

NORTH EAST SCOTLAND AGRICULTURE ADVISORY GROUP

COMMITTEE ROOM 1, WOODHILL HOUSE, ABERDEEN

WEDNESDAY, 23 November, 2016

Present: **Aberdeenshire Council** – Councillors W Howatson (Chair), D Stewart, A Duncan, K Farquhar, A Norrie and I Taylor (substitute for Cllr Pirie)
Aberdeen City Council – Councillors J Corall and A Nicoll.
Angus Council – Councillors B Myles, L Devine, J Gaul, D Lumgar.
Moray Council – Councillors G Coull, G Alexander.
Aberdeen & Grampian Chamber of Commerce – I Bonavino
Forestry Commission Scotland – J Nott
James Hutton Institute – Bill Slee
LANTRA – K Patrick
Opportunity North East – P Cook
Royal Institution of Chartered Surveyors – Larry Irwin
SAC Consulting – E Johnston
Scottish Enterprise – G Ford
SGRPID - J Kinnaird
JHI - Lee-Ann Sutherland
RSPB - Yvonne Stephan
Ringlink Service Manager- Peter Wood
ANM Group - Pat Machray
Visit Scotland – Neil Christison
SLE - David Fyffe

Officers: D McDonald, Industry Support Executive (Rural & Maritime),
J Davidson, Integrated Land Use Project Officer,
E Mathie, Industry Support Executive (Food & Drink)
S Stuart, Marketing and Events Officer, all Aberdeenshire Council.
Roddy Matheson.

In attendance: Gemma Mackenzie, Press & Journal

Apologies: Councillor H Partridge and L Pirie (Aberdeenshire Council);
Councillor J Morrison, R Grant and G Lawrence (Aberdeen City Council);
Roddy Catto, NFUS, Lorna Paterson, NFUS;
Alister Laing, Scottish Agriculture College SAC Consulting
Jo Robertson, Visit Scotland
Profs Ken Thomson and Deborah Roberts, Aberdeen University
Peter Wright, SEPA;
David Smart, RICS;

1. WELCOME, INTRODUCTIONS AND DECLARATIONS OF INTEREST

The Chair welcomed everyone present to the meeting. Members were asked if they had interests to declare. No declarations of interest were intimated.

2. MINUTE OF MEETING OF 18 NOVEMBER, 2015

The Minute of Meeting of 1 June 2016 was circulated and amendments were noted. The minutes were otherwise **approved** as a correct record.

3. MATTERS ARISING

Derek McDonald went through the action sheet from the last meeting to provide update on progress in respect of each point. There were no further matters arising.

4. PRESENTATION ON DIGITAL CONNECTIVITY IN ABERDEENSHIRE BY RODDY MATHESON

The Chair invited Roddy Matheson – Service Manager (Industry Sectors) Aberdeenshire Council to present an update on the current status of Digital Connectivity Project in Aberdeenshire. Mr Matheson gave a brief overview of three programmes currently in place.

1/ Rest of Scotland Programme (RSP) – Mr Matheson advised that RSP is Governmental-led programme which aimed at maximising the number of premises “passed by fibre”. This means that the cheapest premises were upgraded first which was to the detriment of rural addresses where there is a larger number of exchange only lines and “long lines”. Mr Matheson indicated that the programme will run until the end of 2017 by which time it is expected that some 89% of eligible addresses in Aberdeenshire will be passed by fibre, though the number able to access a 24 Mbps download speed will be lower than that primarily because of the large number of long lines. In Aberdeenshire the number not benefitting is almost 12,000 of the 66,000 premises upgraded so far. Mr Matheson continued to report that the other big challenges in Aberdeenshire are the wide distribution of premises and the number of exchange only (EO) lines which at 46% of the total is around twice the national average. Because EO lines are connected directly to the exchange they have to be dealt with individually, which makes it more expensive to upgrade them. Mr Matheson advised that without public intervention only around 25% of Aberdeenshire addresses would have been able to access fibre broadband. He further pointed out that BT is the only company with infrastructure in most rural areas and they did not find it commercially attractive to cover the remaining 75%. Mr Matheson indicated that the only solution on offer to premises not being passed by fibre is Ka band satellite and a scheme operating until 31 December allows householders to access a free installation (subject to survey). It was reported that so far the 300 installations have been commissioned in Aberdeenshire under the BDUK/Avanti satellite pilot.

2/ R100 – Mr Matheson advised that the said programme is the successor to the Rest of Scotland project and whilst it has not yet been defined, the Minister for Connectivity has announced that it will prioritise rural areas. The minimum speed being targeted is 30 Mbps and the aim is that 100% of addresses in Scotland can access a broadband service offering this download speed by 2021. Mr Matheson pointed out that no budget and no technologies have been identified to deliver this as yet. He further stated that the Universal Service Obligation announced in the last Queen’s Speech under David Cameron’s premiership that it will be expensive to deliver the aim and therefore a contribution from individual end users may be required. Communities wishing to “self-help” can consider a project involving Community Broadband Scotland (CBS) which is being refocused on helping communities develop, and operate their own service. Mr Matheson pointed out that the another option if fibre is nearby and there is a reasonably close cluster of premises is to enter a Community Fibre Partnership with BT. The Community is responsible for part funding the work and for doing some work in relation to agreeing wayleaves whilst BT “adopts” the infrastructure, so that the community has no maintenance costs to meet in future.

3/ Mobile Phone Service and Coverage Upgrades – Mr Matheson explained that at the end of 2014, the mobile network operators (Vodafone, Three, EE and O2) agreed with the Government to spend £5bn on new infrastructure to improve coverage and services by December 2017. The commitment made will see each operator offer 4G services to 90% of the UK’s land area (by region) and 95% of the population. Mr Matheson pointed that this is a significant improvement over previous coverage obligations which were based on population. He further listed other changes either agreed on or under consultation such as: Signal strength

to be measured indoors rather than outside; Commercial rates on masts in sparsely populated areas may be reduced /waived (50% of the operating costs of a mast are rent and rates); Rental for mast sites may move to a system of wayleave payments (as for pylons and poles) to make mast costs more uniform. Mr Matheson continued that the mobile phone operators have joined forces to mast share (Vodafone/O2 and EE/Three) in two groupings and these partnerships aim to deliver around 40 new masts in Aberdeenshire as well as upgrading most existing masts. He also reported that EE (which is now owned by BT) has won a Home Office contract to build a national emergency wireless network – this is scheduled to build around 500 masts of which approximately 380 would be in Scotland.

Mr Matheson concluded by stating that there will be a noticeable improvement in mobile phone coverage and services by December 2017 whilst significant improvements in fixed line rural broadband services are not likely to materialise at the same pace and whilst the 2021 aspiration is worthy, it may be difficult to deliver both technically and financially, without new technologies or methodologies being deployed.

Action point 1: Digital Connectivity in Aberdeenshire programme progress update to members at next meeting.

5. VERBAL UPDATE ON OPPORTUNITY NORTH EAST AND THE LOCAL DAIRY SECTOR BY PETER COOK

The Chair invited Peter Cook – the Director of Opportunity North East to present update on Opportunity North East (ONE) and the current position of the local dairy sector. Mr Cook introduced Mr Patrick Machray – the Vice Chair of ONE and also Chairman of Agriculture Food and Drink and invited him to provide Members with an overview of the ethos behind the emergence of ONE.

Mr Machray outlined that ONE is a private sector led and funded organisation, supported by key individuals from the business community aimed at identifying gaps and specific opportunities to foster innovation and supply chain development in the selected sectors to help grow, diversify and strengthen the North East economy. It was reported that ONE recognises the potential for growth of food, drink & agriculture sector in North East Scotland with scope for development in internationalisation, provenance, nutritional products and quality brands and is committed to investing its expertise in this sector. Mr Machray then continued with discussing the key areas in ONE's operation:

- Business growth - identifying the barriers to the growth of individual businesses and working with partners to fill the gaps and accelerate high potential businesses.
- Innovation - supporting the development of an Agri - Food & Nutrition Hub for Innovation, which will act as a beacon for businesses across the supply chain, embedding research, development and innovation in the sector.
- Strengthening the supply chain - from farm and fishery to consumer, so that it is a source of competitive advantage for the North East.
- Market development - bringing businesses to wider national and international market opportunities.
- Skills development - plugging food technology gaps, supporting young workers into the sector and building confidence and ambition.

Mr Machray commented that working with industry and partners to identify opportunities in the region, provide support for bringing them forward and stimulate changes remain ONE's core ambitions for next few years. He then concluded by stating that the emergence of ONE and its welcome commitment to drive business growth and innovation in agriculture food and drink in partnership with Scottish Enterprise, the councils and other partners is expected to be highly significant in helping to deliver a number of the recommendations and advance the sector's

wider interests. Discussion then followed on how to attract people in local food and drink produced in North East and take them away from the international brands.

Mr Cook then moved on to an update on current position of local dairy sector. It was noted that since Tullos dairy processing plant closed 8 months ago there had been a noticeable gap in the industry. 43 Farms had agreed to continue their contracts with Muller Wiseman factory at a cost of 1.75 pence per litre to transport the milk to Bellshill, near Glasgow, for processing. This was putting local producers at a major commercial disadvantage taking into account that returns from milk production are already very low. Mr Cook commented that few producers went on 'aligned' contracts in which the additional transport costs will be borne by the retail outlets they supply (totalling 28 million litres per annum). However, aligned producers were also concerned over the future prospects for the sector following the haulage charge precedent.

It was reported that jointly funded project aimed at examining viability of any alternatives processing options to help secure the future of local dairy production. The study went through two stages: first stage was about to investigate the wider market for dairy products. The general outcome was that it is difficult to assess the scale of demand, but there are certain opportunities in ingredients supply. The second stage encompass contacting potential investors to assess their interest in the local products. There were five businesses who were interested to invest in North East region. There are ongoing negotiations with three of them to examine the potential for further investment. It was agreed that Members will be advised of progress at the next meeting of NESAAAG.

Questions then followed on which area is mostly exposed to the excessive milk production, whereas there are any other initiatives or small scale studies looking at the potential markets for dairy products, and the number of milk producers interested in innovation and the level of their commitment to secure the access to new markets.

The Chair thanked Mr Cook and Mr Machray for two very comprehensive updates and requested speakers continue to attend NESAAAG to advise members of further developments at ONE.

Action point 2: Dairy Sector study progress update to members at next meeting.

6. PRESENTATION: BREXIT AND THE IMPLICATIONS FOR FARMING AND THE RURAL ECONOMY OF SCOTLAND BY PROF MICHAEL KEATING

The Chair welcomed Professor Michael Keating, Director of the Economic & Social Research Council (ESRC) Centre on Constitutional Change, to the meeting. Professor Keating delivered a presentation to members on the implications of Brexit for the farming and rural economy of Scotland. It was advised that Article 50 could be triggered in spring 2017 and the UK could formally leave the European Union in spring 2019. The two options of a 'Hard' or 'Soft' Brexit were highlighted to Members. In the event of a 'Soft' Brexit there would be Single Market access, however, there were uncertainties with regards to the trade of agriculture and goods. Whereas a 'Hard' Brexit would mean no access to the Single Market and trade tariffs would be incurred. Professor Keating provided the Group with an overview of current EU shares in UK trade and highlighted that 75% UK agriculture is exported to the EU especially to France, Germany and Ireland. It was highlighted that the EU may be at a slight advantage as EU to UK trade exceed UK to EU trade. Members also noted that arrangements for current long term EU workers in UK/Scotland would likely continue until a Brexit agreement had been arranged.

During discussion Members raised their concerns over the possible impacts of a 'Soft' or 'Hard' Brexit on farm business surpluses after subsidy since neither option provided reassuring figures.

The Chair thanked Professor Keating for a lively and informative presentation. Thereafter, it was **agreed** to note the information provided in the presentation.

7. UPDATE ON RINGLINK RURAL INTERSHIP BY PETER WOOD

The Chair invited Mr Peter Wood – Training Manager Ringlink Services Ltd to provide an update on Ringlink Rural Internship Programme to Members. Mr Wood advised that the agricultural internship project was developed in order to provide a structured introduction to a career in the land-based sector for young people. He reported that Ringlink raised sufficient resources from private sponsorship allowing to continue into 2016. The 2016 edition attracted 45 applicants for the 12 places - twelve interns have undertaken the training in June 2016 and eleven of them are on target to complete the six month course. It was pointed out that the internship model has been shown to work well and provide young people with a basic knowledge of agricultural industry along with useful skills in respect of first aid, risk assessment and health and safety procedures. Mr Wood highlighted the crucial role of site visits and work alongside the mentors under the programme in deploying knowledge and experience. Mr Wood continued with discussing the obstacles that the programme is currently facing. It was observed that the major challenges relate to the payment structure (programme subsidise the employment) and the financial viability of the project (programme entirely relies on the private sponsorship). The need for securing new source of funding was highlighted including potential contribution from local government and access to educational funding once programme would be developed into recognised qualification scheme.

Mr Wood outlined that the model is pretty unique and has potentials to grow. He reported that there is a ready demand from young people with a career interest in agriculture that exceeds supply and there are sufficient number of employers and mentors willing to invest time and effort in training interns. He concluded that main contributors to the scheme are now looking for opportunities to set up framework for developing the programme into pre-apprenticeship model that would equip participants with the recognised qualifications and competences.

During the discussion, Members emphasized the need for interactions with young people to find out how to best encourage them to step into industry and identify the further potentials for the programme. Mr Wood explained that although the programme is actively promoted to local school leavers, the project contributors look for options to promote career in agricultural industry and raise awareness of agricultural sector opportunities among young people

The Chair thanked Peter Wood for comprehensive update and requested to inform Members of further development at the next meeting of NASAAG.

After consideration, it was **agreed** to note the content of the update provided.

Action point 3: Ringlink Rural Internship Programme progress update to members at next meeting.

8. BULLETIN REPORT: SCOTTISH FARM ADVISORY SERVICE

There was circulated a bulletin report dated 23 November, 2016, by the Director of Infrastructure Services, which provided Members with information on newly launched Farm Advisory Service (FAS). The report detailed that the project was co-funded by the Scottish Government and EU and designed to provide information and access to variety of resources to Scottish farmers with a view to increase the profitability and sustainability of their farms and crofts. The new website has been created consisting of a number of online tools including the information on grant applications for Integrated Land Management Plans and Carbon Audits, calendar of farming as well as the establishment of dedicated telephone advice line.

Mr McDonald advised that the proposed Advisory Service is still under development stage and further tools are planned to be introduced in short-term to help farm business improve their financial performance. It was indicated that introduction of FAS is a positive development and it has significant role in helping farming sector facing future challenges and sharpen its technical and financial performance. Mr McDonald advised that Members will be kept informed of progress at the next meeting of NESAAG.

After discussion, Members **agreed** to note the information provided in the report.

Action point 4: Scottish Farm Advisory Service progress update to Members at future meeting.

9. ANY OTHER BUSINESS

Members expressed their concerns about the future of the agricultural sector after Brexit materialised. The Group discussed the role of NESAAG as the forum which brings alarming matters to the attention of the Scottish Government and suggested to highlight the issues discussed to the Scottish Executive with the view to call for actions. Members were invited to put forward their views and propositions to be included in open letter addressed to the Scottish Government.

Action point 5: Draft letter flagging up the issues discussed to be prepared and sent to the Scottish Government along with the minute from the this meeting of NESAAG.

10. DATE OF FUTURE MEETING

It was **noted** that the next meeting of the North East Scotland Agriculture Advisory Group was scheduled to take place on:

- Wednesday, 22 February, 2017 at 10.00 a.m. in Woodhill House, Aberdeen