

AGENDA ITEM No. 5

## REPORT

To: ECONOMIC DEVELOPMENT COMMITTEE		Subject: STUDY ON THE IMPACT OF FARMING IN LANARKSHIRE - UPDATE
From: DIRECTOR OF PLANNING & DEVELOPMENT		
Date: 26 November 1998	Ref: CMcA/SW/REP.487	

1. **Purpose**

- 1.1 This report seeks to update members on the study being conducted on the impact of the farming sector in Lanarkshire. Approval is sought for a contribution of £4,300 by North Lanarkshire Council from existing budgets towards the total cost of the project.

2. **Background**

- 2.1 Members will recall that in the previous committee report (August 1998) approval was given for the participation in the impact study. The report had indicated that it was anticipated that the Lanarkshire Development Agency would meet the full cost of the project. This is no longer the case and the Council along with other partners have been asked to make a contribution towards the total cost.
3. The total cost of the project is £13,950 (exclusive of VAT). The proposed funding split is as follows:-

National Farmers Union (Area Office)	£1,000
South Lanarkshire Council	£4,300
Lanarkshire Development Agency	£4,350
North Lanarkshire Council	<u>£4,300</u>
Total	<u>£13,950</u>

Funding has been confirmed by all other partners.

4. **Revised Study Brief**

- 4.1 A copy of the revised study brief (from that previously submitted to Committee) is attached for your information including the proposed timetable for the study.
- 4.2 The study is being carried out by the Scottish Agricultural College.

**5. Recommendation**

5.1 It is recommended that the Committee -

- 1) Notes the contents of the report.
- 2) Approves the contribution of £4,300 from existing budgets towards the total cost of this project.



 Stanley C Cook

**Director of Planning and Development**

For further information, please contact Caitriona McAuley, Senior Marketing & Policy Officer  
Tel: 01236 616279

2 October 1998

## **CONTRACT BRIEF**

### **STUDY TITLE**

**The Economic Impact of Agriculture in Lanarkshire**

### **SPONSORS**

The sponsors are a partnership comprising:

- ◆ Lanarkshire Development Agency (LDA)
- ◆ South Lanarkshire Council (SLC)
- ◆ North Lanarkshire Council (NLC)
- ◆ National Farmers' Union of Scotland (NFUS), Lanark Area

Nominated contact - Liz Murphy, Business Executive, LDA.

### **INTRODUCTION**

The sponsors wish to appoint consultants to report on the present and future impact of agriculture on the economy of Lanarkshire. The study will utilise the findings and methodology developed in similar studies undertaken in the Borders Region and Dumfries and Galloway.

The project will be required to provide an overview of the present situation and the likely impact of the financial downturn and Agenda 2000 proposals, and to assess the impact of these changes on the wider Lanarkshire economy. Finally the project will be expected to identify options and make recommendations on ways in which the public agency support network can assist in the restructuring of Lanarkshire agriculture.

### **BACKGROUND**

Lanarkshire is primarily urban and industrial but there is a large area in the south and east of the county where agriculture is the primary economic activity. Apart from generating direct employment, agriculture also supports a wide range of ancillary businesses. These include livestock markets (at Lanark and Strathaven), haulage contractors, feed merchants, veterinary practices and abattoirs (at Wishaw, Shotts and Larkhall). In addition, many other businesses located in rural Lanarkshire depend on agricultural spend for a substantial part of their turnover, examples of which include, engineering companies, garages, village shops, architects and builders.

Agriculture is also important in terms of maintaining landscape quality and an attractive and sustainable environment. This in turn impacts on the quality of Lanarkshire as a tourist destination. A well-managed and populated countryside offers better opportunities to residents and visitors alike and is a key strategy for the development of tourism.

The agricultural industry throughout the UK is currently facing a financial crisis. The livestock and dairy sectors have been particularly badly affected by the strength of Sterling and BSE. Lanarkshire farming, with its dependence on livestock and milk products, is one of the worst affected regions in the country.

It is estimated that there are approximately 1000 full-time farm businesses in Lanarkshire and the recent decline in producer prices could remove as much as £28 million from the local economy. A decline in farm income is, in turn, likely to result in a decline in farm employment and expenditure. This will have a knock-on effect on the agricultural supply trade and the retail sector of the area's rural towns and villages.

## AIMS AND OBJECTIVES

The principle objectives of the project are :

1. *To provide an overview of the agricultural sector in Lanarkshire incorporating;*
  - i) estimates of number, size and type of unit (including occupiers status), employment levels, economic output, turnover, and the size and value of the supply sector,
  - ii) an analysis of recent trends in the number, size and type of farm businesses, employment levels, economic output and turnover, and
  - iii) the identification of the local communities most dependant upon agriculture from economic and employment viewpoints, and a description of the environmental considerations and current grant and support structure.
  - iv) Where appropriate, the overview will be carried out the context of North and South Lanarkshire and by Enterprise Trust area.
  
2. *Assessing the impact of the present financial downturn and Agenda 2000 proposals on the sector by:*
  - i) Analysing the recent trends in farm profitability and consequent effect on the economy of Lanarkshire, using 1995 crop year as a reference year;
  - ii) Describing the Agenda 2000 proposals;
  - iii) Estimating of the effects of Agenda 2000 proposals on typical Lanarkshire farming systems; and
  - iv) Assessing farmer attitudes towards the current financial downturn.
  
3. *Estimating the impact of the present financial downturn and Agenda 2000 proposals on the whole economy of Lanarkshire, with particular reference to the agricultural supply industry, examining both upstream and downstream impacts.*
  
4. *Assessing the present support network provided by the various agencies and recommending any changes which may prove beneficial. Also to seek the views of the agricultural community on the expected range of longer term support mechanisms provided by the public sector.*

## METHODOLOGY

1. *To provide an overview of the agricultural sector in Lanarkshire.*

- i) Desk based research based on a number of statistical data sources will be carried out to draw up a picture of the size and structure of Lanarkshire agriculture. Primary data sources will include SOAEFD, and SLIMS. This will also allow an assessment of Lanarkshire agriculture relative to the rest of Scotland. This will be supplemented with local knowledge from SAC of farming activities in Lanarkshire.

2. *To assess the impact of the present financial downturn and Agenda 2000 proposals on the sector.*

The benchmark from which the current situation can be measured and from which future changes will be assessed will be taken as the 1995 agricultural cop year, the year before the BSE crisis and strengthening sterling impacted on agriculture and the year in which the 1992 CAP reforms were fully implemented. The likely impact of the financial downturn and Agenda 2000 proposals on Lanarkshire agriculture will be assessed using a combination of survey responses and models of three typical farm types in Lanarkshire. This will include an assessment of the importance of the CAP in relation to the agricultural economy of Lanarkshire. Where appropriate, a sub-division of data into North and South Lanarkshire will be undertaken

- i) A postal survey of 500 Lanarkshire farmers (a sample considered large enough to give a response rate of around 20% of all farm businesses in Lanarkshire) will be used to assess attitudes to the current financial difficulties, to provide additional information to supplement the statistical analysis completed from other primary data sources, and to allow assessment of demographic change in the sector. The information collected will provide data for the quantitative analysis of the state of the sector addressing physical and economic factors, as well as providing data for qualitative analysis. Data will also be collected to allow an assessment of the level of knowledge of Agenda 2000, to allow a measure of the level of training required on this subject amongst farmers. (This will not be a full training needs assessment, which may be identified as a subsequent requirement.). Amongst other factors, information will be specifically sought on:

- The age profile of the agricultural workforce;
- The level of pluriactivity in farm households and dependence of the farm household on agricultural income;
- Succession plans for the farm business, and
- Potential future management actions of the farm business.

- ii) Farm level models of three typical farm types will be used to calculate the effects of the downturn, and the future effects of Agenda 2000 proposals on the output, profitability and subsidy receipts of such businesses.

3. *To estimate the impact of the present financial downturn and Agenda 2000 on the whole economy of Lanarkshire, with particular reference to the agricultural supply industry.*

- i) Using data held by SLIMS, and the clients, an overview of the importance of primary agriculture to the total economy of Lanarkshire will be made. Particular attention will be paid to identifying any significant sub-regional variations.
  - ii) This assessment will be complimented by an analysis of farm business activity to identify the important flows of inputs to the industry. An in-depth analysis of the purchasing patterns of around 40 farm businesses, holding fully computerised accounting data, will be undertaken (subject to the identification of, and approval from these farm businesses), and the use of regional input-output analysis methodologies previously used by SAC regional policy researchers. This analysis will seek to identify the key linkages in the economy both within and outwith Lanarkshire and thus, identify upstream and downstream businesses in Lanarkshire.
  - iii) From 3 (ii) a maximum of 50 businesses will be drawn to provide a representation from both the upstream and downstream activities. These businesses will be surveyed to provide qualitative and quantitative information on the impact of changes in primary agriculture on their businesses. Telephone interviewing will be available to backup the survey responses of these businesses.
4. *To assess the present support network provided by the various agencies and recommend any changes which may prove beneficial.*
- i) Existing public agency support programmes for agriculture and rural development will be identified, to provide an audit of current relevant strategic frameworks. This data along with the conclusions from stages one and two will provide the basis for a strategic analysis of the needs of the industry and the availability, or desirability, of assistance for the development of the rural economy. This strategic analysis will conclude with a series of recommendations for the public agency support network.

## REPORTING AND TIMETABLES

Day-to-day management of the study will be through LDA, but regular contact and input from the other partners should be sought.

Two copies of the full final report will be provided for each of the sponsors (Eight copies in total), along with 5 copies of the Executive Summary for each of the sponsors (Twenty copies in total)

An indicative timescale is given below for each of the stages included in the methodology described above. Once a starting date has been agreed, dates for the completion of the various stages of the project can be given. Overall, 20 weeks are expected to be required from the start to the end of the project, with many of the stages running concurrently.

Stage	Month 1	Month 2	Month 3	Month 4	Month 5
1(i)					
2(i)					
2(ii)					
3(i)					
3(ii)					
3(iii)					
4(i)					

## Fees

Activity	Cost (£)
<i>1 To provide an overview of the agricultural sector in Lanarkshire.</i>	
(i) Desk Research of statistics	£2,100
Estimated Expenses limit	£150
TOTAL	£2,250
<i>2 To assess the impact of the present financial downturn and Agenda 2000 proposals on the sector</i>	
(i) Prepare, post and analyse survey	£3,000
(ii) Farm Modelling	£2,100
Estimated Expenses limit	£300
TOTAL	£5,400
<i>3. To estimate the impact of the present financial downturn and Agenda 2000 on the whole economy of Lanarkshire, with particular reference to the agricultural supply industry.</i>	
(i) Data Analysis	
(ii) Financial Analysis	£1,100
(iii) Prepare, post and analyse survey	£2,500
	£1,100
Estimated Expenses limit	£200
TOTAL	£4,900
<i>4. To assess the present support network provided by the various agencies and recommend any changes which may prove beneficial.</i>	
(i) Analysis of Support Programmes	£1,300
Estimated Expenses limit	£100
TOTAL	£1,400
Overall Total	£13,950

Details of the number of hours on each portion of the project required by researchers, and consultants, and the appropriate daily rate can be provided if required. The sum quoted is exclusive of VAT.

## WHAT SAC CAN OFFER

SAC has a proven track record in preparing regional impact assessment studies (see Appendix 1 for examples). Studies have covered most parts of Scotland, including Lanarkshire, and have involved detailed statistical studies of agricultural structure and output, input-output modelling, socio-economic evaluations of development schemes, studies of the impact of CAP support changes, environmental assessments and environmental support studies, feasibility studies for marketing initiatives and the assessment of natural disasters, including the impact of BSE.

SAC is unique in being able to assemble a team of experts with skills ranging from complex statistical modelling through environmental economics to practical farm level advice. This will enable the project team to convert rigorous analysis of the Lanarkshire rural economy into easily understood, focused recommendations. SAC's presence in Lanarkshire and a high degree of trust within the farming community will allow us to access reliable data and opinions from the industry wide survey. Each member of the study team has developed under the SAC system, which requires an ability to provide practical advice to farmers and corporate clients, alongside an ability to carry out rigorous research and to communicate ideas in education.

SAC will tender for this project through its associated company COSAR.

## ABOUT SAC

SAC is expert in the fields of business management and technology transfer and offers a full range of information, education, advisory, consultancy and research services to industry, local authorities, national agencies and members of the general public. It has over 14,000 clients world-wide. With 1300 staff, it is the largest organisation of its type in Europe.

The present day SAC was founded in April 1990 and its origins go back to the turn of the century when three regional agricultural colleges were founded at Aberdeen, Edinburgh and Auchincruive near Ayr. These colleges had a strong vocational orientation and a specialist remit for work related to the use of rural resources and to the food and land-based industries. As a large, modern, multi-disciplinary organisation, SAC is undertaking advanced education and training, specialist research and development and, through its COSAR associate company, expert advisory and consultancy work across a wide range of subjects, but with a particular emphasis on food, land and environmental science and resource and business management.

SAC receives grants in support of some specific activities from the Scottish Office Agriculture, Environment and Fisheries Department. SAC is also an independent limited company in its own right and this, together with its close working links with industry, results in an almost unique blend of academic and commercial environments, providing exceptional opportunities for innovative, industry related research and consultancy.

Advisory and consultancy services can be accessed through SAC's local offices or through the Centres of Study. With its three main Centres of Study, 8 Veterinary Laboratories, 7 Research and Development Farms and 23 Local Advisory Offices, SAC have an extensive network of offices throughout Scotland plus contacts and partners throughout the UK and overseas. It has a turnover in excess of £55 million (15% from overseas) and has the strength, depth and experience to conduct large multi-scale disciplinary projects.

## **THE PROJECT TEAM**

A core team of three consultants is proposed for this project with support staff, researchers and other consultants involved where appropriate.

### **Team Leader**

Sandy Ramsay Snr      Rural Business Adviser  
Rural Business Development Unit, Edinburgh  
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### **Core Team Members**

Ken Phillips              Senior Agricultural Adviser  
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Stuart Ashworth        Head of Agricultural Marketing & Policy  
Auchincruive, Ayr  
Tel: 01292 520 060  
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### **Researchers and Support**

Leonie Stewart  
Janis Forrest

### **Project Consultants**

Peter Cook  
Chris Doyle  
Andrew Copus  
**CORE TEAM**

#### **◆ Sandy Ramsay - Project Leader**

Sandy is senior rural business adviser in charge of the Rural Business Development Unit at Bush. He is responsible for the provision of detailed financial and business management advice to farmers and other rural businesses. He has a detailed working knowledge of the CAP and Agenda 2000, and the effects of each on individual enterprises, and farming businesses. He also has a good working knowledge of the Agricultural Holdings (Scotland) Acts, and of joint venture arrangements. Sandy's particular interests are in beef and arable systems and computerisation of farming businesses. He has co-ordinated the Scottish Borders study, and is familiar with regional analysis and assessment, and survey techniques.

◆ **Ken Phillips - Survey Design and Evaluation**

Ken is the Senior SAC adviser for Lanarkshire and has worked in the area for the past 15 years. He has considerable local knowledge, both of agriculture and the rural community through his work which includes business consultancy and the provision of technical advice to farmers. This work includes the provision of advice on implications of CAP reform changes on agribusiness, marketing of agricultural produce, and the environmental schemes. In addition to his agricultural consultancy work, Ken is also SAC's designated Rural Enterprise adviser in Lanarkshire. This entails the promotion of interest in and provision of advice on complimentary rural business and diversification opportunities.

◆ **Stuart Ashworth - Overview of Lanarkshire rural economy and assessment of downstream effects**

Stuart is a senior agricultural economist and head of the Agricultural Marketing and Policy Group of SAC's Management Division. He has carried out a wide range of consultancy projects for Local Authorities, Enterprise Companies, agri-business and individual farmers, as well as a large number of briefing meetings in agricultural policy for the farming community and the agricultural supply industry. In particular, Stuart's interests lie in agricultural and rural development. He has experience of market research through survey design and implementation of postal surveys and in-depth qualitative interviews. Stuart is SAC's specialist in sheep and beef policy and markets, and as such provides a monthly analysis of the outlook for beef and sheep. Stuart has been actively involved in the Dumfries and Galloway, and Orkney studies recently completed by SAC.

## RESEARCHERS AND SUPPORT

### ◆ Leonie Stewart

Leonie is a Rural Business Specialist in SAC's Natural Resource Economics department based in Edinburgh. She has considerable experience in Survey design and analysis, and was responsible for the collection and analysis of data for the SBC survey and for similar work in Perthshire.

### ◆ Janis Forrest

Janis is an Executive Officer at SAC Rural Business Unit at Bush, and is responsible for account analysis for farm and rural businesses.

## CONSULTANTS

### ◆ Peter Cook - Analysis of support framework

Peter is head of SAC's Rural Business Development Unit and has wide ranging experience in regional impact studies, CAP policy analysis and the provision of business management advice to farmers, corporate clients and public bodies. He has an in-depth knowledge of the Scottish farming industry and has been an adviser to both the House of Commons Select Committee on Agriculture and the Select Committee on Scottish Affairs in their study into the future of Scottish agriculture.

### ◆ Professor Chris Doyle - Policy analysis

Chris heads SAC's Management Department which incorporates agricultural economists at the three centres of study. Chris has led internationally recognised teams of researchers looking at the level of effectiveness of public support to agriculture in different parts of Scotland, a regional investigation of replacing agricultural price support by direct income payments and the impact of CAP reforms on the economic and social fabric of peripheral regions within the European Community. He will bring this expertise to the study team, especially in the assessment of the impact of CAP policy change and in defining the problems facing the Lanarkshire rural economy.

### ◆ Dr. Andrew Copus - CAP impact assessment

Andrew leads the Rural Policy Group of SAC's Management Division and is involved in a wide range of regional and national impact assessment studies. During the past five years Andrew has carried out research into the spatial impacts of agricultural and rural policy, geographical variations in economic fragility and sustainability, and the implications for rural policy targeting. Policy evaluation techniques, and the role of organisations in rural development have also formed a focus for some of his work. He also has an interest in peripherality as a constraint to rural economic policy. Much of this work has involved analysis of small area statistics, and Andrew has developed an extensive knowledge of secondary data sources in the UK, together with database manipulation, typological and statistical analysis skills.