B U S I N E S S

1. Minute of Meeting of 29 May, 2009.

2. Presentation by Professor Charles Milne,
   Director of Food Standards Agency Scotland.

3. Presentation by Grampian Police – The Rural Sector and Anti-Terrorism.

4. Commission for Rural Communities: Request from Aberdeen Chamber of Commerce to Input into Discussion.

5. Rural Forum Event.

6. Local Food Promotion at Off-shore Europe 2009 – Oral Update.

7. Sector Updates:

   Sector Report – Oral Update.
   a) Livestock Sector – Oral Update.
   b) Arable Sector - Oral Update.
   c) Research – Oral Update.

8. Anaerobic Digestion Study – Oral Update.

9. Any Other Competent Business.

10. Proposed Dates of Future Meetings:

    Friday 19 February, 2010 at 10:15am, Woodhill House.
    Friday 18 June, 2010 at 10:15am, Woodhill House.

NORTH EAST SCOTLAND AGRICULTURE ADVISORY GROUP
COMMITTEE ROOM 1, WOODHILL HOUSE, 29 MAY, 2009
DRAFT MINUTE

Present: **Aberdeenshire Council** - Councillors W Howatson (Chair), I Davidson, P Chapman, S Duncan, A Howie and S Stronach
Aberdeen City Council – Councillor J Corall
Moray Council – Councillor I Ogilvie
Aberdeen & Grampian Chamber of Commerce - Mr C Phillips
Aberdeen University – Prof K Thomson
P&L Cook & Partners - Mr P Cook
SGRPID –Mr S Johnston
SNH – Mr G Clark
SAC – Mr J Nicol

Apologies: Councillors M McDonald and P Stephen Aberdeen City Council; Councillors; L Bell, M McConachie, D Ross and G Coull Moray Council; Mr I Keith, AIC; Mr B Pack and Mr A Craig, ANM Group; Mr A Laing, Scottish Agricultural College; Mr J Booth, Scottish Agricultural Organisation Society; Mr J Risby, Forestry Commission (Scotland); Mr S Hutcheon, HIE Moray; Mrs V Thomson, LEADER Coordinator; Prof B Slee, Macaulay Institute; Mr C Adam, Mr T Johnston, Ms L Paterson and Mr P Sleigh, NFUS; Dr S Rusbridge, SAC Veterinary Services, Mr H Maggs, RSPB, Dr S Woodward, University of Aberdeen, Angus McNicol, Royal Institution of Chartered Surveyors, Stuart Young, Scottish Estates Business Group and Eddie Gillanders, Agricultural Communications Ltd

Officers: Mr J Knowles, Head of Economic Development, Mr D McDonald, Rural Development Officer, and Miss V Rushton, Committee Officer, Aberdeenshire Council.

Also Present: Mr Bruce Mackie

At the start of the meeting, the Chair advised the Group that Brian Pack, who had recently retired from the ANM Group had indicated that he had been asked to remain involved with NESAAG, representing the ANM Group, and this was welcomed by members.

1. MINUTE OF MEETING OF 27 FEBRUARY 2009

There had been circulated and was **approved** a copy of the minute of meeting of 27 February 2009.

Arising from item 2 of the minute, it was highlighted to Members that Aberdeen City and Shire Economic Futures had a full complement of members but, of the 15 members on the Board, a number had knowledge of the agricultural industry. It was also highlighted that the Leader of Aberdeenshire Council was a member of ACSEF and any issues that it was considered important to raise in relation to the agricultural industry could be done through the Leader.

2. PRESENTATION ON THE DAIRY SECTOR

Mr Bruce Mackie attended the meeting and gave a presentation to Members on the dairy sector and began by informing Members that he worked at the family farm at Middleton of Rora, Peterhead. The farm covered 565 acres with a further 175 rented acres. The farm had 150 cows which produced around 1.3 million litres a year and employed 4 full time staff.

Details were provided on the global view of the dairy sector where 75% of the global milk was produced by 10% of milk producing countries, with the UK being the 9th largest producer in the world. Between 1997-2007, global production had grown by 19% to 560 million tonnes and milk quotas had been effective in limiting production. Information relating to trade routes and the growth of the Far East as a milk consumer were provided.

Last year, 2008, had been a critical year for the industry and had faced three down ward pressures which were the impact of melamine contamination on the Far East markets; over supply and the global credit crunch. It was highlighted that the UK had been insulated by the fall in the value of sterling. In 2009, the industry in the UK had been affected by the decrease in price per litre, which contrasted to France, one of the few major producers in Europe to have seen their unit price rise in the first few months of the year. Details on the possible reasons for this were provided.

In the North East there were currently 68 dairy farms (producing 225,000 litres a day) who supplied Robert Wiseman Dairies, in contrast to 2000 where there had been 117 farms, producing 205,000 litres a day. The change in number could be attributed to the consolidation of businesses. A summary of the outlook of the industry was detailed which included concerns for Nitrate Vulnerable Zones, greenhouse gas emissions and labour for the industry. However it was considered that there was a strong market for the product, which, combined with the professionalism of those in the industry meant there was a positive outlook for the future.

During discussion, comment was made on the environmental benefits from dairy farming and the importance of mixed farming on the land. In response to questions, Mr Mackie indicated that there was a little way still to go for consolidation in the North East but for many it was an issue of age of those involved and further consolidation was likely to occur naturally. Concern was expressed over the supply chain and the fragility of the site at Tullos, as if this closed, the nearest producer was located in Stirling which was too far to be transporting milk on a daily business. Further comments were made in relation to robotic milking and the organic sector, and the possibility of marketing milk on its health benefits.

It was indicated that while Scotland had been producing under the quota amounts, Italy had been consistently over quota in the last 10 years. It was highlighted that compared to countries like Italy and France, the UK were not as good at producing added value products such as specialist cheeses. In the UK, there were processing factories for companies such as Danone and Muller, but these were often localised in production.

The Group **agreed** to note the information provided and thanked Mr Mackie for an informative presentation.

3. RESPONSE TO THE SCOTTISH GOVERNMENT CONSULTATION ON THE HEALTH CHECK IMPLEMENTATION

A report by the Rural Development Officer was tabled at the meeting, which informed Members of the Consultation being undertaken by the Scottish Government on the implementation of the Common Agricultural Policy (CAP) Health Check in Scotland and asked the Group to consider responses to questions 9-20 of the consultation document, as detailed in the attached appendix. The report indicated that the responses to questions 1-8 had already been submitted as the deadline for submission of part one was 15 May, 2009.

Members welcomed the response and commented on new entrants and if this referred to those who were completely new to the profession or those who were taking over the family business as there was confusion on the term. It was also indicated that recognition needed to be made of bio-diversity and support was given to the need to adopt the minimum 3 hectare threshold for applications, as applied to the Less Favoured Area Support Scheme. During discussion on the response, the following comments were made,

- Question 9: clarification was required about who was meant by the phrase ‘new entrant’ and who would be eligible to receive support through the national reserve.
- Question 14: the response should refer to Sites of Scientific Interest being maintained “in favourable condition” instead of “in satisfactory order” as the former was a term defined by Scottish Natural Heritage.
- Question 20: the last sentence should be amended to make reference to the fact that the current system of Single Farm Payments favoured the status quo.

The Group **agreed** to homologate the response to part one on the CAP Health Check consultation and agreed to the response to part two, subject to consideration of the comments as detailed above.

4. REPORT ON PUBLIC PROCUREMENT OF FOOD

There had been circulated a report dated 22 May, 2009, by the Head of Economic Development which informed the Group of the current extent of food procurement within the public sector in the North East of Scotland from local producers and described briefly how those producers were being supported.

Supplementing the report, the Rural Development Officer indicated that in relation to the Offshore Europe Event held biennially at the Aberdeen Exhibition and Conference Centre, an agreement had been reached for Aberdeenshire Council to sponsor the t-shirts of the serving staff with a simple message such as “Serving local produce”, and various semi-permanent signs would be displayed around the AECC promoting local food.

Members welcomed the suggestion of organising a seminar event to bring producers and buyers together to explain how the public procurement of food was undertaken to ensure that opportunities to use local food were maximised.

The Group **noted** the contents of the report and welcomed the work done to date.

5. SECTOR UPDATES

a) Sector Update Report

There had been circulated a report dated 22 May, 2009, by the Committee Officer, which asked the Group to discuss the use of an update report style for use at future meetings. It was highlighted that oral sector updates were provided at the meetings, but that comments had been made on written updates being provided as part of the agenda for the meeting which would ensure those who were unable to attend the meeting would have information on the situation in each of the agricultural sectors.

During discussion, it was indicated that a written report may not provide the most up-to-date information on sectors, compared to an oral summary and it relied on representatives providing the information in advance.

The Group **agreed** to trial the use of the report for the next meeting scheduled in September and if successful, be used for future meetings.

b) Livestock Sector

In the absence of a representative from the livestock sector, the Rural Development Officer provided an update, based on information received from industry reps. He began by highlighting that in respect of the EU’s sheep EID Regulation (electronic identification) there had been a realisation among many member states that the scheme was unworkable and that in particular, the Scottish flock size and store/finisher process was unsuited to the system. The proposals acted as a disincentive to producers to remain active in the sector and a compromise proposal to tag sheep only when they left a holding was still to be negotiated.

In relation to cattle, there are long-standing health and safety concerns over belly clipping of live animals being sent for slaughter. Local livestock representatives visited the ABP abattoir in Shropshire where a post-mortem clipping process had been recently introduced. During the visit, it was demonstrated how little space and kit was required for the process. The cost was very reasonable at around £3 a head and the rate of throughput was not affected. At present there were no Scottish abattoirs currently considering implementation of the process. Elspeth McDonald from the Food Standards Agency Scotland had attended the visit.

Pig meat had seen the best prices for many years. After a period of sustained losses, UK farmers had recently been able to reduce debt and were in fact faring better than continental producers due to the exchange rate, although there was concern over the price of soya feed which had risen from £170 to £350 per tonne in twelve months. Major concerns had been expressed over the Nitrate Vulnerable Zone legislation, especially the ending of the derogation period in 2012. The need for 26 week storage capacity for pig slurry (22 weeks for cattle slurry) would mean that some producers, especially on smaller units, would leave the sector due to the need for investment.

c) Arable Sector

Mr J Nicol indicated that there had been a good spring and that the crops were looking good. Although there had been early concerns that large areas of land would have been left fallow due to the reluctance of maltsters to offer contracts, little land had been left uncropped which was a good sign. The prospects for malting barley were not as good as in previous years, as 70% of the worlds whisky market was in the Far East and was likely to be affected by current economic conditions.

Early indications for wheat and feed grains suggested that production levels will match consumption. There were reports from Eastern Europe that a severe winter and heavy spring rain had reduced grain production and that imports might be required. Fertiliser prices had fallen back close to 2007 levels, but this was unfortunate for those who had forward-purchased in bulk at higher prices.

Aberdeen Grain had recently completed their new storage facility which could hold up to 23,000 tonnes and was a positive addition to the area.

Oil Seed Rape was seeing a strengthening of the market due to the rise in the price of soya.
In response to comments on the failure of the “Ritz” variety of Oil Seed Rape crops due to poor germination, it was highlighted that the variety in question was not common in North East Scotland and there had been no reported problems as yet.

d) Research

Professor Thomson informed the Group of the following research projects which were in progress or had recently been completed through either Aberdeen University, Macaulay Institute or the Scottish Agricultural College Craibstone:

- Understanding Agritourism (PhD Study)
- Family Farm Decision – Making and Succession in Scotland (PhD Study)

- Mapping Local Food Enterprises in Scotland
- Farming Households in the Rural Economy
- Farm Labour and Sheep Welfare on Upland Extensive Farms (PhD Study)

It was highlighted that it was positive to see the three institutions on the North East working together on research into the agricultural industry.

The Group **noted** the updates provided

6. DATES OF NEXT MEETINGS

The Group **noted** that the following date for the next meeting was Friday 18 September, 2009.

NORTH EAST SCOTLAND AGRICULTURAL ADVISORY GROUP: 18 SEPTEMBER 2009

COMMISSION FOR RURAL COMMUNITIES: REQUEST FROM ABERDEEN & GRAMPIAN CHAMBER OF COMMERCE FOR INPUT TO CONSULTATION

1. Purpose of Report

1.1 The purpose of this report is to advise Members of a request from Aberdeen & Grampian Chamber of Commerce (AGCC) for input from NESAAG members into a consultation they have received from the Commission for Rural Communities in connection with rural businesses.

2. Background

2.1 The Commission for Rural Communities would like to hear of Chamber experiences and views on the impact of recession to inform two reports that are to be presented to Rt Hon. Hilary Benn, MP, Secretary of State for Environment, Food and Rural Affairs for his attendance at the National Economic Council meetings in October and November 2009. Responses are required by 20 September 2009.

2.2 As part of their response the AGCC are looking for any comments members of NESAAG would like to make on the impact of recession on business performance (i.e.the second of the two reports referred to above). The questions are detailed in the attached appendix and Mr Clive Philips, representative of the AGCC and NESAAG members, will be in attendance at the meeting.

3. Proposal

3.1 It is proposed that the Group considers any comments it wishes to make to the AGCC for inclusion in its response to the Commission for Rural Communities.

4. Recommendation

4.1 It is recommended that the North East Scotland Agriculture Advisory Group considers any comments it wishes to make on the consultation.

Director of Corporate Services

Report by V Rushton, Committee Officer
27 August 2009

APPENDIX

Commission for Rural Communities

Extract from consultation document.

In the second report, they will be looking at **the impact of recession on business performance**. They would like be looking to steer the report's focus on the following questions:

- Is there any evidence of business closures/business insolvencies in rural areas?
- Comments on the national support measures (tax holidays, rate reliefs etc.) and local support measures to attract new business in rural areas: what and where are they (local support measures)? Are they working? Are they appreciated? What else should be in place?
- Prospects for the future in rural areas: Is there evidence of recovery? What is the degree of confidence (are there any types of businesses expressing confidence?) and how does this compare with earlier in the recession?
- Current experience on bank lending in rural areas (availability, charges etc.)
- Is there any evidence that new businesses are being started by people in rural areas who have been made redundant or otherwise lost their jobs?