

Cross Party Group in the Scottish Parliament on Rural Policy

Wednesday 18th February 2015, 5.45 – 7.30pm, Committee Room 4

Rural Economies: Diversify or Die?

Minutes (Unapproved)

Present

Graeme Dey	MSP (co-convenor)
Alex Fergusson	MSP (co-convenor)
Jim Hume	MSP (co-convenor)
Harriet Smith	Loch Lomond and the Trossachs National Park (Speaker)
Jackie Brierton	GrowBiz (Speaker)
Toby Anstruther	Balcaskie Estate (Speaker)
Caroline Millar	Go Rural (Speaker)
Rod Campbell	MSP
Alan Laidlaw	Crown Estate Scotland
Ann MacSween	Historic Scotland
Anna McBurney	Scottish Government
Brian Williams	SRUC
Ceri Ritchie	SAC Consulting
Chloe Purves	Scottish Enterprise
Christopher Bathgate	Scottish Government
David Green	
David Lamb	European Network for Rural Development
Deb Roberts	James Hutton Institute
Ellie Brodie	SRUC
Elaine McGregor	Scottish Government
Eric Samuel	BIG Lottery
Euan Leitch	Built Environment Forum Scotland
Frank Beattie	Scottish Enterprise
James Ogilvie	Forestry Commission
Jane Atterton	SRUC
Jane Smernicki	SRUC
Katy Dixon	Scottish Land & Estates
Liz Hawkins	Scottish Government
Neil Cummings	The Horticultural Trades Association (HTA)

Nicola Hill	Dumfries and Galloway LEADER programme
Nicolle Hamilton	BASC
Rebecca Dawes	SAYFC
Roger Turner	Rural Economies Consultant
Ross McLaren	Scottish Churches Rural Group
Sarah Skerratt	SRUC
Scott Murray	SRUC
Sheena Howden	Go Rural Ltd
Sian Ringrose	SRUC
Steven Thomson	SRUC
Tony Fitzpatrick	Crichton Institute
Tracey Forbes	University of Aberdeen

Apologies

Claire Baker	MSP (co-convenor)
Jamie McGrigor	MSP
Sarah Boyack	MSP
Jean Urquhart	MSP
Andrew Prendergast	Plunkett Foundation Scotland
Andrew Stevenson	Scottish Government
Anne-Michelle Ketteridge	Forth Valley & Lomond LEADER
Chantal Fenton	Angus Council
Clare Slipper	NFUS
Colette Backwell	Scotland Food and Drink Federation
David Cameron	Community Land Scotland
David Gass	Upper Quartile
David Watts	Aberdeen University
Davy McCracken	SRUC
Deborah Mays	DCM Heritage
Donna Fordyce	Scottish Enterprise
Emma Patterson Taylor	SAOS (Scottish Agricultural Organisation Society)
Fiona Gammie	Dunbar Farmers
Fiona Mackenzie	UHI
Gina Wilson	Carnegie UK Trust
Graham Blythe	European Commission Office in Scotland
Hazel Baxter	Highland Cattle Society
Heather Sim	Space Unlimited

Jan Noble	Lamancha Community Association
Jose Munoz-rojas	James Hutton Institute
Julian Pace	Scottish Enterprise
Katy Jeffrey	SRUC
Kerry Barr	NFUS
Kirsten Leask	Soil Association Scotland (Food for Life Scotland)
Lorna Philip	Aberdeen University
Martin Meteyard	Whitmuir Community Farm Ltd
Mike Strachan	Forestry Commission Scotland
Nick Wright	Nick Wright Planning
Priscilla Gordon-Duff	Moray Local Development Strategy Working Group (Moray LEADER)
Rebecca Marek	Scottish Youth Parliament
Richard Simpson	MSP
Robin Haig	Independent
Roy Mclachlan	RPID
Sally Thomas	Scottish Government
Stephen Graham	Highland Council
Tom Swankie	Balcaskie Estate
Tommy McDade	Barnardos

1. Welcome, introductions and apologies

Graeme Dey MSP (Chair) welcomed all participants to the meeting. Apologies will be noted in the meeting minutes. Participants were reminded to state their name and organisational affiliation (if appropriate) when asking a question.

There were no objections to photographs or an audio recording of the meeting being taken.

2. Approval of the minutes from the last meeting (3rd December – “*Employment, employability and skills in rural Scotland: Is provision fit-for-purpose?*”)

Meeting minutes were circulated in January with the information for today’s meeting and no comments or edits were received. The minutes were proposed by Jim Hume MSP and seconded by Sarah Skerratt (SRUC) as an accurate record of the meeting. The minutes were accepted as an accurate record and an approved version will be posted on the Group’s website after this meeting.

An action item from the last meeting was to write on behalf of the CPG to Angela Constance MSP (Cabinet Secretary for Education and Lifelong Learning) and Roseanna Cunningham MSP

(Cabinet Secretary for Fair Work, Skills & Training) to highlight key issues about employment, employability and skills. The letter was sent by the CPG Co-Conveners on 18 January 2015 and the Conveners are waiting for a response.

3. 8-10 Minute Presentations (followed by discussion):

a. **Harriet Smith, Land Management Advisor, Loch Lomond and the Trossachs National Park: *Rural diversification initiatives in Loch Lomond and the Trossachs National Park.***

Harriet gave an overview of the National Park and its role. She noted that whilst renowned for its landscape and scenery, Loch Lomond and the Trossachs National Park is not a pristine natural environment – it is a managed environment with a long history of managed land use.

The National Park's role is to provide the governing legislation for coordinating partnership working across all sectors which can help rural and land-based business link up to solve difficult problems. The National Park Partnership Plan focuses on conservation, visitor experience and rural development.

The Park receives 4.5 million visitors, with 7 million visitor days, a year. High visitor numbers provides businesses with diverse opportunities through Park initiatives including:

- **'Live Park'** - consultation for the new local development plan (2016 – 2021) engaging a range of people, including communities and land owners. Between April – July 2014, 130 individuals/organisations submitted views, 80 comments were received via Facebook, 350 people followed the consultation on Facebook and around 300 on Twitter.
- **National Park Supplementary Planning Guidance for Renewable Energy** - guidance to support the National Park strategy to support renewable (small scale) developments. The guidance helps to communicate the opportunities of renewable energy for diversification to land owners. The guidance received a commendation by the 2013 Scottish Awards for Quality in Planning.
- **Your Park** – initiative to promote camping in the National Park following a consultation which considered ways to protect the area (e.g. from anti-social behaviour in parts of the Park) such as encouraging new camping facilities to provide the right range of camping opportunities in the Park. Your Park is inviting land owners to get in touch with camping opportunities they could provide.

- **Whole Farm and Estate Plan** – Plan developed to support farms and estates to forward plan. The aim of the Plan is to help develop relationships with land managers, traditional enterprises and new businesses (e.g. conservation, renewables) and assess opportunities available to them to improve the sustainability of their business. Through the Plan, the Park is working with ten businesses to increase populations of black grouse and waders. The Park secured £1 million SRDP funding for various activities to look after habitats which has resulted in a 95% increase in breeding in waders.

Harriet's key message was that working closely with land-based and other rural businesses leads to the sustainable delivery of National Park outcomes. The National Park's success at engaging with businesses is in part due to having a strong understanding of the variety of objectives rural businesses have to fulfil. It is imperative that any diversification should be understood in an integrated manner. She questioned if there is an opportunity for an advisory programme on the SRDP to be developed in a slightly different way, or if it will be business as usual.

- b. **Jackie Brierton, Enterprise Coordinator, GrowBiz: *Community-based enterprise support in rural Perthshire*** Jackie's presentation can be accessed [here](http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15) (http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15).

GrowBiz is based in rural Perthshire. It has existed for eight years and is small with three part time staff. GrowBiz provides community-based enterprise support for anyone who wants to develop an idea or business in eastern Perthshire. It provides flexible enterprise advice and guidance and connecting businesses is key. GrowBiz draws on the teachings of Ernesto Sirolli who teaches that no one sets up a business on their own, start ups need a network to do this, including development, marketing and finance. GrowBiz therefore connects people in order to do this. It offers a free and confidential service through one-to-one meetings and peer support through GrowBiz Exchange – a bigger network which includes up to two hours of free mentoring/advice from members.

GrowBiz receives referrals from Business Gateway and Job Centres but primarily clients come through word-of-mouth. Funding comes from a range of sources including RBS Women's Enterprise Project which has seen an increase from 60% to 70% of clients being female. The integration of health and social care is reliant on small local businesses or providers, and Perth & Kinross Council contracted GrowBiz to help these providers be better businesses.

In terms of outcomes, GrowBiz has worked with 600 clients in total (on a one-to-one or network basis) and supported 350 new or expanding businesses in the area. The approximate cost per job is £1,200 which is very low (estimates for Scottish Enterprise are £12,000). It has worked with a high number of female clients due to GrowBiz's flexibility and informality, and the GrowBiz Exchange is growing with 40 members, which Jackie expects to double over the next few months.

Whilst an increase in social capital is difficult to measure, Jackie and her colleagues have observed businesses connecting with each other and increased self-belief amongst those people supported. Increased local GVA is difficult to judge, aside from high numbers and

diversity of types of businesses involved in GrowBiz. Examples also help demonstrate the economic impact of GrowBiz, e.g. a local farmer who contacted GrowBiz last year. The farmer had supported the development of a world class piece of software in biosecurity through an investment with his partners of £4m and GrowBiz introduced him to someone who is now their CEO; and now they now have an additional £5m investment. On a much smaller economic scale, GrowBiz has supported a woman working in chicken factory who was made redundant and now has a business caring for elderly people in her local area.

Jackie noted that the businesses that GrowBiz works with tend not to come from the agricultural area, and that it is difficult to get farmers involved in joining the network even though it would benefit them. She suggested that enabling this diversity in the new Rural Development Programme could help to break down some of the barriers.

The key messages Jackie concluded with were:

- **Access to flexible support is essential** – GrowBiz budget is £70-80,000 a year.
- **Access to micro finance is essential** – small grants go a long way.
- **Respect for peoples' dreams is essential** – need to take people seriously.
- **Capturing this energy and the aspirations of people is important.**

c. **Toby Anstruther, Balcaskie Estate, Fife: *Small steps towards quality of life in the East Neuk: the steadings project*** Toby's presentation can be accessed [here](http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15) (http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15).

Toby is founder of Food from Fife and Chair of the East Neuk Community Action Plan (ENCAP).

The ENCAP is trying to ensure a good quality of life for the East Neuk. Toby stated that it is important to keep this aim in mind as it avoids becoming trapped in policy silo and is of universal benefit. ENCAP also tries to reflect human and community timescales rather than political and administrative ones. This is a challenge, and presents the biggest tension in what ENCAP does.

In order to achieve the aims of the ENCAP, certain capacities and resources are needed including: skills; physical space; funding; market/customers; supply chains and logistics. As well as capacities and resources, the human resources of identity, self-confidence and aspiration are needed, which Toby described in regard to authority ('seeking forgiveness not permission'), being self-reliant and resilient and working at a human and community scale. If one of these key elements is missing, it is difficult to restart industries – Toby gave the example of a local abattoir which recently closed and was turned into a Premier Inn.

Current projects and organisations which are impacting on the key 'Quality of Life' aim include:

- East Neuk Community Action Plan [ENCAP]
- East Neuk Community Awards Fund – a community foundation which gives microgrants.

- Food from Fife
- RSPB, Red Squirrels, hedge planting & other biodiversity projects
- Community initiatives such as AIA Dreel Halls and Coastal Rowing.
- Steadings Project

The Steadings Project comprises 18 steadings in a small area, which haven't been redeveloped or sold off. Toby noted that this is a great resource because residential values have gone up so quickly that there is no commercial space for rent. The Steadings space allows people to try and test things on a low commitment basis. One such example is a guitar-making business. Toby noted that it is not a problem being a small business and located remotely if the product being sold is of high value (the guitars sell for £6-7,000 each).

Key to the success of the Steadings Project is that most work is done without planning permission. Toby said that work that is carried out is consistent with planning and building control but that the planning system tries to take risk out of the project and asks questions that are irrelevant and the answers to which are unknown at the time of asking, such as what the building will be used for. A good relationship with Fife Council and the Scottish Government helps. In an urban context there is a system that works for the Steadings Project approach but it hasn't been translated into a rural context.

Toby concluded that in terms of funding and scale, it is difficult to apply for funding for large projects as they tend to do projects in small scales. He noted that the administrative overheads for small projects are so high that grant funding is not worth it. Tendering out is necessary with larger contracts so the Estate are trying to use local contractors, which means the scale of the work has to be tempered to their capacity but that money stays in the local economy. Planning is a big issue and the Estate's approach is to operate with the full knowledge of planners but to seek permission afterwards. Toby noted that engagement with Fife Council has been good as their objectives of improving quality of life are the same.

Toby's three key messages were:

- **Opportunities** – providing micro enterprise zones that allow people to have a go, is critical. These provide an insulator from bureaucracy and other barriers that make doing small projects difficult.
- **Timescales** – business and life doesn't start and stop, whereas policies and funding programmes such as LEADER do. Policy makers need to keep in mind that when a programme stops it is disruptive.
- **Codification** – it is difficult to find examples of similar things that can be followed so more work could be done to draw out the best projects that are happening.

d. Caroline Millar, Go Rural: *Agritourism, a £1 billion opportunity for Scotland*

Caroline's presentation can be accessed [here](http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15) (http://www.sruc.ac.uk/downloads/120597/group_meetings_2014-15).

Caroline explained that agritourism is farm, estate and crofts offering tourism or leisure experiences, and ranges from farm house B&Bs and farm cafes to activity parks. It has been established for 30 years and around 1,000 agritourism businesses, with 400 driving sector. Turnover is between £10,000 to £1.5m per business with the larger businesses having 300,000 consumers per annum. Agritourism is recognised internationally but the name is not used in the UK by consumers. This is a missed opportunity, especially given 75% of Scotland is agricultural land.

Caroline opts not to use the work 'diversification' – she sees agritourism as a mainstream agricultural activity, as in other parts of the world, which sits in farm accounts alongside lamb, barley, etc. Others include agritourism in marketing, communications and customer relations.

Agritourism is big business – other countries in the world have agritourism sectors worth £1bn, for example Italy's market started in 1985 when agritourism was enshrined in legislation: now it is worth €1.2bn. Internationally, agritourism feeds domestic food culture and is used as a food export strategy, for example, tourists visit Italy, eat Italian food, return home and buy Italian food. This could be the same for Scotland. Currently in Scotland, the sector is worth around £100m.

Caroline noted that there is a gap in the UK between the 1% involved in farming and the rest of the population. Farmers are quite inward-looking and there is still a view in farming that agritourism is "something the wife does for a bit of pocket money". Some policy makers and city-based politicians have no understanding of agritourism and its opportunities. To do this requires: strategy; investment; farmers, food and drink, tourism and rural sectors to come together; people to value this and believe in it, and vision.

The benefits of agritourism were highlighted by Caroline as supporting fragile rural areas through creating rural entrepreneurs and employment and succession in farm businesses. It can also help to grow the Scottish food culture, improve health and wellbeing through access to the countryside and support the Food Export Strategy.

Caroline asked, "How do you get your son or daughter to come back to the farm instead of making £60,000 loss? Agritourism." She gave an example of a 1,300 acre farm in Dumfries which before subsidy was making a £20,000 loss. Now, 16 members of the family are sustained, they are employing 40 people and have a £700,000 turnover. Another example, the Hideway Experience of luxury secluded lodges, is making more than the farm in terms of profit. Caroline highlighted that on a national scale, for every on-farm full time equivalent, there are three employed in agritourism.

Italy is an example of where farmers are at the heart of economic development policy. Last summer, GoRural took ten Scottish representatives to Tuscany and Umbria to learn from agritourism there. They found the Italian farmers to be amazing storytellers, selling brilliant

products, and that Italian farmers markets only sell products from farmers. The agritourism sector grew by €200m in the last two years.

Go Rural came out of Scottish Enterprise Rural Leadership Programme and its aims are sixfold:

1. Giving Agritourism Sector a Voice – Lobbying
2. B2B - Stimulating Businesses to Grow
3. Quality Assurance of Working Farm, Quality Experience
4. Consumer Marketing
5. Engaging Wider Supply Chain
6. Creating Agritourism Movement in Scotland

Go Rural recently surveyed businesses and 90% had growth ambitions. Some businesses were only operating at 50-60% capacity and need support for skills development in hospitality and catering. They also surveyed 800 consumers who were 'warm' to the farm experience and found that they were most attracted by the freedom to walk and explore and to eat fresh food. Caroline questioned if Scotland's farms offer this. People were put off by a lack of information and not aware of what is on offer, and a fear of being injured by livestock/being shot. She said that we need to crack down on people who have been given money for public paths and then put up a 'Danger: Shooting' sign.

Go Rural brand is a quality assurance sign that farmers can put up on their farms which means visitors are guaranteed to be on a working farm and to have a quality experience.

Caroline concluded with key messages about what needs to happen to capitalise on the opportunities agritourism offers. These included: a strategic analysis of the opportunity and investment required for agritourism; a dedicated agritourism policy lead; dedicated SRDP funds for agritourism (Tuscany receives €60m); and market research and benchmarking to understand demand and supply. She noted that significant investment is required in product development (FARM Assurance), marketing and communications (via Visit Scotland), skills development (e.g. hospitality and customer care), access to capital, 3G, 4G and broadband, and a VAT cut and tax breaks for agritourism. She also recognised that agritourism businesses have to "get their own house in order".

Tony Fitpatrick from the **Crichton Institute** gave a summary of an event held in Lockerbie on the topic of diversification the previous week which included a panel of diversified businesses, academics and SRUC advisors. Triggers for diversification were highlighted as necessity (e.g. young people returning to farms and needing their salaries sustained), and creativity and an entrepreneurial spirit, however a view was expressed that not enough small businesses were willing to take risks and think 'outside the box', plus 'the system' (especially planners) tended to constrain people and discourage them from taking risks. Four key barriers to diversification were identified in the meeting: broadband, recruitment of skilled workers, access to microfinance and a risk-averse culture in support agencies which can dampen ideas. LEADER taking on farm

diversification was viewed with hope, especially as a means of reducing the sense in which agriculture has traditionally been seen as an 'industry apart'.

Key issues raised in the discussion included:

- **The role of women in rural diversification** was noted, with 70% of Growbiz clients being women and an estimated 60/40 female/male split in agritourism businesses. Research shows women come up with different solutions to men, and with business ideas borne out of their own experience. The rural businesses GrowBiz works with see women coming up with a diverse range of ideas but they tend to have a lack of self-belief, which makes the tailored and flexible support of GrowBiz even more important. Research shows that half of all Scottish businesses are based at home but little is known about where they are and what they do - the line between hobby, business and part-time work is currently too stark and needs breaking down.
- **Renewables** as a popular approach to diversification was highlighted, but that grid access problems are hindering this, with a question about whether this is due to the preponderance of large scale wind farms in certain areas or a problem across rural Scotland. In Loch Lomond and the Trossachs National Park, the main growth in renewables has been in run of river hydro projects (11 such projects approved). Planning guidance was felt to have enabled this growth as it allows landowners to consider things before reach planning, and grid access has not been a hurdle to date.
- **Access to finance** was a key area of discussion. It included whether farms are tenanted or owner-occupied, subsidies and finance through SRDP and LEADER, and the need for flexible micro finance. In terms of being tenanted or owner-occupied, the entrepreneurial drive of some of the most successful agritourism businesses was felt to be evident because many are tenanted and therefore not able to borrow against their land asset.

Regarding the **SRDP**, GoRural members are concerned about the next round and that grants will be smaller than previously. The Single Farm Payment has only been in existence for 10 years, and it was suggested that farmers treat it as part of farming enterprise and therefore do not use it in an entrepreneurial way. It was suggested that since there has been uncertainty around the CAP Pillar 1 payment, farmers tend to be less interested in diversification. A point was raised about the stop-start nature of funding, for example, the last time farmers could apply for a rural enterprise grant was in 2011.

The challenge of **LEADER paying funds retrospectively** was highlighted, with cashflow being an issue that prevents projects from starting and from working well, as well as the administration involved in processing finance. Food for Fife was visited by Swedish farmers who noted that their LAG group funded the admin in relation to each of the LEADER grants. This meant that the LAG could create as much paperwork as they wanted as they knew they were paying for it. The East Neuk Community Awards Fund gives soft loans and micro finance to address this issue. All agreed that small amounts

can make a huge difference and that micro finance was needed. Lessons could be learnt from the Small Firms Loan Guarantee scheme in banking which funded projects that were viable but which lacked security to be lent against so the government underwrote them. Access to finance is a common hurdle in the wider market, for example, many new entrants stumble at the hurdle of finance. In terms of banks lending, it was noted that setting up a different business to the farm is seen by banks as a tourism business and therefore as high risk, so better evidence is needed to make the case.

- **LEADER and farm diversification** was discussed, with a concern being raised about whether people running LEADER projects understand agritourism. A LEADER Coordinator said that they are having a recruitment drive for new members to ensure they have the relevant experience and knowledge. A Scottish Government representative noted that making rural enterprise and farm diversification funding available through LEADER provides an opportunity to join up locally. She said that there is probably variable levels of knowledge across LEADER areas about farming and agriculture and that the Rural Communities Team in Scottish Government are having a training and networking day (24 March) on the topic to bring together relevant stakeholders and LEADER groups. The new Agritourism Strategy is on the agenda for this event.
- Challenges of **engaging farmers** in projects were highlighted. GrowBiz has marketed its services locally but never get farmers coming. This could be historical because business support for farms has come through different channels, and some farmers seem to not know where to go for help, which might start to push them into looking at what's available locally.
- **Cooperation and collaboration** were felt to be critical to the success of rural diversification, with experiences from the cooperative movement as the bridge for farmers markets and farm shops being highlighted. GoRural is bringing together 60 businesses under its banner, supporting them through knowledge exchange and business supports but this needs strengthening and widening.

The GrowBiz peer support model demonstrates the importance of cooperation, including talking about what hasn't gone well. A new kind of cooperative in Aberfeldy has been set up to work through GrowBiz's Creative Care project. Fourteen self-employed or micro businesses have set up a care cooperative to provide a range of services to the community care sector. The cooperative enables them to better market their businesses and highlight available services to the community, combined with the security and sense of due diligence of being a member of the cooperative.

Collaboration in the East Neuk Steadings project is critical, with businesses being clustered (e.g. those working with wood) to facilitate collaboration. A landscape style approach in Loch Lomond and the Trossachs National Park has helped to create conservation projects (e.g. with waders) across a number of holdings. The strength of

Chambers of Agriculture in mainland Europe was noted, as a way in which farmer collaboration was supported and that an equivalent may be helpful in Scotland to overcome the 'industry apart' observation from earlier in the meeting.

- The **need to learn from the past** in terms of previous agritourism and micro enterprise initiatives was emphasised. Caroline stated that agritourism needs a bold approach, to have budget allocated in the SRDP and a VAT rate for agritourism businesses of 5% as in Tuscany where agritourism businesses can earn £60,000 without tax as this is driving the sector there. It was suggested that the Economic Strategy could be refreshed to include the concept about inclusive growth to be more inclusive of rural areas and businesses.
- The **rural/urban divide** in Scotland was raised as a barrier to agritourism, in comparison to countries such as Greece and Italy which have a strong connection between rural and urban, for example through an understanding with food. Most rural people were felt to not be engaged with agriculture, and there is a big gap between many farmers and producers and the hospitality sector with many hotels not using Scottish produce. Agritourism could be widened out as a food policy given how many agritourism businesses are offering guests farm produce. Agencies such as Chamber of Commerce and Business Gateway tend not to do outreach or events in rural areas so businesses are expected to travel into the nearest town or city. Coming out to see businesses would be a way to help start to break down the barriers. Farmers markets are another way to re-establish links between town and country. Creating covered farmers markets in towns would help this. Another suggestion was to concentrate on people rather than sectors, and to support organisations such as the Royal Highland Education Trust and LEAF with its open farm Sundays.
- A final point was made about the **variety of assets of farms and estates**, from forestry and renewables to conservation and sport, and the need to look at these so that diversification is not viewed only as tourism

4. AOB

No items of AOB were discussed.

5. Date of next meeting (Wednesday 20th May 2015: What is Scotland's rural land for?)

The next meeting will be held as above and further information will be available in due course.