

NORTH EAST SCOTLAND AGRICULTURE ADVISORY GROUP

VIRTUAL SKYPE MEETING

WEDNESDAY, 23 SEPTEMBER, 2020

Present:

- Aberdeen & Grampian Chamber of Commerce** – J Stevenson
- Aberdeenshire Council** – P Macari, Provost W Howatson (Chair), Councillors S Duncan, J Hutchison, J Ingram, D Robertson, I Taylor and J Whyte
- Aberdeen City Council** – Councillor N MacGregor
- Angus Council** - Councillors K Braes and B Myles
- JHI** - D Roberts, L Sutherland and K Thomson
- LANTRA Scotland** – S Howden
- Moray Council** – Councillor D Bremner
- NFU Scotland** - L Paterson, A Simpson and D Winton
- RSPB** - H Maggs
- SAC Consulting** - D Ross
- Scottish Agricultural Organisation Society** – J Booth
- Scottish Enterprise** – G Ford
- Scottish Forestry** – J Nott
- Scottish Land and Estates** – F Van Aardt and D Fyffe
- SEPA** - P Wright
- Visit Scotland** - J Robinson

Apologies:

- Aberdeen Chamber of Commerce** – C Philips (substituted by J Stevenson)
- Aberdeenshire Council** – B Miller (Substituted by P Macari)
- Agriculture and Rural Economy Directorate** – J Stuart
- Bank of Scotland** – P Reid
- LANTRA Scotland** - L Barron-Majerik
- Moray Council** – Councillor T Eagle
- MSP** – P Chapman
- NFUS** – Charlie Adam
- Scotland's Rural College** - K Black

Officers:

- Aberdeenshire Council** - J Harrold, Assistant Committee Officer and D McDonald, Industry Support Executive ED & PS (Aberdeenshire Council)

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. PUBLIC SECTOR EQUALITY DUTY

In taking decisions on the undernoted items of business, the Partnership **agreed**, in terms of Section 149 of the Equality Act 2010:-

- (1) to have due regard to the need to:-
 - (a) eliminate discrimination, harassment and victimisation;
 - (b) advance equality and opportunity between those who share a protected characteristic and persons who do not share it, and
 - (c) foster good relations between those who share a protected characteristic and persons who do not share it; and
- (2) to consider, where an equality impact assessment had been provided, its contents and to take those into consideration when reaching a decision.

3. MINUTE OF MEETING OF 27 NOVEMBER, 2019

The Minute of Meeting of 27 November, 2019 was circulated and **approved** as a correct record.

4. MATTERS ARISING

It was noted that the matters arising were covered on the agenda. Action points 1 and 2 are to be circulated to members after the meeting.

5. PRESENTATION: “AGRICULTURE IN A CHANGING SOCIO-POLITICAL CONTEXT” BY STEVEN THOMSON, SENIOR AGRICULTURAL ECONOMIST, SAC

The Chair introduced Steven Thomson, SAC Consulting’s Senior Agricultural Economist to the meeting to present an overview of the many factors influencing Scottish agriculture and their portrayal in the media, including consumer spending trends and political factors, most notably the UK Internal Market Bill, with particular regard to food standards. Mr Thomson noted that the Scottish Government has now reached Stage 3 of the Agriculture (Retained EU Law and Data) (Scotland) Bill, which provides flexibility on how agricultural policies can be delivered in Scotland. Mr Thomson described the many challenges facing the food manufacturing sector, including the combined effects of CV-19 and Brexit, though new opportunities are anticipated in US and Japanese markets.

The imposition of lockdown in March 2020 sparked stockpiling by consumers and led to empty supermarket shelves, driving increased short-term sales at smaller local stores. However supermarkets quickly adapted to exploit enhanced demand and local outlets have largely returned to historic market shares (2.6% of the market). Mr Thomson noted recent events have shown that consumers are quick to return to their usual habits. In the meat sector, labour force and cattle carcass balance concerns arose following the imposition of lockdown, severely disrupting food service supply chains. Targeted marketing in association with supermarkets helped to restore equilibrium and beef cattle prices recovered.

The CV-19 pandemic has presented fewer issues for the primary agricultural sector than in other industries, with just 17% of the eligible workforce being placed on

furlough. For the self-employed, assistance claimed was much higher (56%) with 7,700 claims out of a possible 13,700. Although the levels of financial support were relatively low, Mr Thomson advised they have helped to sustain business survival.

Mr Thomson noted that the implications of Brexit are still rather unclear for trade, tariffs and labelling in agricultural and food products and particularly for immigrant labour, upon which the horticultural and food processing sector is highly dependent. A shortage of driver permits is being reported by logistics companies planning to export products into the EU

After a lengthy question and answer session, the Chair thanked Mr Thomson for his very detailed and informative presentation.

6. PRESENTATION: “SCOTLAND’S RED MEAT SECTOR THROUGH THE PANDEMIC AND BEYOND” BY IAIN MACDONALD, SENIOR ECONOMICS ANALYST, QUALITY MEAT SCOTLAND

The Chair introduced Iain Macdonald, Senior Economist Analyst for Quality Meat Scotland (QMS) to the meeting. Mr Macdonald advised that red meat production is of high importance to Scotland’s economy, with beef production dominating the sector (23.6%), followed by sheep meat production at 7.4% and pig meat production at 3.5%. Beef producers and abattoirs had struggled in 2019, due to declining demand however 2019 had been a much better year for sheep and pig production, although the value of skin and hide co-products had collapsed.

The pandemic in 2020 has brought with it some serious issues. Around 60% of Scotland’s pig production takes place in NE Scotland and it is a key location for finishing beef (and lambs to a lesser extent) and particularly slaughtering. The pandemic altered the profile of beef production within Scotland. In Quarter 1 of 2020, the price per kilo followed a steady trend as per 2019 but with the impact of CV-19, the industry took a relatively small hit of ten pence per kilo loss in April 2020. This impacted an already struggling beef market, while restaurants and other foodservice outlets were forced to close, and family gatherings came to an end.

In May, there was a steady increase in the price per kilo – with outdoor barbecues taking place again and small gatherings being allowed; retail demand for steak surged and continued through the summer months, bolstering industry returns. Foodservice demand remains weak but the fear that the meat processing sector would be badly hit by the pandemic did not materialise. The industry has coped well – slaughter numbers are increasing and the Scottish beef sector has fared well in comparison to the US and Irish markets.

Mr Macdonald advised that data for the pigmeat market suggested CV-19 has had little or no effect upon continuity of processing or the price per kilo, with a customary slow but steady seasonal upturn during the summer months followed by an autumn downturn. Overall, the Scottish pig market is in a growth phase, the strongest since 2012, driven mainly by the severe outbreak of African Swine Flu in Asia which has wiped out c.50% of Chinese pig production, stoking demand for imported meat.

After a short CV-19 related dip in March/April, the market price for Scottish lamb has seen exceptional growth (c.30%) in recent months due to a reduction in import volumes from New Zealand (diverted instead to China), resulting in 40% more store lambs being sold in Scotland this year. Mr Macdonald advised that the increase in domestic retail meat spend has largely offset the sharp drop in foodservice demand. Some foodservice recovery was detected in June and July.

Scotland is a large importer of Irish beef. Uncertainty remains on the impact of a 'No-Deal' Brexit. If Irish beef (currently 70% of import volumes) is subject to UK tariffs, returns to Irish farmers could potentially fall by up to 50%. The UK is a net importer of EU pork but the shift towards retail sales (away from foodservice) could dampen import volumes.

Traditionally, 30% of UK produced sheep meat is exported, the vast majority (85%) to the EU. Unless post-Brexit tariff rates can be mitigated, farmers would need to reduce export prices by 37.5% to remain competitive. In Scotland, later lambing and slower finishing could leave Scottish producers more exposed to a 'no deal' outcome.

Mr Macdonald concluded by noting that Brexit could have serious implications for labour availability within food supply chains due to the points-based immigration system. It is yet to be determined whether the meat processing sector will be included within the specified occupation staff shortage list. And even if a deal with the EU is attained, non-tariff barriers will pose major challenges (eg the export health certification system and whether there are sufficient vets to verify compliance).

At present, some 2% of meat exports require certification (for non-EU markets). Post-Brexit the certification figure will be 100%. A 40-day residency export certificate could create further challenges.

Mr Macdonald then answered a number of questions from members, following which the Chair expressed his thanks for a highly detailed presentation.

7. PRESENTATION: "THE GLENSAUGH CLIMATE POSITIVE FARM INITIATIVE" BY PROF DEB ROBERTS, DIRECTOR OF SCIENCE, JAMES HUTTON INSTITUTE

The Chair introduced Professor Deb Roberts, Director of Science at The James Hutton Institute (JHI), who opened her presentation by explaining the urgent need for transformative change in Scottish farming, before outlining work underway at JHI Glensaugh to test the practical feasibility of a climate positive approach to farming.

Glensaugh is a 1000 ha upland farm around 15 miles from Laurencekirk, well known for hosting a long-term agroforestry experiment initiated in the late 1980s. While the purpose of the experiment was to test whether agroforestry could be a useful transition strategy for upland farmers, the outcome is that the complementary combination of farming and forestry is a highly successful model.

Under the new climate positive project, the area of woodland at Glensaugh is to be doubled from 7% to 14% and new wind and solar power capacity will be installed to

create hydrogen for on-farm power including tractor fuel. Any surplus will be made available for local community or business use. Despite the current level of forest cover on Glensaugh and installed renewables (onsite wind and biomass; the latter saving £6k pa), much remains to be done to attain on-farm carbon neutrality, setting out clearly the challenge for the wider agricultural sector in Scotland. Prof Roberts estimates it will take 20 years at Glensaugh. The Natural Capital Protocol tool is being used by JHI to guide management decisions.

Three-year funding has been secured for the project from the Baillie Gifford Fellowship. JHI has also secured a major research council grant to explore novel methods of monitoring greenhouse gas emissions derived from agriculture, using a combination of remote and on-the-ground sensor technology to inform decision making. Finally, Prof Roberts advised that JHI has also launched a 'VisitGlensaugh' project to premiumise farm produce and promote the Glensaugh brand.

Members were invited to offer feedback on work underway. After a question and answer session, during which members' high regard for Glensaugh was repeatedly expressed, the Chair thanked Prof Roberts for her excellent presentation and expressed the wish that a visit to Glensaugh could be arranged for members in the near future.

Action point 1: Circulate Glensaugh weblink to members

Action point 2: Glensaugh visit for members to be scoped at a future date

8. BULLETIN: DAIRY SECTOR UPDATE

The Chair invited Derek McDonald to comment further on the Dairy Sector Bulletin which had been circulated to members. It was reported that despite strenuous efforts to preserve large scale liquid milk production in Aberdeenshire following the closure in 2016 of the Muller dairy in Aberdeen, the CV-19 pandemic had terminated the last realistic prospect of creating a local processing plant to safeguard primary production. The number of dairy farmers in the local milk field had reduced from 43 in 2015 to around 12 today and was expected to reduce further due to the burden of milk transportation costs to dairy plants in Central Scotland and beyond. The fragility of agri-food supply chains in the North East of Scotland had once again been clearly demonstrated. The Chair noted the sad outcome, which was not a fair reflection upon the unstinting efforts of all parties committed to finding a solution. There were no further questions on this paper.

9. BULLETIN: DIMBLEBY REPORT

The Chair invited Derek McDonald to provide an update to NESAAG members on work commissioned by DEFRA and led by Henry Dibleby to create a national food strategy for England. Part One of the report had been interrupted by the outbreak of the CV-19 pandemic, which had subjected the UK food system to 'its biggest stress test since World War 2', and had been shown to be 'relatively resilient'.

Many of the findings of Part One were viewed through the prism of the pandemic, including an impactful section describing the relatively high level of fatalities in the food processing, distribution and retail supply chain and the devastating impact upon

the hospitality business sector. The Part One report stated that the virus had shown with terrible clarity the damage being done to the nation's health by the modern food system, in which diet-related illness was one of the top three risk factors associated with CV-19 fatalities. In the report Mr Dimbleby indicated a willingness to engage with and learn from food industry representatives in Scotland, England and Wales. Members supported the suggestion that an invitation to meet with NESAG is extended to Mr Dimbleby's team.

Action point 3: NESAG invitation to be sent to Mr Dimbleby's team

10. BULLETIN: UK INTERNAL MARKET BILL

The Chair invited Derek McDonald to outline the bulletin describing the current status of the UK Internal Market Bill. The element of the Bill relating to the Northern Ireland Agreement has attracted much publicity. The stated aim of the Bill is to ensure that no new barriers to trade are created within the UK internal market following the UK's departure from the EU.

There were no questions on this paper. Further updates will follow at future meetings.

Action point 4: Further updates to follow at future meetings

11. A.O.C.B.

No other competent business was raised.

12. DATE OF NEXT MEETING

The next meeting of NESAG is due to take place at 10am on Wednesday 25 November 2020. This meeting will be held virtually, unless otherwise stated.