

**The Foundation for Science and Technology
Meeting on Rural Development Policy at The Royal Society of Edinburgh
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First of all may I thank the Foundation for giving me the opportunity of saying a few words on this important topic of the future of Scotland's Hill and Island areas. I would also compliment the Royal Society for taking the initiative to hold an inquiry into the future of this very comprehensive subject which has been a matter of concern now over a lengthy period of time and involves not only economic implications but also, very importantly both environmental and social consequences as well.

Of course we are not alone as a country with such areas; we certainly have a major share of this type of land. Some 83% of the land mass of Scotland comes into the EU's less favoured area category.

Perhaps you will forgive me if, as a farmer, I begin with what I consider the role of agriculture in these areas in economic terms. Because I do still believe that agriculture in its widest sense is still one of the main pillars of the economy in these rural areas. The main pillar some years ago.

The largest manufacturing sector in Scotland is undoubtedly the food-processing sector. Total sales are now over £7.5 billion and it employs over 122,000 people and importantly 36% of imports in the FP sector come directly from Scottish Agriculture.

Now you will no doubt tell me that only about 2% of Scotland's GVA comes from Agriculture – 8% of UK's GVA – but what you may not appreciate is that the percentage of Agricultural GVA increases substantially in the more difficult regions. For example in Dumfries and Galloway 9% of GVA is from agriculture and in the Borders - 10%. In Argyll, Western Perthshire and Western Invernesshire - 12% and in Orkney - 14% and finally in Shetland - 20%. In addition it is largely these areas that are responsible for the higher quality of produce in which Scotland specialises. Incidentally just to indicate the future potential of our quality, a recent survey shows that some 42% of M&S customers and 48% of Waitrose customers are now prepared to actually pay a premium for the Scotch Quality Guarantee.

One of the recent changes in agriculture which is not helping things in these areas is of course the 2003 CAP reform in the shape of decoupling. There has always been some concern about the value of agricultural subsidies for sometime, even tonight and I have to say that as an industry we did not do enough to explain the real value of those subsidised in terms other than agriculture, for example, support of rural infrastructure or to quantify them. And just to put some perspective into our subsidies – Scotrail Rural Routes – Value for money. But, there is no doubt that decoupling has brought into focus the low

level of returns to hill farmers and many of them are now seriously considering their options.

The other extremely important function which is now an increasing responsibility of these areas is the achievement of what society now expects in terms of conservation and environment. I have no problem with that. If we are fortunate enough to have some of the most scenic environment in Europe, by all means let us make the most of it. I also support most of the current measures to protect our very special biodiversity. So where does our hill livestock industry fit in against these new requirements and expectations. But I have no doubt that whatever the future requirements, our LFA's have to meet they must be carried out by local people on the ground, people who know the ground and who know the local infrastructure. And so for both agricultural and environmental and tourist reasons it is critical to support the infrastructure and the social fabric of these areas. And that is the question which at present nobody appears willing to answer. Do you want the hills grazed or not and if you do, how is this requirement to be funded because once the Single Farm Payment runs out (2014?) and if there is no alternative funding then quite simply there will be little or no livestock in 90% of our LFA's.

But, you good people who are all involved in the rural areas and Government have to make up your minds because with no requirement with the SFP to maintain stock numbers and with the present lack of profitability in the hill livestock sector the temptation to put stock off, reduce labour, take things easier and live off the SFP without losing money is increasingly attractive. And remember once these acclimatised breeding stocks have been dispersed, it would take years to re-establish them.

What is the most important aspect of the Social Fabric? In my opinion it has to be the maintenance of the local people and the local services – the village school, post office, church and the local bus service and so on.

In this new conservation era it has become the "In thing" to talk about endangered species the most endangered species in our LFA's are people who live and work our less favourite areas. One of the most disheartening things and the real danger of all these changes is a further deterioration of that vital social fabric.

So, you will be saying, what can we actually do about this gloom and doom scenario which I have presented? We need to get more people back into the rural areas. Although the actual population of the Highlands and Islands is broadly static it is actually declining in the most rural country areas and increasing in the main centres. I believe that the new EU rural development programmes, which are currently being drawn up, offer us a unique opportunity. Why not, as part of this programme, introduce a labour subsidy, subject of course to certain criteria. After all it's not the first time that a labour unit input was subsidised and eligible for grant aid under some of the previous agricultural grant schemes. I well remember 2,200 hours of work made 1 labour unit. The farmer who was going to put stock off and reduce labour could well decide to keep them or even increase them if he was economically assisted to employ another man. I must make it clear that this labour unit subsidy would not only apply to agricultural employment. Conservation,

Environment, Tourism, Fish Farming, Forestry could all participate, subject to the necessary criteria. The most important of which would be the requirement to live and work in the appropriate local environment. They could for example be a differential rate of growth for those living up the glens compared to those in the village. For those of you who have doubts about this type of proposal let me tell you that the Agricultural committee of the European Parliament came within a whisper of approving such a scheme some 2 years ago and it was only set aside because of the then forthcoming review of the CAP.

To summarise, I think the most important aspect of the LFA's is to achieve a local economy that will protect and maintain the social fabric. The most important element of the social fabric is people. It is not impossible at this particular time when new development programmes are being drawn up to envisage such a scheme. One of the most important assessments of any scheme is to judge whether it gives good economic value to the taxpayer. I would be very interested to hear from you how and to what extent you value the social fabric.

My late father said every highland community has three wise men – Minister, Schoolmaster and Station Master. How many of these communities have the equivalent three wise men today?