy for that, including in our rural areas, but that we have separate agricultural, fishing, forestry and transport strategies and so on, and nowhere are they pulled together into a coherent rural development plan or strategy for Scotland.

I saw that there is a similar broad criticism in the evidence from the Macaulay institute. Will you say a bit more about your thoughts on that and what the RSE said? Do you believe that there should be a broader rural development strategy? If so, how would it be developed, who would be involved and what would it embrace?

Willie Towers: That was actually Professor Slee's contribution to our evidence—

Peter Peacock: I am sure that you agree with him, though.

Willie Towers: I agree in principle, but I do not know the detail of the economics of rural development and different strategies. Therefore, I will come back to you on that with more evidence from Bill Slee and myself.

Dr Waterhouse: Again, you are moving into an area in which I am not a specialist. I represent a team of people, some of whom would feel happy answering that question, but I would be less comfortable doing so.

Peter Peacock: Let me scale down the question and not ask you to commit your organisation to anything. You are both experienced people in the rural scene in Scotland, and you interact with people who work in that environment. What is your impression of the situation? From what you encounter, does the world look not very well joined up, or is it an unrealistic ambition to have everything in different strategies joined up? Do you have any thoughts on that?

10:30

Willie Towers: I am aware that most funding still tends to go into the primary sector—agriculture and forestry—rather than rural development and small industries per se, and I know that many people are critical of that. Obviously, the primary industries provide a lot of employment in downstream industries such as haulage and the seed industry.

Essentially, I am a biophysical scientist, so I will leave it there.

Dr Waterhouse: Hill farming is an extremely difficult business, and it is becoming more so. As the modern world moves on, it is difficult for hill farmers to keep up. There does not seem to be an easy way in which those businesses can be made more profitable. Clearly, other things must be built on to the primary product, which means that there must be a move away from agriculture to other forms of rural development. We must ensure that land management units, whether they are crofts, farms or estates, can access appropriate help to develop. How that is done is a matter for the policy side. It is difficult for individuals to access help, and I am sure that it is difficult for the other end to supply help as well. The arrangements are slightly disjointed and could be improved.

Willie Towers: Can I just clarify the sort of information that you require from my colleague?

Peter Peacock: I am sure that the clerks will outline that when they get in touch.

John Scott: MLURI's submission draws attention to the fact that the United Kingdom's sheep stocks have reduced by 15 per cent since 2004 and that the Irish flock has reduced by 30 per cent in the same period. Will the recent uplift in the prices due to the weakness of the pound against the euro halt the decline, or is that a continuing trend? Will there be further downsizing or even abandonment of farms? Have we reached the bottom?

Dr Waterhouse: Individual farmers will tell you that there are a lot of factors that are not going to change too quickly. The underlying economics are not great. We have had a really bad winter and a really difficult spring. The positive effect of having good prices has been offset by rising costs, and the prospect of a cheery future has been knocked down a bit.

We are all getting older, but one of the problems that the sector faces is a lack of succession and continuity. The issue is not one of gradual decline

but one of step changes in the system. We have to find ways of reversing that pattern.

There was some optimism in the past couple of years, when there have been good prices, but things are slipping away. The June census figures showed no cause for optimism, although the December census figures showed some signs that the situation was holding up, but that was probably because people were holding on to sheep because the previous winter had been a good marketing period. I would like to see this month's census before I am convinced that we have reached the bottom.

In some areas, there is no bottom, because of the domino effect, which is due to the structural nature of the farming there. In those places, the bottom will be reached only when there are no farmers left in the glens. Some areas will continue to be robust and will cope quite well as they have access to the right resources and neighbours who work together. Other areas have simply collapsed, because there are only one or two people, and the areas are struggling structurally.

John Scott: The issue is to do with a protracted, long-term, generational decline rather than simply being to do with current prices.

Dr Waterhouse: That is part of the picture. Decline was evident in 1997, before the single farm payment, when we had headage payments. The adoption of the single farm payment, which gave farmers the freedom to change their system, removed the plug from the plug hole. What could replace the plug, or provide incentives that would slow down the process, is a matter for policy makers to discuss. A return to headage payments might slow down decline, as would finding a way to encourage and support young entrants and new people to enter the area, which is something that rarely happens.

John Scott: Will you talk about the age profile of the industry?

Dr Waterhouse: That is definitely a problem. I do not know enough about the data, but I guess that hill farming is probably the worst area in that regard, compared with more vibrant parts of agriculture.

Willie Towers: From the paper that Bill Slee provided, it appears that the rate of decline has slowed, but we do not know whether the slow-down is permanent. I was intrigued to read that sheep meat production has remained at the same level. That is interesting.

John Scott: How are less favoured areas in England and Wales faring? Are sheep numbers coming down in the north of England? I was under the impression that they are.

Willie Towers: There has been a huge decline in Wales—it is as big as the decline in the Scottish uplands.

John Scott: What about the north of England?

Dr Waterhouse: There have been dramatic changes in some areas. There is the classic experience of almost everything going from certain moorlands. If you drove across the moors, you would think, "Where have all the sheep gone?" We do not have to look at the numbers; we can see what is happening on the ground. That is particularly the case in the north York moors.

Dartmoor and Exmoor are suffering from a retreat down the hill, as people go into part-time farming and focus on the bits of the farm that are left behind when they cannot manage the hills. The situation is not dissimilar to the situation in some of our crofting areas; people have walked away from the higher grazings and are carrying on doing a bit of farming at the bottom of the hill, alongside a part-time job. We see the same patterns, especially in areas that have the poorest economic background. If something favourable, such as tourism, does not come along, farming becomes very difficult.

John Scott: It is worrying that, although the subsidy and support regime is better in Ireland, there has been a bigger decline there. It is not just about profitability; there is a more fundamental issue.

Dr Waterhouse: That is my view. A lot of it is to do with social change, which is incredibly difficult to tweak with the odd bit of subsidy.

Willie Towers: It is also to do with individuals' aspirations in society. Farming the hills and uplands is a hard job; people can make a better living in the towns and cities, where life is much more comfortable. That is a real issue.

Dr Waterhouse: In the past, shepherds and part-time farm workers would become full-time tenant farmers or even buy their way in. If there are not those workers coming into farming, where is the continuity? In contrast, it is interesting that there is quite a lot of vibrancy in gamekeeping, which attracts quite a lot of young people. They do not move on to own estates—there is not that sort of evolution—but they certainly move on to better jobs on the estate. It is funny how different the labour patterns are in gamekeeping and farming, which take place in similar areas. Some elements of grouse shooting are doing quite well and there is a chance to become a manager—there is continuity.

Willie Towers: We have to ask whether farming is losing skills for the future.

John Scott: I know about those issues, but my colleagues might not do so, so please talk about

the loss of skills and how the generational chain need only be broken once.

Dr Waterhouse: During the past two years, I have talked to many hill farmers and land managers in Scotland, England and Wales. It is clear that what they most miss is decent skilled labour to do various jobs. The lack of availability of labour is causing many problems. In the past, people got help from neighbouring farms and shared labour, but that labour pool has quietly dwindled away. A farmer might now get a lad from the village to do work on a temporary, casual basis. Skills are going and the number of workers is going down. However, I would not want to say that things are in a state of total collapse, because people are still getting things done.

John Scott: Is the situation impacting on environmental enhancement?

Dr Waterhouse: It cannot but do so. The rural stewardship scheme and the Scotland rural development programme have provided a lot of help. However, dyking and fencing, for example, were for quite a long time a contractor-rich area, but getting contractors to do some of that work is now ever more expensive—some of the rates are quite different from the grant rates. It seems crazy that farmers are getting people to drive for two hours to do certain jobs rather than having somebody relatively close do them. That is only one step away from not getting the job done at the right time in the right way. The individual farmers who could do some of this stuff are not able to do it because they do not have the time, they have reduced their labour force or they already have a second job. That has had an impact on how they keep their livestock. Some farmers are definitely cutting back and trying to find ways to make their system easier. They themselves are therefore not maintaining the same skills, because things are getting cut.

Willie Towers: I hope that this is relevant. Some of my colleagues have done work that demonstrates that no grazing is as bad as overgrazing for increasing the fuel load on the hills and decreasing biodiversity. Aside from the food production aspect, certain habitats require grazing to maintain biodiversity, although perhaps not the levels of grazing that there were in the past. That is what we mean by multifunctional landscapes; it is about getting the balance right. I am aware that heavy grazing can cause soil erosion in upland peats, which means a decline in our terrestrial carbon stock. It is about getting the balance right, both above ground and in the soil itself, between grazing pressure, food production and environmental protection.

Peter Peacock: You have partly answered my question on a point that I was going to ask Dr Waterhouse to describe a bit more fully. Dr Waterhouse, you talked about a structural problem for farming and implied that whole glens might be abandoned. Do you mean that farmers might completely abandon the land, or do you mean that they will come down off the higher ground, have less income from farming, look for a part-time job and employ fewer people?

Dr Waterhouse: There is the risk of both. I do not know the numbers, but it would be interesting to find out what change there has been in the number of people who are still claiming the single farm payment. They have in effect had no livestock. We can easily look at all the numbers and the census figures to see what is going on.

I am not aware of what the numbers are, but you can see on the ground that there are areas where the stock has gone off bits of the hill. You can understand the basis of that. Farmers have reduced their numbers, and they have changed their system dramatically. Because a bit of hill is no longer march—it does not meet another farm—the sheep that used to take four hours to gather would now take eight hours, which would mean two days, but the farmer cannot get people to gather for two days because they are working somewhere else. As a result, the whole thing collapses. The farmer therefore has taken the sheep off that side of the hill but continues to farm actively on the other side, or they have moved from having 2,000 sheep to having 800 more productive sheep at the bottom of the hill. A number of farmers are doing that.

The alternative is that everything quietly goes and the lowland area—which is probably as important from a biodiversity point of view, because that is the bit that we manage the most—is in danger of abandonment. You can also see that happening in the crofting areas—there are areas where the croft land is basically abandoned. Once people start losing fences, they cannot manage stock. There is a mixed model: both situations are happening and both are at risk of happening.

Peter Peacock: Relating this to our earlier conversation on the issue, and taking the description that you have given of people moving down the hill and off land that is more difficult to farm because of the factors that you have described, we might think that farmers would be thinking, “Shall I do a bit of forestry on that bit of ground? Should I get some money to block up drains to reflood peatland?” Why is that not happening? Is there a lack of advice for farmers? Is there a lack of access to programmes? What is not there that would allow the enterprise to continue and would have other, wider benefits?

Dr Waterhouse: That is a very good question, because the opportunity is there for farmers to make their farming activity slightly more profitable

or less loss making by contracting it and looking for opportunities elsewhere. A number of farmers are looking at such opportunities. Wind farms are the big bonanza, but things such as small-scale hydro are much more on the scale of what individual farmers or land managers of estates can get up to. Forestry is a difficult world and it is more for forestry experts. I am involved in forestry to a limited degree, but there still is not seen to be the incentive or the market out there. Farmers do not like planting trees just for grant, bizarrely. Even though they get a lot of grants, they dislike the idea of planting something that is not particularly useful. Part of the problem is that we have not got our heads round the fact that farms can be productive in growing timber for the next generation. A change in mindset and better advice from our agencies are needed.

Willie Towers: There is possibly also a lack of awareness of the opportunities that are out there.

10:45

Karen Gillon: You mentioned issues around workforce skills. Is anybody doing any workforce planning or analysis of where the gaps are and what needs to be done? Could anything be done through the rural development programme to encourage training programmes in the current economic climate, in which jobs will be more difficult to find?

Dr Waterhouse: I am trying to find a national-scale example. I am involved a little bit with the Loch Lomond and the Trossachs National Park Authority, which is doing policy work in that area to see what is missing and how something such as apprenticeships might be created. There have been a couple of examples of apprenticeships in the Breadalbane area working with schools. That has been quite a successful local model. It is slightly outside my area of expertise, but I am not aware of any national study. The numbers could easily be produced from the census, but that would not tell you what is happening below that, and the level of detail below that would be interesting.

Karen Gillon: Would that be a worthwhile piece of research?

Dr Waterhouse: If there is a gap, yes.

Bill Wilson: We saw in some of the crofting areas that one crofter tended to work more and more crofts as people moved out of a township. As people come off the slopes and gaps open up because farmers are finding it more difficult to work the upland, are we seeing any movement towards the amalgamation of farms into larger farms?

Willie Towers: Yes.

Dr Waterhouse: Yes, that is one of the trends. That happens either by default—because the neighbour does not graze the hill, the sheep move there—or when the land is taken over. One way in which farms in both the lowlands and the uplands have tried to make their businesses more efficient has been in trying to expand them. Some expansion has clearly been occurring.

Bill Wilson: Do the gaps that are opening up between farms tend to be filled in again with farmland when farms amalgamate?

Dr Waterhouse: It depends on where they are. There are relatively few bits of the better agricultural areas in Scotland where the gaps do not get filled. Land does not get abandoned in the better areas; abandonment is seen in the high hills, where there is nobody who wants to take it over. I can think of examples of neighbouring farmers asking why they should take such land over, as it would be harder for them to work and they would not get enough income from it to offset the cost, even with the single farm payments and area payments. If the land had income generation capacity, that would be appropriate, but it would be a challenge to take it over for livestock. It would be more sensible to take over the better land in the lower areas. In the crofting and hill farming areas, if better land is available, people are attracted to it, but it depends on whether farming it fits into the local infrastructure and local geography—sometimes it does, sometimes it does not. There must be a neighbour to take over the land, and in some areas there is not because there is obviously some institution or just a gap. If you drive up certain of our glens, you will see nothing for a while and the appearance of abandonment starting to happen.

Bill Wilson: I understand that balanced grazing—that is, not excessive grazing—introduces stress into the ecosystem that creates the competition that results in biodiversity. It occurs to me that, if the grazing is taken off the higher slopes, there will still be a considerable climatic stress. Does taking the grazing off the higher slopes reduce biodiversity or is there the same richness of species, only with the species changed?

Dr Waterhouse: I should add that sheep and cows are not the only grazers out there—red deer are important, too. We and the Macaulay institute have undertaken complementary work on changes in grazing, which shows that there is just a shift. Do we get more or less biodiversity? It depends on how that is measured, as you will know. We definitely lose some of the biodiversity that we currently value and it is replaced by something slightly different. That is likely to happen less quickly in our hill areas than in our lowland areas, where there can be a dramatic shift in biomass.

The shifts are slow, but they do occur. With reduced grazing, we get tall herbage and a loss of meadow pipits and skylarks. Those are the headlines. Something else will eventually replace those, but it might not be as rich in numbers or as appropriate. We value our skylarks, but we might not value whatever comes in their place. It depends a bit on what we want, but how we are managing things currently is probably more appropriate than shifting to something different that we do not value so much.

The Convener: I am conscious of time; we have less than 10 minutes to cover questions on less favoured area status and the single farm payment. Aileen Campbell has a quick question.

Aileen Campbell: It is just a supplementary to some of the points that have been raised already. Is there any kind of relationship between land ownership and decline? Are tenant farmers less fleet of foot and less able to adapt to some of the changes that are happening? Are people who own their land able to adapt more readily and quickly?

Dr Waterhouse: I am not aware of a study, but I can think of examples.

Willie Towers: SAC's report of two years ago shows that landowners have much more flexibility than tenant farmers have to adapt to change in some circumstances.

Dr Waterhouse: Absolutely. To some extent, tenant farmers are imprisoned within the rules of their tenancy and that encourages them to stay as they are. Their main asset is their livestock—it is their bank balance—but a landowner has a much wider range of things that have value. So yes, that is clearly part of the system.

Aileen Campbell: Are there any signs of it being more profitable for bigger estates to let out farmhouses to people coming into the area as opposed to leasing them out for farming use?

Dr Waterhouse: Again, I do not know the statistics, but quite a lot of estates have taken their land back in hand for a variety of reasons. I am not sure whether that is happening faster than before, but it means that they can trap some of their valuable assets.

We are in the midst of a Scottish Natural Heritage-commissioned study into three areas in the Borders, Skye and the north Highlands. We are looking at the impact of the land being taken back. Landowners in the Borders have told us that significant numbers of steadings have been turned over to housing. In the Ettrick valley and Yarrow, 13 steadings have been turned over to housing in the past decade. They have basically just vanished from farming. The land is still being farmed—there is amalgamation—but part of the infrastructure has gone. The bigger estates are looking at their resources and finding that farming is not high in their priorities for making money. Other things, such as the house, are more valuable.

Aileen Campbell: So that is having a significant impact on the retreat from the hills and the decline in livestock.

Dr Waterhouse: It makes it very difficult for people who want to come in and form the labour pool to find somewhere to live. The house has vanished. Maybe we have seen the loss of some shepherds because the shepherd's house is no longer available for a shepherd to come and live in. It is still common for people to drive out of the town to work in the countryside doing relatively low-paid jobs, which seems to be tragic.

The Convener: Liam, could you combine your questions?

Liam McArthur: I will try.

The European Commission has undertaken an exercise to look at the LFA designation across the European Community, and MLURI has been heavily involved in that in the Scottish context. Do you have any observations about the comparability of the quality of LFA land across the Community and about the implications of the remodelling Europe-wide and, more specifically, in Scotland?

Combined with that, we are also looking at biophysical criteria at this stage. I will declare an interest. The biophysical characteristics of the land in Orkney are generally pretty good, but no one could argue that people in Orkney do not face serious obstacles in getting their product to market and getting inputs to support the agricultural community. How do those socioeconomic factors get taken into consideration?

Willie Towers: You may have guessed from my accent that I am quite familiar with Orkney. I disagree with Mr McArthur. Orkney is very well farmed, but people are restricted primarily to livestock management. Orkney will never be covered in fields of wheat, barley, potatoes and oilseed rape; therefore, it is physically disadvantaged. It is certainly not as physically disadvantaged as much of the Highlands and Islands, but land use options there are still constrained. Essentially, land can be used for cattle and sheep, albeit for more intensive cattle and sheep farming. I slightly disagree with Mr McArthur on that aspect.

Where should I start? The European Court of Auditors was concerned about member state mismatches, so it came up with eight biophysical criteria, which it asked institutes such as the Macaulay institute to run in collaboration with national Governments. Those criteria included low

temperatures, soil drainage, soil texture and soil stoniness. Some of the criteria are very relevant to Scotland, whereas others—heat stress and moisture deficit, for example—are not. Some people would say, "If only heat stress was an issue in Scotland." We have concentrated on the criteria that have an impact. Moisture deficit does not include moisture surplus, so we are keen to get aspects such as field capacity days, which is a measurement of moisture surplus, into the equation. We and the devolved institutions have submitted a report through the Department for Environment, Food and Rural Affairs on testing the criteria across the United Kingdom. The latest update is that we have a real issue with cool temperature.

We have been given two options. Originally, we were given one option: the growing period had to meet a certain threshold of a number of days above a mean temperature, which was very restrictive. That option simply did not delineate enough less favoured land. The second option that we were given was accumulated temperature. I will not go into the details of how that is calculated, but sums of temperature rather than mean temperatures on a daily basis are considered. I have been in the area for a long time in Scotland, and thought that the threshold was set far too high when I saw it. Right enough, the modelling of the climate area pulled in far too much highly productive land. Most of the merse of Berwickshire, Strathmore, all of Aberdeenshire and large parts of Fife, for example, were pulled in. We have submitted evidence and suggested a lower threshold, which the European Commission joint research centre has agreed to in principle. The Scottish Government will follow me. We may develop the argument. Obviously, we are working with the Government on the matter. We want a realistic outcome for Scotland. We do not want a huge LFA expansion, or indeed a huge contraction, as that would mean real adjustments for the industry. We want a fair and realistic appraisal of LFA, and we have to sort out the cool temperature aspect first.

Liam McArthur: Are you confident that that can be achieved by manipulating the biophysical criteria, or will socioeconomic factors require to be considered alongside them?

Willie Towers: I will home in on Orkney again. Orkney, which is disadvantaged biophysically and locationally, would rightly come under LFA based on the revised biophysical criteria. There will always be winners and losers, and we will never get a perfect match with the current LFA boundary. The new LFAs are called agricultural areas with natural handicaps, or ANHs—that is a new acronym for members. One member state thought that it had a perfect match, but I thought that that sounded a little bit iffy. Things are structured differently. We have to report either by electoral ward or by parish, whereas the current LFA boundary is based on natural features. Therefore, we will never get a perfect match.

Liam McArthur: Do you support targeting by fragility—targeting fragile and very fragile areas—and having granularity in that way?

Willie Towers: I think that I would step into the policy arena by answering that question, and would rather not do so. I simply advise the Government on biophysical criteria outputs. We work closely together, but I would not like to delve into how things are implemented into policies. I am sorry.

11:00

John Scott: Have you considered wind and wind chill? We allegedly have 40 per cent of Europe's resource of wind. Is that taken into account in the designations, or should it be? I know from stock farming that the average mean temperature is one thing but that wind chill kills more sheep and lambs than anything else does.

Willie Towers: It is not a criterion.

John Scott: Why not? Should it not be considered?

Willie Towers: It is considered within our own national LCA classification. We did a lot of work for the Scottish Government and it was keen that that classification should be adopted as the means of redefining LFA, but the EU went down the common criteria route. Do you think that it should be taken into account?

John Scott: Yes.

Willie Towers: Okay.

Bill Wilson: I think that any hill walker would be inclined to agree with John Scott about wind chill.

John Scott: We cannot have it both ways. It is alleged that we have 40 per cent of Europe's natural resource of wind here in Scotland. That might work for energy, but it certainly works in the opposite direction for livestock farming, as anybody who has stood at 2,000ft trying to gather sheep will know. It is impossible even to whistle or to hear the dogs.

Willie Towers: It affects the animals' health.

John Scott: It does.

Elaine Murray (Dumfries) (Lab): I move on to the possible relationship between the land capability for agriculture classification and the single farm payment. You will be aware that Brian Pack's interim report proposed a system—somewhat controversially, as it turned out—whereby we would move to an area-based

payment that was based on land use classification. What consequences would such a scheme have for livestock numbers and farming in upland areas?

Willie Towers: That is a big question. The example that Brian Pack put forward was just an Aunt Sally, so to speak. It depends on how payments would be made for different land classes. It is difficult to answer the question without knowing the exact sums in the final proposal, to be honest.

Elaine Murray: I think that he included some ranges in his report, but the proposal was meant to be an example of a possible system rather than a definite proposal.

Willie Towers: Yes. Ideally, he would like the flat line to accommodate all sectors of the Scottish farming industry. Unfortunately, it seems that his proposal upset all the sectors. I found that interesting. It seemed that they would all lose, which I found intriguing.

Elaine Murray: Part of the reason why they would all lose is that there is a suspicion that pillar 1 is going to reduce anyway, so everybody would lose out.

Willie Towers: As we speak, my colleagues are looking at a wider range of scenarios based on different aggregations of and payment rates for the LCA classes, albeit within the total budget. We are still experimenting with and analysing different scenarios.

Elaine Murray: Is there a possibility of a single farm payment that is based on agreed public goods rather than an area system? Is that a possible alternative to what Brian Pack proposed? There would have to be agreement about what the public goods were, so it would not be easy.

Willie Towers: There is a lot of debate about how we value public goods. The Scottish Government has invited us to tender for the next round of research. Ecosystem services is another phrase for public goods, or services other than food production that are provided by the land. How do we value and measure those? The Scottish Government is keen to embed that into incentivisation, but we do not yet have the evidence base on which to do that.

Elaine Murray: I suppose the problem is that 2014 is four years away and we do not know whether the work or the research will be sufficiently progressed and agreed by then.

Dr Waterhouse: The decision needs to be made beforehand. It is not as if the decision will not be made until 2014. Things are happening now.

It would be difficult to develop such an approach, but thinking in that way might be part of the future. We should at least think more about multifunctionality rather than purely trying to support agriculture, which is but one part of land use.

Elaine Murray: It seems unlikely that the approach will be developed in time for the current round.

Dr Waterhouse: I do not know enough about European politics, but I doubt it. That would be quite a challenge.

The Convener: Thank you for your attendance. If you could provide written evidence within the next few days on the issues that arose, that would be helpful.

Willie Towers: Will the clerk notify us of the issues that we should follow up?

The Convener: Yes. He will be in touch with you.

We will have a short break while the witnesses change over. Thank you again.

11:05

Meeting suspended.

11:11

On resuming—

The Convener: The next panel of witnesses is from the Scottish Government. I apologise for keeping you waiting, gentlemen. I welcome Richard Lochhead MSP, Cabinet Secretary for Rural Affairs and the Environment; David Barnes, head of agricultural and rural development, and Bruce Beveridge, head of rural communities, of the rural and environment directorate; and Roy MacLachlan, assistant chief agricultural officer, of the rural payments and inspections directorate. I understand that the cabinet secretary wishes to make a short opening statement.

The Cabinet Secretary for Rural Affairs and the Environment (Richard Lochhead): Thank you. It is a pleasure to be here. You have been taking evidence recently and today on a subject that is important to rural Scotland and our nation's future. It is a wide-ranging subject that touches on many different issues. I recognise that a principal motivation for the committee's evidence taking is to examine the reduction in livestock numbers on Scotland's hills and islands.

I should say at the outset that our view is that livestock farming is vital for the future economic, environmental and social welfare of Scotland's hills. It is fair to say that we are all aware that the current problems are quite longstanding and very

well known, and that there are no simple or easy answers to some of the challenges that we will be discussing.

You might recall that in recognition of those problems and the concerns that were expressed in the Royal Society of Edinburgh's report, the Scottish Government held a debate in Parliament in September 2008 on the report and other reports on the topic, including by the SAC and "Manifesto for the Hills" by NFU Scotland. That coincided with the Government's launch of the consultation document on the future of less favoured areas to consider future options for that vital support. Following analysis of the consultation responses, last June we announced a package of measures including making immediate improvements to LFASS and looking at some of the medium-term improvements to land managers options that might be possible within the rural development programme.

As a result of that, the payment rates for LFASS were increased by 19 per cent in 2009 and 38 per cent from 2010 for the fragile and very fragile areas. Those increases delivered the quickest possible benefits that we could foresee to the most vulnerable hill farms.

We have looked at the role of LMOs within the rural development programme and specifically at the role that LMOs could play in supporting grazing in the hills, and the possibility of differential limits for LMOs in hill farms. We have acknowledged a need for further additional support for hill farming on top of the changes to LFASS, which we have now made, although we are still working on LMOs. Of course, and unfortunately, these things do not happen quickly enough.

Some of the hills issues have been compounded recently by the exceptional weather that we had earlier this year. You will be aware that the Scottish Government took steps to help our hill farms, albeit that that was limited and was dependent on what we could do in the difficult circumstances of exceptional cold weather, such as helping hill farmers to cope with the costs of collapsed buildings, which many of them faced. On the loss of livestock, a few weeks later we helped with some of the costs that arise from the National Fallen Stock Company. We were at least able to offer some help to those farms.

My final comments are on the RSE's overall recommendations, of which there were many. The recommendations were wide ranging. They were not all for the Scottish Government; some were for the UK Government and other stakeholders. The Government and Parliament have been moving forward on a substantial number of the recommendations. Looking back at the report, which is not quite two years old and therefore not new, it is good to see that progress has been made on a number of the issues. I look forward to an exchange of views in our discussion today.

11:15

Peter Peacock: Some time ago, you made a commitment to develop a comprehensive land use strategy and the Climate Change (Scotland) Act 2009 placed a requirement on ministers to do that. One of the things that emerged in evidence that we heard a couple of weeks ago from the RSE, and which has been hinted at by a couple of others, is that there is a fear that because the statutory requirement comes from the 2009 act, the land use strategy might concentrate simply on those aspects of land use that are to do with mitigating climate change. However, I think that your original objective was to have a broader land use strategy. Will you give us reassurance, if you can, that that will not be the case and that you are looking at a broad land use strategy? What progress is being made on the strategy?

Richard Lochhead: That is a pretty crucial subject, and I can reassure you that the land use framework will be wide ranging. Of course, we gave a commitment before the Climate Change (Scotland) Bill was enacted to introduce such a strategy. The 2009 act expedited matters, because we have to stick to a timetable for publishing the strategy—we have an ambitious deadline of next March. Within a few months, we hope to put the strategy out to consultation and then we will have Scotland's first-ever land use strategy ready for March 2011. A lot of work will have to be done on it thereafter, but we will at least have a basis.

To address the core of your question, it is worth remembering why we and Parliament thought that it was important to have such a strategy. At this time in the 21st century, we all recognise that our land and natural resources could offer many of the solutions to some of the great problems and challenges that we face—climate change as well as energy and food security. Scotland is in a lucky place to deal with some of those challenges, given that we have a lot of the relevant resources. Our land and how we use it will play a crucial role in that regard. What is done where and how will determine the extent of our success in meeting our climate change targets, achieving food security and delivering clean energy for the future.

I hope that what I have said illustrates that the land use strategy is not just about climate change. Although that is an important part of it, the strategy will look at land use per se and how we can reconcile many of our objectives, which many stakeholders see as conflicting targets. That is why we need an overview in that framework to ensure that our targets are seen as

complementary rather than conflicting. I hope that that gives you some reassurance.

Peter Peacock: Very much so; your commitments are helpful. Partly because of the timescale, but also because of the complexity involved, it is inevitable that the strategy will be a very high-level document. What will its practical impact be in areas such as the south of Scotland, the Borders, Moray or Wester Ross? Will it impact directly on those areas rather in the way that the indicative forestry strategies of some years ago did? At what level do you see the strategy operating, or is that not yet clear?

Richard Lochhead: It is worth making the point that the land use strategy is not just rural; it will be a land use strategy for the whole of Scotland, albeit that there will be a large emphasis on rural land because that is where most of our available land and natural resources are.

Last week, the Minister for Environment, Roseanna Cunningham, the Minister for Transport, Infrastructure and Climate Change, Stewart Stevenson, and I met officials to discuss where we are getting to and the kind of issues that you have just raised. Part of the debate is the extent to which the strategy should be high level, or whether it should have lots of actions attached. I do not have a definitive answer at this point because we are just putting together the document, which will then go out for consultation. After that, the committee and others will have the opportunity to have their say. The strategy will include a lot of high-level information, but there will also be proposals for further work and actions. That is not a simple answer to your question, but I can say that the strategy will not be purely high level.

We hope that the land use strategy that emerges will act as a good reference point; that it will allow us all better to understand what Scotland's land is capable of delivering; and that it will address some cross-cutting objectives. On a given parcel of land, whichever part of Scotland it is in, how can we achieve integrated land use that addresses all the objectives?

Yesterday, I visited the Drummuir Estate in the north-east. Representatives of the trade association for forestry—the Confederation of Forest Industries—and other people were there to discuss integrated land use. Various land uses could be seen on that estate, within the one horizon. Such issues will indeed be addressed in the land use strategy.

Bill Wilson: I am happy to hear that the strategy will be a wide-ranging examination, but I would like the cabinet secretary to clarify something. You have received proposals, for example from the John Muir Trust, regarding wild land. Will such proposals be considered under the land use strategy?

Richard Lochhead: You will have to explain the particular point that you are referring to.

Bill Wilson: Ignoring the term "wild land"—the trust accepts that most of our land is semi-natural—there is a concept that, in some highly isolated areas, we might prefer to keep to small community developments, rather than any large industrial development with large concrete structures, in effect. I am quickly paraphrasing the John Muir Trust's proposals, but the general idea is to keep some areas in more of a semi-natural state, with others being more convenient for larger, industrial developments.

Richard Lochhead: The strategy will certainly address such issues in the context of what our land can deliver, and it will no doubt refer to those uses and benefits—and to questions of whether land will have production on it. The answer to your question is therefore yes, to that extent.

Unless some alternative view is put forward in the consultation, we have no intention of making the land use strategy prescriptive. The purpose is not to tell people in any part of Scotland what to do; it is to offer a framework and a reference point by which decisions will be taken. It will not be prescriptive and it will not get into the detail that you are suggesting, by saying that certain areas should be left for one purpose or another. I hope that it will highlight the value of what land can do in different contexts.

Liam McArthur: You are probably not aware of what was said during our previous evidence session, but what you have just stated was very much reflected in the views that we heard about the land use strategy being indicative. We might get an indicative land use strategy that ticks all the boxes, makes all the necessary compromises and strikes the balances between different uses of land, but, without a certain level of prescription or detail, there is a risk of its being undeliverable. Once the indicative strategy is in place, how can actions be incentivised, so that the right trees are planted in the right place and similar approaches are taken for other types of land use?

Richard Lochhead: I expect that some pointers will be given through the next stages of the strategy as it is reflected in policy around the country. The relationship between agricultural use and forestry is relatively controversial and leads to a lot of debate. We have been bringing those sectors together, and it is now accepted that we can have forestry side by side with agricultural use, although the scale on which that can happen will vary in different parts of the country. The question will be how to ensure that the policy is seen in that way around Scotland—in other words,

with integrated land use being supported and developed.

That approach will in some way influence Government support schemes. If our policy is integrated land use, and if the possibility of having forestry alongside agricultural production is illustrated, the next stage of the debate will be on how that is reflected through Government support and wider policies.

Peter Peacock: I want to pursue that issue. You talked about visiting the Drummuir Estate and seeing multiple uses of the land there. I suspect that support for those different uses of land will come from the various Government programmes to which you have just referred and that presumably there will therefore be a tie-up at some point between the land use strategy and other Government programmes.

The Royal Society of Edinburgh was critical of a number of aspects of rural development policy; I should add hastily that its criticism was of Scottish policy generally over a number of years and was not confined to your Administration. First, it said that missing from the armoury of things that the Government should do when thinking about rural areas is an explicit policy about population retention and community viability. Although such a policy is implicit in a number of ways through the work of the enterprise agencies and others, the RSE said that it should be explicit.

Secondly, the RSE implied—as did the previous panel—that rather than being about rural development in the round, the rural development policies of Scottish Governments have tended to be agriculture and forestry policies. Will you comment on both those points?

Richard Lochhead: Yes. First, there is the more difficult issue, which is the extent to which Governments should adopt specific policies of population retention or equality of services—as happens in a few countries worldwide—and how that would work in a Scottish context. I have not reached a view on whether that would be a good thing. Although the idea is attractive, it would be difficult to put into practice. You can imagine what it would be like to have a legal obligation to deliver equality of services and population retention in all parts of Scotland. To what extent can public policy deliver those outcomes? The principle is attractive, but delivering it could be challenging for any Government. I suspect that that is why no Administration so far has gone down that road.

To address your second point, we have the rural development council, which is our stakeholders advisory group. It meets three or four times a year, and we take its advice on various rural issues. The RDC is working on our rural framework for Scotland, which is a specific piece of work that will consider some of the issues that you are alluding to. The framework will come out relatively soon—

Bruce Beveridge (Scottish Government Rural and Environment Directorate): Next month.

Richard Lochhead: We hope to have the first draft of the rural framework next month. It will go out to consultation, and hopefully the committee can have some input. The framework will address how we can pull together all the areas to which you referred, such as agricultural policy, forestry policy and energy policy. Its purpose is to consider how we can have more viable rural communities and a prosperous rural Scotland by taking into account all the big opportunities that are available in the 21st century, possibly including some of the issues that we are discussing in the land use strategy. How can we make our energy resource work for rural Scotland? How can we make food work for rural Scotland? How can we create jobs and economic activity?

Peter Peacock: That is interesting—I look forward to seeing the framework in due course, as I am sure others do.

Dr Waterhouse on the previous panel gave us a fairly graphic description of what is beginning to happen in some rural communities because of the impact of the decline in sheep and cattle numbers. Broadly speaking, people are pulling in from the higher ground down to the slightly lower ground and abandoning bits of the hill that previously had grazing on them. Their units are therefore becoming less financially viable, and some of them are having to look for alternative jobs or part-time employment in the local village or town. However, that raises the issue of whether, if someone is taking their sheep off a bit of the hill, they might put forestry on it. Could they put a run-of-river hydro scheme on it, or some wind turbines? Could they dam up the drains to re-wet what was previously bog?

What systems and programmes are available to farmers when they start thinking about coming down the hill a bit and rethinking their approach to their future? How are such programmes co-ordinated so that farmers can think about all those options and presumably many more? Would the type of framework that you are talking about try to package those things and target support at those farmers so that they can think about a range of options? Clearly, that means that you would have to pull together five, six, seven, eight, nine or 10 streams of Government programmes to allow that farmer to rethink and recast his whole future. Is that what will come out of that work?

11:30

Richard Lochhead: Yes, but various current work streams have the potential to go down that road. The previous Administration decided to take an outcomes-based approach to the rural development programme, which was perhaps the first stab at taking such an approach.

Looking to the future, last week I was at the all-energy 2010 conference in Aberdeen, which was a massive event with a focus on renewable energy. A great buzz was created at the exhibition—I know that the convener was there, too—by the number of farmers who attended and the number of renewable energy companies that were touting for farmers' business. That is seen as a new avenue and income stream for many farmers, agricultural businesses and land managers in Scotland. We are thinking about how to exploit that opportunity for agriculture. In the past 12 months alone, it is amazing how the agricultural community has come to believe that there is a huge opportunity in renewable energy.

There is an opportunity to diversify income and activity on the hills. I hope that there will be less reason in future for people to come down the hill if there is more of an income stream to keep them there.

Peter Peacock: If I accept what you say—I recognise that there is a direction of travel here—do you believe that there is a current deficit in the support that we give to the agricultural community through the change process? I know that people can apply to the SDRP, but they have to know about it and how to work it before they get there. Is enough advice available? Is there a lack of support to help people decide whether to apply for a renewable device or to get another grant from a different strand of the agricultural programme to do something entirely different?

Richard Lochhead: A substantial amount of advice and support is available—indeed, the Scottish Agricultural College, from which you heard evidence previously, is heavily involved in that. I accept that there is huge potential to take that to the next level and the Government is looking at ways to support that. However, you must also ask yourself the primary question—what is the purpose of agriculture?—and following on from that, what is the purpose of agricultural support? That is very much the backdrop to your evidence gathering. Those questions are linked to the Pack inquiry that we are holding and to the future of the common agricultural policy in Europe. Before we start to drive agriculture down any particular road—obviously, the industry is having the same debate—we must ask what its purpose is and whether it is to have a variety of roles. That is the big debate at the moment.

John Scott: One of the things that unites the committee is our concern about community viability in the most remote and fragile areas. All our work suggests that. A particular barrier is the lack of funding, for historic and other reasons, in the SRDP scheme. What efforts are you making to address that? The MLURI paper suggests that we have the lowest funding of that type of any regional or member state in Europe. I know the reasons for that, but what you are doing to address the situation?

Richard Lochhead: It is a big and frustrating issue. You are right that we have the lowest level of rural development funding in the UK, and we also have the lowest level in Europe. We are bottom of the league by a long way because European allocations are based on historic allocation in member states. In the 1990s and earlier, domestic expenditure on rural development was very low, so when the EU started funding rural development it based its allocations on those historic levels in member states and we lost out big time.

To give you an illustration, our allocation of EU funding for the rural development regulations from 2007 to 2013 is £246 million. Because of that, we have to make a greater domestic contribution to the SRDP to have a decent level of funding to begin with. Finland and Ireland have similar profiles to Scotland and are similar-sized countries, yet our allocation of funding is £246 million whereas Finland gets £1.4 billion and Ireland gets £1.6 billion. You are correct to highlight that point.

John Scott: We are where we are, which is a matter of regret to everyone on the committee. Notwithstanding that, what will you do about it in respect of CAP reform?

Richard Lochhead: We have made that point whenever the opportunity has arisen, with Brussels and with the UK Government, but the best opportunity for us to do so will not arise until the negotiations are under way for the next round of funding, so we will have to wait for that to happen. When the allocation keys for rural development funding are being considered as part of the next budget, we will have to try our hardest to influence that debate, so that it is not based on historic allocations in member states. Of course, the new member states did not have historic allocations, so they get quite a good deal. We have a lot of catching up to do. It would have been helpful to have that amount of investment available for rural communities in Scotland.

Karen Gillon: You mentioned rural areas in relation to energy and, in particular, renewable energy, which is understandable. One issue that came up in the previous evidence session was the need for a strategy on where it will be appropriate

to have wind farms on agricultural land and the positive and negative impacts that they can have on hill farms. What work has your department done to assess those issues?

Richard Lochhead: The locational strategies for renewable energy are not directly in my remit, but Jim Mather's team has done a lot of work on the issue and I am sure that we can arrange for you to get some information on that. Over the past few years, there have been a number of locational strategies. Some local authorities have had their own strategies and MLURI has been involved in drawing up some locational strategies, probably more for the commercial sector, so that the developers know where the most likely places to go are. A lot of work has been done on that.

Karen Gillon: Has your department had any input into that work? We heard in evidence that where wind farms go and how they work has an impact on agricultural production.

Richard Lochhead: We generally have an input on that. I do not have the information in front of me, but I would be happy to get back to you. Ironically, the main contact that we have is from farmers and landowners who want to erect renewable energy devices and are finding it difficult either because of the planning system in their local areas, which they find quite frustrating, or because they cannot get on to the grid as there is no connection to it. There is certainly a big demand.

Karen Gillon: I understand that there is huge demand. In such circumstances, it is important to ensure that we do not allow that demand and the policy in favour of renewable energy to be detrimental to the land use policy. There must be joined-up thinking. I support the installation of wind turbines, but we must do it in a way that shows that we understand its impact on hill farming and on peatland, and how that all works together.

Richard Lochhead: That is a very good point. Most of the guidance and the locational strategies are based on the cumulative effect of wind turbines, whereas what we are speaking about now is not the impact of wind farms as such but the impact of wind turbines on a farm. You are probably right to identify that more work needs to be done on that aspect, because most of the effort has been on the wind farms.

Elaine Murray: My concern is similar to the one that Karen Gillon outlined. We heard evidence this morning that it might not be appropriate for wind farms or individual turbines to be erected on some soil types, because disturbing the soil might release more carbon than using the wind turbines would prevent from being formed. I can understand why farmers are attracted to the potential income that they can get from erecting wind turbines, but doing so may not be the best possible alternative use of the land.

Should more be done to develop a more holistic view of how individual pieces of land can be used, and of what public policy requires farmers to do? That message is perhaps not being conveyed. Peter Peacock referred to that issue. There are possibilities through rehydrating peatlands, through forestry and even through shorter-rotation crops, if that is possible on the land concerned. The wind turbine is an obvious solution as far as income is concerned, but it might not be the best solution. Could the Government or other organisations do more to highlight all the possible opportunities and how they can be supported?

Richard Lochhead: Many wind farm developers to whom I have spoken recently have explained what hoops they have to jump through when it comes to environmental assessments of where they locate their wind farms. The impacts on peatlands and so on are taken into account currently when consideration is given to where wind farms are located. Your question might be wider than that. We must ensure that the same consideration is taken regarding individual turbines on farms. I will take away the point as it relates to the land use strategy, so as to understand better how we are addressing the matter. It is the sort of issue that I hope the land use strategy will touch on.

Liam McArthur: I take you back to a point that John Scott raised. On the disparity among rates of spend, not just within the UK but across the EU—you have rehearsed some of the figures this morning—we heard in evidence from the first panel of witnesses a fortnight ago that if we are considering recasting pillar 1 funding away from the historical basis of payment to a basis determined by need for and delivery of a range of public goods, as under pillar 2, adopting exactly the same approach is essential and justified.

Professor Jeff Maxwell indicated that sympathy for that line of argument had been expressed in discussions with the European Commission. I appreciate that there will be many twists and turns through the negotiations, but I am keen to know what modelling you and your officials have done on how a needs-based approach to rural development funding would break down. At the various points in the negotiations where the argument needs to be made, the point should be put in the strongest possible terms.

Richard Lochhead: That is a good point. We must understand what the various scenarios are before we take decisions about what we want the future common agricultural policy to look like and how it should be delivered in Scotland. Modelling of the different scenarios is not finished, but it is under way. We have to be conscious of that, given

that the Pack inquiry is taking place and we want Brian Pack to be aware of the different scenarios before final conclusions are reached. He is conscious of that, too. We must take into account the timescale for the modelling and the timescale for Brian Pack to deliver his final recommendations.

Liam McArthur: Can you indicate a timeframe for that? There is concern that Brian Pack has been handed a challenging undertaking, all the more so because the argument about how the total spending is recalibrated in different member states has not been resolved. He is dividing up a cake that might be smaller than it needs to be.

Richard Lochhead: That is a fair point, and there are two elements to it. First, we are trying to guess what the scenarios are, and then we will model them. Secondly, we need to understand the Commission's thinking on what those scenarios might be, so that we model the right ones, but we do not know yet, as the Commission is taking a bit longer with its communications on the future of the CAP. We are trying to coincide our work here in Scotland with other people's timetables. I am in Brian Pack's hands as to how he wishes to handle that. I know that he wants the modelling information to be available to help him decide what is best for Scotland.

David Barnes might—I hope—be able to add something on the timescale for the modelling, as he is involved in commissioning it.

David Barnes (Scottish Government Rural and Environment Directorate): Yes. My voice is not great this morning, so apologies if I splutter a little.

Having taken evidence and had detailed discussions with stakeholders and officials, Brian Pack has put the Macaulay institute to work on running a number of different models. That is proving quite complex, not least because in moving to a new system for pillar 1 of the CAP, land that has been outside the existing farm support system might come under any new one. That has been the pattern in other parts of Europe where the option to move to an area-based system has been taken. It is relatively easy to produce models based on land for which we have lots of data, but it is rather more difficult to work out how to build into models land that has been outside of the system, because we have fewer data on it. The modellers have to try to make sensible estimates of how much of that land might come into the system. Will there be a simple net increase or will there be an offsetting move of other land out of the system? Where in Scotland would that take place? All of that is proving quite complicated.

11:45

I understand that Brian Pack was hoping to have some information from Macaulay relatively soon, but the time pressure is difficult. I am not an information technology expert, but I am told that the models are sufficiently complex that, having pressed the button, it takes several days to churn out the results, and therefore if a number of different scenarios are being considered, that takes time. The uncertainties are such that the next job will be to consider the output of those models and whether they ring true. The degree of assumption making is such that we need that quality control before we are able to say that the model is robust enough that we can base future policy on it.

Liam McArthur: There is no doubt that the work is complex. From the interaction that you have had with Commission officials, or that the cabinet secretary has had with the commissioner, are you picking up, like Professor Maxwell did, that there is sympathy in the Commission for this direction of travel in relation to rural development spend?

Richard Lochhead: Which direction of travel?

Liam McArthur: A move from an historic basis to a needs basis for pillar 2 funding.

Richard Lochhead: There is an expectation that we will move away from an historic basis.

Liam McArthur: On pillar 2 as well as pillar 1?

Richard Lochhead: We have not really had any signals yet on the Commission's thinking on pillar 2. I am not sure whether David Barnes has picked up anything different.

The Convener: We will come back to that. It is not totally relevant to what we are discussing now. We are at question 2. There are 16 questions and time is moving on.

Elaine Murray: Question 7 has been asked so we can rub that one out.

You will be aware that the previous Scottish Executive set a target—which I think your Government agreed with—of reaching 25 per cent forest cover by 2015. Planting rates are decreasing, and seem to be at their lowest level since the 1940s. Willie Towers, in the first panel, said that the 10,000 hectare target had not been met. What is your assessment of progress towards that target? Willie suggested that the target should be revisited. What is your view on that? In what context would you consider revisiting it?

Richard Lochhead: Although nothing is set in stone, we have no intention of revisiting the targets. Our forestry strategy, which was published relatively recently, reaffirmed the existing target, which we inherited from the previous Administration. You are right about the low levels

of planting, which is a cause for concern. Putting that into context, we had a low level of planting in the late 1990s and early 2000s. It picked up then dipped again, which coincided with the start of the new rural development programme. Obviously, that took a bit of time to get off the ground. At that point, the economics were pretty poor for plantings. Many people were saying that it was just not economical to plant at that time. Those two factors influenced the planting rate. Thankfully, the signs are that the rate will pick up quite rapidly, although I do not deny for a second that it will still be a challenge. The Government—whoever it is in the next few years—will have to keep coming up with innovative, creative ways to accelerate plantings.

Elaine Murray: Does that form part of your thinking on the rural development programme and on whether there should be more emphasis on incentivising forestry planting?

Richard Lochhead: We should not rule out anything at the moment, and we should not rush into decisions. I currently have on my desk the applications from the regional proposal assessment committees for the next round of funding under the rural development programme. Those have just come to me over the past day or two, and we will be making an announcement shortly. I have not looked at them all in detail yet, but there are some substantial applications for plantings and woodlands. That is a further sign that things are picking up again. We must not rush into decisions, but we are always looking for new opportunities.

David Barnes: At a more technical level, we have been making modest but continuing improvements to the SRDP afforestation programme. We introduced a fast-track system for the approvals process for tree planting projects. With ConFor, we have been closely examining individual payment rates. For example, it asked us to update payments for fencing around plantations, because costs had gone up and the rates were therefore out of date, and we have done that on a continuing basis. A lot of the modifications that we have made to the SRDP over the past couple of years have been in response to technical requests of that sort from the forestry sector. Those measures are modest, but we hope that they have been helpful.

John Scott: I will put my question more directly. I note that you have no intention to revisit the targets, but would you accept that the planting targets are unrealistic, given the competing use and the emerging science? Realistically, the only places left to plant are on organic upland soils—on land that is essentially key to any future expansion for food production and food security. That land should therefore not be used for planting—and there is nowhere else left to plant, given that we cannot plant on peat soils and that trees do not grow above 1,300ft or 1,400ft.

Richard Lochhead: That is indeed a direct question. If we thought that that were the case, and if we had the evidence, we would not have commissioned a land use strategy for Scotland. I hope that the land use strategy will address such issues, so that we understand better the land's capability for meeting some of the targets that we have been discussing.

There are many different debates that tie into each other. The whole issue of land being abandoned is of concern to everyone, and it relates directly to the hills, and to other issues. I am not sure whether you are saying that that land cannot be used for forestry.

John Scott: Much of the land that is being abandoned is in the north and west, and if the soils are not pure peat, they are often black topped, so they are not realistic places for planting timber, simply because of the carbon displacement.

Richard Lochhead: There are lots of examples around the country. At Drummuir estate, where I was yesterday, we find a patchwork of land where, within a few thousand acres, there is a site where a wind farm will be erected; there are three or four tenanted farms with livestock and arable production; there are forestry plantations and forestry to provide shelters on the farms; and there are further small plots within the farms. That is an example of integrated land use.

In theory, if that were replicated across Scotland, we would be able to increase forestry cover or plantings dramatically. I am not saying that that is suitable everywhere, but the purpose of the land use strategy is to see what untapped potential there is for integrated land use of the sort that I have described.

The messages that I get from people who have a vested interest, particularly in the forestry sector, is that we are more than capable of meeting our targets, if we put in place the right policies. We have to safeguard prime agricultural land, but integrated land use could allow us to reconcile many of our targets. We will be guided by the land use strategy.

Bill Wilson: You talked about innovative and creative approaches and new opportunities, which I am delighted to hear about. During the past decade or so, there has been serious discussion about the possibility of developing commercial forestry in cities and larger towns, but as far as I am aware that is not being done in Scotland. Are you prepared to consider that approach?

Richard Lochhead: I am always happy to consider new ideas. I was in Aberdeen a few weeks ago, to help to plant the first seedlings for new woodland at Seaton, adjacent to the high-rises.

I guess that most woodland in and around our towns is mixed broad-leaved woodland, which is not productive for commercial purposes. I am interested in whether what you suggest is possible, but I am not sure that it would be acceptable everywhere, because the purpose of having woodland in and around towns is to bring benefits in health and wellbeing—

Bill Wilson: That is true, but it is not envisaged that people would go into the streets and clear fell sections of woodlands. It takes time to build up a variable age group among trees, so that yield can be taken without clearing the woodland. The potential exists, and in light of John Scott's comments about the lack of land it would be nice to know whether you will examine such possibilities.

Richard Lochhead: I will certainly reflect on the issue and I will be interested to find out where the debate on it has got to in the Forestry Commission. Currently, the emphasis is on encouraging productive plantings, but many plantings in Scotland are for mixed, broad-leaved woodlands.

John Scott: The RSE told us in evidence that farm support should be targeted at

"our more vulnerable agricultural activities".—[*Official Report, Rural Affairs and Environment Committee*, 12 May 2010; c 2641.]

Do you agree? Also, what might be the effects of implementing the Pack inquiry's interim proposals?

Richard Lochhead: I would much rather wait and see the Pack inquiry's final proposals before I answer your question about the extent to which we should be directing support towards the most vulnerable areas. I have said, and I am happy to put on the record again, that we have to target support at areas where there are certain disadvantages, therefore we are supporting and have enhanced LFASS. We have given a commitment and we want that kind of direct support for the hills and uplands to continue.

We must await the outcome of the Pack inquiry. I asked the inquiry to consider those issues, and I will not usurp it. However, direct support in the most vulnerable areas is not a magic bullet that will solve all the problems. We must consider agricultural policy in those areas, over and above direct support.

John Scott: David Barnes talked about a move to an area-based system. Is it still your intention that activity should be a key component of any such system?

On the criteria for assessing disadvantage, I talked to the first panel about the effect of wind chill. We have an enormous wind resource in Scotland, but wind chill is highly detrimental to livestock, particularly in the west of Scotland. In the European context, will you consider pressing for wind chill to be one of the criteria?

12:00

Richard Lochhead: The answer to your first question is yes. It is a central objective in terms of the Pack inquiry and our future agricultural policy to support genuine agricultural activity. The historical system will become increasingly untenable because new entrants are locked out of getting direct support if they were not active back when people had to build up their record of receiving support. Ironically, people who are becoming less active will continue to receive support. That is untenable, because we are not rewarding activity, so we are keen to move away from the historical basis at an appropriate pace. Again, that is something on which we hope the Pack inquiry will advise us. We will hear Scotland's views when we have the final recommendations.

John Scott: Finally, I would like to ask you whether the benefits that are provided by farming in LFAs—that is, public goods—are adequately measured and monitored. Do we need a better definition of the rationale for the support?

Richard Lochhead: I was about to answer your second question from earlier, but I will link your third question to the second question. The second question was on the criteria for assessing disadvantage. Under our discussions with the EU, which is considering what the LFASS should look like post 2013, we have submitted maps of what less favoured areas in Scotland would look like given the criteria that have been laid down for us. The EU suggested eight biophysical criteria, including temperature, climate and soil quality. I ask Roy McLachlan whether wind chill is one of the biophysical criteria that Europe has considered for measuring disadvantage.

Roy McLachlan (Scottish Government Rural Payments and Inspections Directorate): I am sure that the committee heard extensive comments on the matter from Willie Towers earlier. Wind chill is not specifically included in the eight biophysical criteria, although low temperature is included, as is accumulated temperature. Our approach has been to take the eight criteria that Brussels has given us, to see how they would impact on Scotland, and to consider whether they would indeed take into

account the exposure that areas get, particularly in the west of Scotland.

Richard Lochhead: Your final question was about how we measure public goods that are delivered in disadvantaged areas. LFASS is based largely on environmental criteria, but the Government and—I think—the agricultural community recognise that there are other public goods in addition to the maintenance of agriculture, such as the maintenance of populations in remote areas. We recognise those public goods. How we measure them is always a good question, and an even more difficult question is how we value them in return for the direct support that we give to producers.

A perhaps unavoidable flaw with the CAP is that it is difficult to put a value on those public goods. Research is taking place in various guises on how we value them, but in general, as we all know, the CAP allocates budgets, each member state looks at its budget, the Scottish Government looks at its budget, and we then decide how to allocate our budget to our agricultural communities. We start off with a cake and we divvy it up, and that is how we judge the value. It is a question of trying to cope with the limited cake that we have to divide up between different agricultural sectors. How we value public goods is part of the debate about the future of the CAP.

John Scott: Thank you.

The Convener: Liam, do you want to continue with questions on LFAs?

Liam McArthur: I want to pick up the cabinet secretary's point about farmers being locked out on the basis of historical payments and about that sometimes being attached to limited or no activity. Can you confirm that, under EC regulation 73/2009, it is open to member states to ensure that no direct payments are granted to someone

"(a) whose agricultural activities form only an insignificant part of its overall economic activities; or

(b) whose principal business or company objects do not consist of exercising an agricultural activity"?

That suggests that there is more scope for you to deal with the issue of slipper farmers than has perhaps been indicated previously.

Richard Lochhead: That article could be part of a solution, but it is not, in itself, a solution to how we stop giving support to those who are inactive. First, we have to define what is activity and what is not before we start withdrawing support from any business or individual. On a more technical point, the regulation that you quote is designed, I guess, to ensure that we do not pay support to businesses that are basically not agricultural businesses. The cases that we are talking about are about people who have land in Scotland, and it might be naked acres or land that they have bought elsewhere in Scotland so that they qualify under the minimum conditions that they are required to meet to receive direct support.

The second difficulty is that using that regulation could catch people who are involved in agricultural production but for whom it is not the primary focus of their business, and that is not our position in Scotland. We do not withdraw support from people who have a diverse income. An example could be a crofter who drives a truck for the local council. Agriculture might not be his primary activity. Are we saying that we want to withdraw all support from him? What about a farm that has a large renewable energy business? How do we define the primary purpose of that business? Is it the anaerobic digester or agricultural production?

If we had identified that article as a simple solution, I am sure that this Government or someone else would have spotted it and used it by now. The article might form part of a solution, but it will not solve the problem that we are trying to solve in Scotland.

Liam McArthur: I accept that there are complexities in the detail and how it is applied, but the opportunity certainly exists.

You are going through a rebasing exercise for LFAs, and I presume that there will be similar issues to the ones that you have just described in relation to single farm payments. What do you expect the outcome of that rebasing exercise to be? When do you expect the changes to come into effect?

Richard Lochhead: Are you talking about LFASS?

Liam McArthur: Yes.

Richard Lochhead: We are rebasing LFASS for the next payments. We have been discussing with the industry how to do the rebasing exercise. The idea is to establish a minimum stocking level, and those who do not meet it will be deemed to be less active than before, or inactive.

The industry said that it wants us to investigate having two or three categories of minimum stocking levels in Scotland. In other words, it might be unfair to treat someone in Sutherland on the same basis as we treat someone in a better area who finds it easier to achieve the minimum stocking level. That is, it might be more difficult for someone in a more disadvantaged area of Scotland to achieve the same minimum stocking level as someone elsewhere. The industry said that we should rebase to capture those who are inactive, but instead of having one minimum stocking level for the whole of Scotland perhaps we should have stocking levels that take into account local circumstances. That is what we are

working on with the industry just now, and we will make a decision on that shortly. I think that we have received the industry's advice through our working group. Is that right, David? I ask David Barnes to clarify the timescale.

David Barnes: We have done an awful lot of work with a technical working group of stakeholders that met for the last time last Friday. At that meeting, although there was not full consensus among the organisations on the group, we clarified the views of the membership so that the Government is now in a position to consider those views, look at the results of the complex set of modelling that was done, and we hope take decisions. Changes will have to be approved by the European Commission as a modification to the SRDP, and that process takes a minimum of four to six months. The process will be that the cabinet secretary will take a decision, and a modification will be prepared and submitted to Brussels, with a view to approval by the end of the year and implementation in 2011.

Liam McArthur: That is helpful. As part of that process, do you envisage continuing the distinctions between standard, fragile and very fragile areas?

Richard Lochhead: Yes, we will distinguish between those three categories. However, one of the motivations for the industry suggesting to us an alternative way of measuring minimum stocking densities and activity was the view that we have already delivered more support to the fragile and very fragile areas, but some hill farmers in the standard areas are perhaps equally deserving of a bit more support or more appropriate support. That will no doubt have an impact on our final decision. I should have clarified that the funding that is saved through our not giving support to those who are inactive will be recycled.

Aileen Campbell: We have spoken about rewarding activity in agricultural production. Is there scope to recouple support to production? Is there any impediment to that because of international trade rules? Do they affect anything?

Richard Lochhead: Are you asking how international trade rules affect what we can couple and decouple?

Aileen Campbell: I am talking about potentially distorting markets if domestic production is favoured.

Richard Lochhead: David Barnes will correct me if I am wrong, because this is a technical subject, but once you have decoupled, it is a lot more difficult to recouple. At the moment we have one scheme left in Scotland, which is the beef calf scheme. We are able to keep it, because we had it before. Once you decouple, you cannot really recouple, because of international trade rules and World Trade Organization agreements. You are right that the European Union is very sensitive towards international agreements, which is why there is no appetite for recoupling.

Aileen Campbell: You said in your opening statement that the Government is acutely aware of the falling levels of livestock, which are back to 1950s and 1960s levels. NFUS has said that the current high prices are acting as a disincentive to continuing in the industry. They are almost a route out—people take the payment and go. How much of a concern is the downward trend to the Scottish Government, given the wider impact that we have heard it has on rural communities, tourism and other related industries?

Richard Lochhead: We are concerned about the steep decline in livestock in some parts of the country—the decline varies in different parts of the country. However, farming is a business and those who are committed to making a success of their business are more likely to be the ones who remain in the sector. Therefore, the farmers who are saying that the prices are so good just now that they want to get out are clearly less committed than the ones who want to stay in, who think, "I'm getting a good price for my product. I'm going to make it even better so I get an even better price in future, and I'm going to make a success of my business."

It is not really up to Government ministers or anyone else to decide how many sheep there should be on the hills of Scotland. Farming is a business, with a market environment. We want to maintain agricultural production in all parts of Scotland where it is feasible. Some areas of Scotland require more direct support than others to achieve that because of disadvantages. People should not be at a disadvantage carrying out agricultural production in the more remote, hilly areas rather than in other areas and we need the support system that we have to recognise that. Hence, we have LFASS, which is part of the debate in the Pack inquiry.

We should not be too obsessed with numbers. We should be concerned if there is a decline in farmers, farming businesses, farms and production, but production is not just about numbers. As you have heard from previous witnesses, the production of lamb has not declined at the same rate as sheep numbers have.

As colleagues were saying to me before, a few years ago if it had four legs and breathed, you kept it because it got a subsidy. Now, I hope, we are a bit more business and market oriented, and it is quality that matters. Ultimately, the success of any business, whether it is on a hill or anywhere else, is determined not only by one side of the equation, the direct subsidy, but by the other side, which is the success that people make of the

product—its quality and how they market it. Both ingredients are needed to make a successful business. Therefore, although we are very concerned, we should not say that the numbers are the be all and end all.

12:15

Aileen Campbell: I suppose that there is a heightened awareness of quality at the moment. People want to buy good-quality produce, and it is a case of marrying the desire for high-quality local produce with an approach that makes the industry attractive to people.

With the previous panel, we talked about a number of different reasons for the reduction in the numbers of farmers and livestock. They included land abandonment, downsizing and consolidation of farms. Does the Government have any updated information or an updated picture of the particular issues?

Richard Lochhead: There are a number of indicators in which we are more involved. For instance, the number of claims for LFASS gives us an indication of how many productive businesses there are in the more remote areas. That number is not declining. We also look at price trends and livestock number trends as health indicators of hill farming in Scotland. We use what land is claimed for to measure land abandonment. If people are not claiming for land, presumably it is not productive. That is really where we take our information from.

Of course, a lot of work has been done on the issue. Many of the reports have highlighted the problems and challenges, but it is always a bit more difficult to highlight solutions, as you will have seen from the reports.

Karen Gillon: Is it your intention to argue for the retention of the beef calf scheme in future negotiations?

Also, one issue that has come up, with our previous panel and with others, is the lack of people coming in, not only to farming but to be trained as shepherds or to do the walls. Is there any plan to do a national analysis of where the skills gaps are? What work can be done to encourage new people into farming—not necessarily into owning a farm but into being part of the farming community? There seems to be evidence that those people are dropping away.

Finally—I am going all over the place, Richard, but I want to ask about this—Scottish consumption of lamb and mutton is lower than we would want it to be. What steps are you taking to increase that? Price may obviously be a factor. How will the current economic situation affect people's ability to buy produce at the higher end of the market?

Richard Lochhead: There are two or three themes in that. The first is very important, which is the future lifeblood of the industry in Scotland. We are all concerned by the aging profile of farmers, but we do not always get the true picture, because the statistics show the head of the farm, and the people who work the farm are often a bit younger than the people who are the head of it. I do not deny that there is an issue, but it is difficult to get a precise picture of the age profile of active farmers in Scotland.

We should add to that the fact that the colleges have hugely increased intakes. We read a lot of doom and gloom in our newspapers, with headlines all over the place, but I was told yesterday by a young farmer that his course had something like 70 applications compared with about 20 a year or two ago. That is anecdotal, but I have heard from the colleges themselves that the number of applications for agricultural courses is much higher. That is a good sign—and I have even heard that courses are oversubscribed in one or two colleges.

If the opportunities are there, it is clear that young people see a future in agriculture, which is a healthy sign. We must sell a good, positive message about farming. It is good to be in the food business—I think that the business is a bit sexier than it used to be. Other industries that attracted young people in rural Scotland are perhaps not as attractive as they used to be, and people are more interested in entering the manufacturing and production sectors, which I hope will work in agriculture's favour. Farming is not about rearing livestock and forgetting about it as it leaves the farm gate; it has much more to do with food production, marketing and so on, so the professional dimension is attracting many young people.

The signs for the future are not as bleak as some people make them out to be. There are big obstacles, and in the SRDP we have tried our best to enhance some of the measures that are available to reduce obstacles. We can give support towards the purchase of livestock and there are other measures, such as low-interest loans—although in the current financial climate in Scotland the effect of such measures is somewhat cancelled out, given that all loans are cheaper to access. Many SRDP schemes give upratings of 10 per cent or more for new entrants over ordinary applicants.

We have given Lantra, the sector skills council for environmental and land-based industries, support for another three years. The organisation is involved in many good initiatives to attract young people into agriculture. I am not sure whether members were at the awards dinner a few months ago—I think that the deputy convener was

there—when it was encouraging to see young people from all over Scotland winning awards for land-based industries, including agriculture.

We give as much support as we can. However, until young people have a more positive view of agriculture, it will be challenging to attract more of them into the profession. We hear much doom and gloom, rather than the good news about agriculture. The industry has a responsibility to put positive messages into the public domain.

Karen Gillon: Will you argue for the retention of the beef calf scheme?

Richard Lochhead: I do not want to pre-empt the Pack inquiry, which is considering the issue. All that we managed to negotiate was the continuation of the scheme for the remainder of the duration of the current common agricultural policy, so it is in place only until 2013. At the time of the negotiations, the mood music from the Commission was that the scheme was unlikely to continue after 2013. However, times change and if there is a good argument for retaining the scheme, we will put it forward.

As you said, we consume less lamb in Scotland than is the case in many other countries. That is unfortunate, given that we are good at producing quality lamb. I am told that lamb sales in Scotland are picking up—I am not sure to what extent—but there is much more work to be done. We work with Quality Meat Scotland, which runs good campaigns to increase lamb consumption and does good work with young people in schools, to influence their eating habits by introducing them to the good red-meat products in this country.

The Convener: I thank the witnesses for attending. If anything occurs to you after the meeting that you want to share with the committee, feel free to write to the clerks, to inform our conclusions.

That concludes the final evidence-taking session in our inquiry into Scotland's hills and islands, and the public part of the meeting.

12:24

Meeting continued in private until 13:08.

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