

To: ECONOMIC DEVELOPMENT COMMITTEE		Subject: NATIONAL FARMERS UNION OF SCOTLAND
From: DIRECTOR OF PLANNING & DEVELOPMENT		
Date: 23 April 1998	Ref: CMcA/LC/REP.405	

1 Purpose

- 1.1 North Lanarkshire Council has received a written request for assistance from the National Farmers Union of Scotland. Copies of the correspondence are attached.

2 Background

- 2.1 The correspondence outlines the ongoing crisis in the agricultural industry within the Lanarkshire economy. The correspondence includes a report by the National Farmers Union of Scotland which details the impact of the crisis on the various agricultural sectors.

3 Response

- 3.1 The Planning & Development Department have made an initial response to the Lanark Area President. The letter explained that the Economic Development Unit would not have the appropriate type or levels of assistance required to assist the agricultural industry in Lanarkshire at this time. However, it was explained that the Economic Development Unit is able to work with members of the farming and agriculture communities that are diversifying and establishing new types of businesses that do meet our business development programmes criteria, most of which are targeted at manufacturing companies.
- 3.2 It was agreed that the Economic Development Unit would discuss the issue further with South Lanarkshire Council and Lanarkshire Development Agency, in order that a Lanarkshire response to this issue can be agreed. The Lanark Area President was asked to contact the Head of Economic Development & Property to discuss this further.

4 Conclusion

- 4.1 Further consideration is still required on this issue, both by North Lanarkshire Council and with other Lanarkshire partners. It is intended that the issue will be raised and any developments will be reported to Committee in due course.

5 Recommendation

- 5.1 It is recommended that the Committee note the contents of this report and the action taken.



Stanley C Cook

Director of Planning and Development

NATIONAL
FARMERS'
UNION OF
SCOTLAND



Easton Farm
Dunsyre
LANARKSHIRE
ML11 8NQ

3 February 98

Mr A Cowe
Chief Executive
North Lanarkshire Council
PO Box 14
Civic Centre
MOTHERWELL
ML1 1TW

Dear Sir

I am writing to seek your support in the ongoing financial crisis that is affecting all sectors of agriculture in Lanarkshire. I am sure you are well aware that the rural economy of Lanarkshire depends on a healthy and active farming industry in order to prevent extensive depopulation and the whole-scale closure of rural businesses. Jobs are also at risk in urban areas where food processors, distributors, machinery retailers, butchers and many other industries which supply and service agriculture provide employment. Recent estimates have shown that around 200,000 jobs throughout Scotland depend on farming.

The strong pound, increasing administration costs, beef export ban and government cuts in support payments (HLCA) and compensation (OTMS) have all led to farm income losses on a massive scale. Within Lanarkshire alone these are estimated at £28 million. This has obvious implications for the industries and businesses in Lanarkshire which are "downstream" of and service agriculture. I, and my colleagues in the Lanarkshire branches of the Scottish NFU, believe that both North and South Lanarkshire Councils, perhaps with the Lanarkshire Development Agency, should be urgently investigating ways to resist the negative trends outlined in the enclosed briefing paper in order to prevent devastation of our farming and rural economies.

I look forward to your comments in due course.

Yours faithfully

Alex Allison

A Allison
Lanark Area President

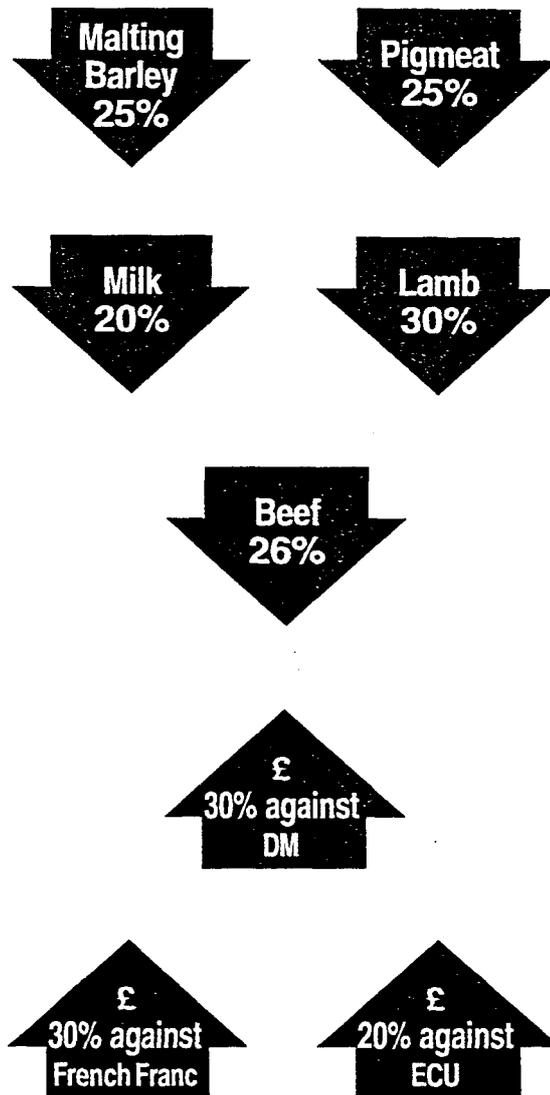


NATIONAL
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SCOTTISH FARMING IN CRISIS

- Across the whole industry, farm revenue is down. Costs are being pushed up.
- The Government admits that £100 million has been slashed off Scottish farm incomes already.
- The Union expects it could get even worse by the end of the year - £160 million down.
- The strong pound is mainly to blame.
 - It has cut support from Europe
 - Cheap imports have come flooding into the UK
 - Market prices have dropped by over 25 per cent overall.
- But Government can spend EU money - and its own - on fair compensation. So far it hasn't.
- Farmers in every other country in Europe with a currency problem have got aid.
- The Irish got over £60 million aid.
- British farmers have received absolutely nothing.
- This is scandalous discrimination against our industry - and against all the other jobs we support.
- It's unbelievable. We can't accept it.



UNION PLEDGE

- **The Union is pledged to fight for farming's survival.**
- **Farming needs fair trade.**
- **The Union will not rest until Scottish farmers get proper treatment.**
- **Our support must be the same as for other farmers in Europe.**
- **Our costs must be fair.**

THE STRANGLEHOLD ON INCOMES

- The £ has gone up:
 - more imports
 - less exports
 - support payments from Europe are cut
 - minimum prices in the UK are cut
 - price falls.

UK Government should compensate - all other governments have!

- Market Conditions are deplorable:
 - we can't export our high quality beef
 - supermarkets are buying cheap imports
 - more imports and less exports mean lower prices
 - prices are below the cost of high quality production.

So the beef export ban must be ended.

Compensation should be paid - other European farmers have had it.

- Costs to the industry are being pushed up by Government - in Scotland:
 - £7.6 million for cattle passports - up to £10 per animal
 - £8.3 million in new charges from the Meat Hygiene Service (MHS)
 - £12 million extra charges for abattoir waste disposal.

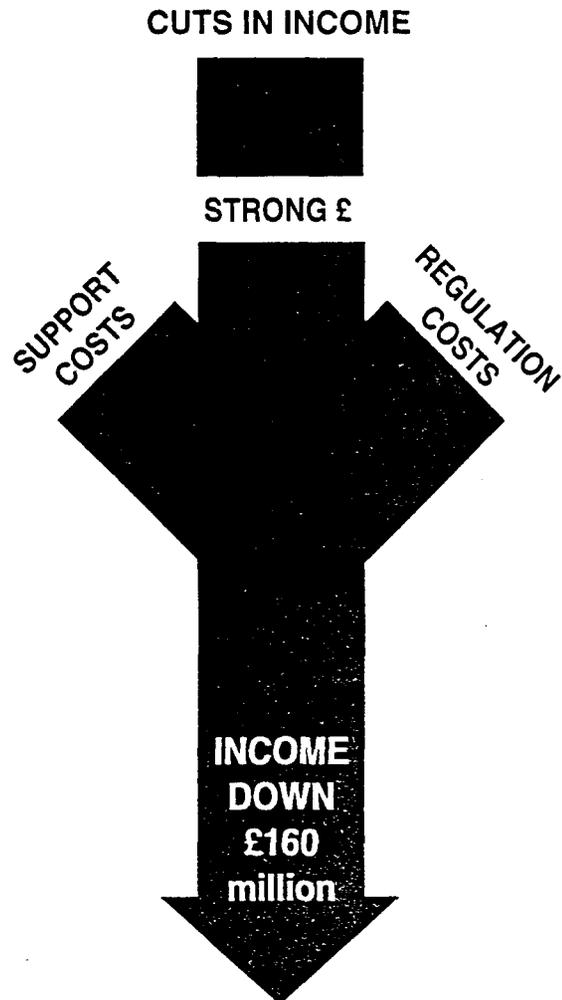
Government should bear its share of cattle passport costs - it will be the main user.

MHS inspection charges will be paid by governments in other countries - why won't ours pay?

Other countries' farmers don't have the extra waste costs either - why should we?

- HLCA support payments and compensation for OTMS cattle have been cut by Government
 - hill farmers' suckler cow payments cut by £50 and sheep support frozen at 1996 levels - cuts in real terms
 - a ceiling on payable weight and a lower rate of payment in ECUs. With the stronger £, these have produced a drastic cut in OTMS compensation.

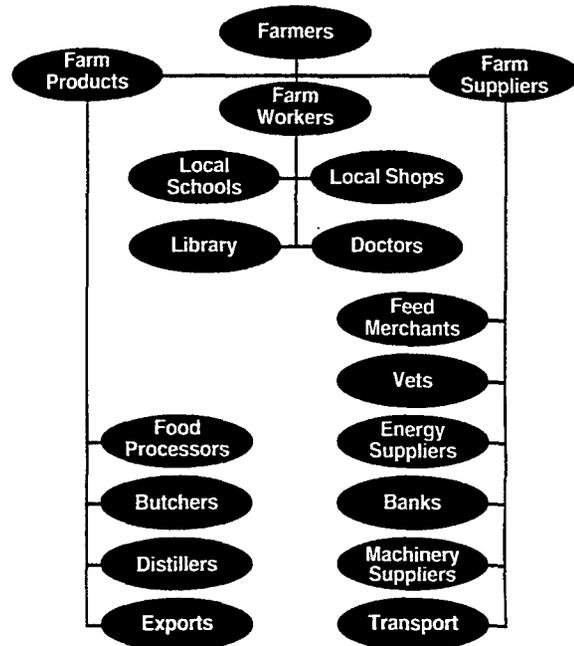
These decisions are unfair. They should be reversed.



LIVELIHOODS IN SCOTLAND

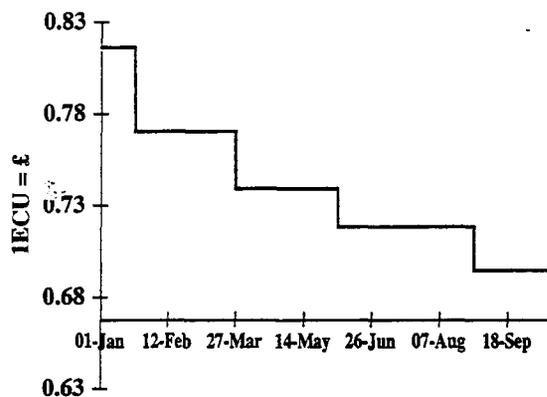
- A strong £ means that jobs are exported to our competitors abroad.
- Threats to jobs in farming also threaten many other industries.
- Farming affects jobs in other industries:
 - suppliers like vets, feed manufacturers, machinery distributors, energy companies, banks
 - processors like packing plants, maltsters, butchers, mills, food processors
- The rural economy depends on active farming. And jobs in towns too depend on farming - around 200,000 jobs in Scotland.
- In rural areas, services cannot continue without enough people living and working in the countryside:
 - rural schools, post offices, shops, petrol stations, medical practices
- Reduce the scale of farming and depopulation will result.

FARMER - GENERATOR OF JOBS



All spend money in economy
Less money spent - fewer jobs

Green Rate of Exchange (1997)



STRONG POUND

- The £ is strong against other European currencies.
- This hits farm payments as well as farm prices - unlike other industries.
- We're a part of a European farm system - currency changes aren't supposed to upset it.
- That's why there is compensation for farmers.
- But the UK Government - alone among governments - hasn't played by the rules.

GREEN POUND COMPENSATION

- Farmers are powerless to affect the value of the £.
- The green £ system should prevent currency change from upsetting Europe's single market in agriculture.
- Eight countries, including Ireland, have used the green £ compensation system.
- Until the UK applies the rules, those countries have an advantage in our market.
- This discrimination against our industry - and all the jobs it supports - is unbelievable. It's a scandal.
- Scotland's farmers are outraged that this scandal goes on.

INCOMES

- INCOMES = REVENUE minus COSTS
- Revenue pressures are:
 - market conditions
 - HLCA cuts
 - OTMS cuts
- Less revenue and more costs spell disaster - people out of work.
- Cost pressures are:
 - new MHS charges
 - new passport charges
 - new waste disposal costs

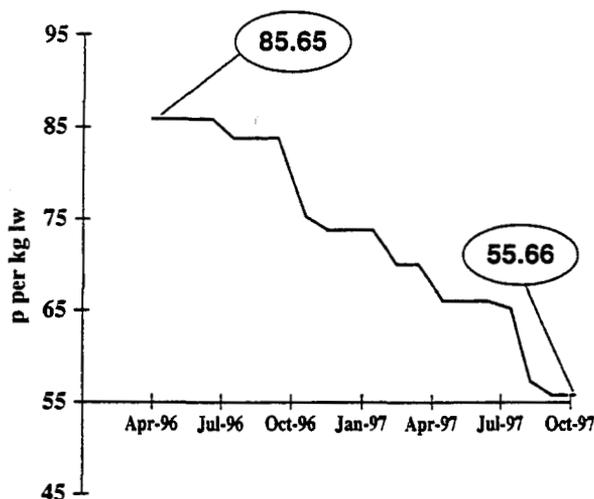
HILL FARMING

- Hill farming is the most difficult. It needs income support to survive.
- Government has said that hill farm support expenditure in 1998 should be the same as in 1996.
- This could mean
 - a cut of about £50 per suckler cow on 1997
 - lower real support than in 1996 because of inflation.
- An announcement was made before the review of farm incomes.
- These farmers have an expected average income well below £10,000 this year. All will be hard hit.
- These income levels are unsustainable.
- Unless a firm commitment is given to future years, farmers will give up.
- Without active farming, there will be rural depopulation.
- Without active farming, the natural environment will suffer too.
- Scotland won't look like Scotland without hill farming.

OVER THIRTY MONTHS SCHEME (OTMS)

- At the UK Government's insistence
 - the rate of compensation has been cut
 - an arbitrary weight limit has been imposed.
- And the strong £ has devalued payments.
- An 800 kg cow was worth more than £700 before the OTMS started. It's now worth only £312.

OTMS Rate for Cows



CONCLUSION

Without the commitment and support of Government, Scotland's rural communities face disaster of an order we can only imagine. The Scottish NFU wants everybody to realise that a whole way of life is threatened - not just for people in the countryside but for everyone in Scotland.