

## Farming's Retreat from the Hills

Tony Waterhouse<sup>1</sup>, Steven Thomson and Andrew Midgley

### Introduction

In recent years there have been growing concerns that there are fewer and fewer livestock on Scottish hills with potentially negative consequences for the social, economic and environmental sustainability of upland areas. In this context, SAC has brought together some of the evidence on what is happening to livestock numbers at the national, regional and local scales with an assessment of the current economic situation and a discussion of the possible consequences for biodiversity and communities. The purpose is to identify the trends and geography of current changes and to question what the most appropriate responses might be<sup>2</sup>.

### Is farming retreating from the hills?

An examination of the census data showed that sheep numbers have declined dramatically since 1999, most notably in the North West, with many areas seeing a reduction of between 35 and 60 percent (figure 1). The data on the number of sheep per unit carrying sheep and the number of holdings with sheep suggest that this reduction in sheep numbers is part of a process of down-sizing coupled with a number of farmers withdrawing from sheep production (although the number of sheep per unit has dropped much more significantly than the number of holdings with sheep).

Cattle numbers have also declined, although not so dramatically and not in the same areas. The decline in cattle numbers in some areas is a combination of downsizing and farmers withdrawing from production. However, in many areas the changes are due to an increase in intensity as some farmers have expanded as others leave the industry. Crucially, declines in livestock numbers appear to have accelerated after the introduction of the Single Farm Payment and the decoupling of livestock numbers from payments. However, the analysis of the data highlights that the decline in livestock numbers is extremely complex with a great deal of spatial variation even within single geographical areas (such as Highland).

### The economic reality of farming in the hills

A review of the economic situation found that hill farmers are under significant pressure at present because most hill production is financially uneconomic (table 1). The price that farmers receive for their livestock, for example, is

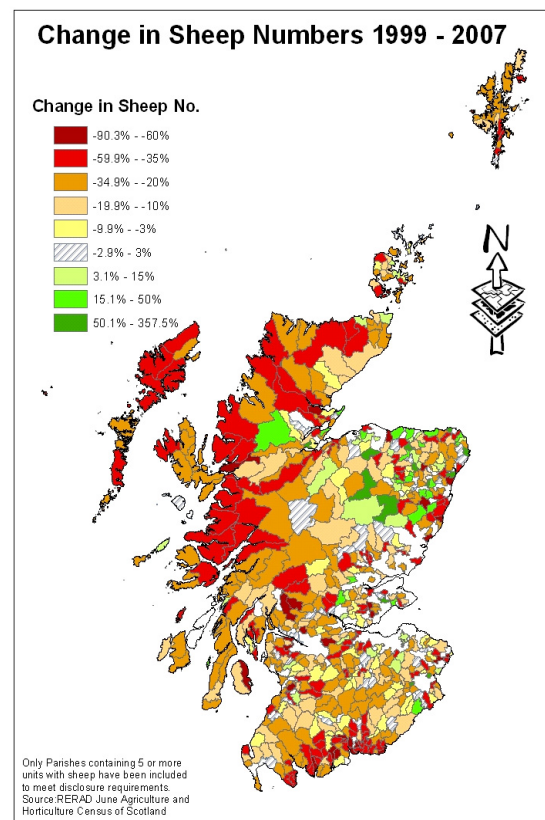


Figure 1: Change in sheep numbers between 1999 and 2007 at the parish level. Source: June Agricultural Census.

	Lowground Breeding Flocks	LFA Upland Breeding Flocks	LFA Hill Breeding Flocks
	Average holding	Average holding	Average holding
	£ per ewe	£ per ewe	£ per ewe
Gross Output	78.98	67.38	38.99
Less Replacement costs	(-) 6.42	(-) 10.21	(-) 7.50
Net Output	72.56	57.17	31.49
Variable Costs (incl. concentrates and forage)	(-) 28.96	(-) 22.08	(-) 15.25
<b>Gross Margin</b>	<b>43.60</b>	<b>35.09</b>	<b>16.24</b>
Fixed Costs	(-) 44.54	(-) 44.97	(-) 42.09
<b>Net Margin per ewe</b>	<b>(-) 0.94</b>	<b>(-) 9.88</b>	<b>(-) 25.85</b>

Table 1: Gross and net margins per ewe for, low ground, LFA upland and LFA Hill breeding flocks (Source: QMS 2007).

<sup>1</sup> SAC Hill and Mountain Research Centre, Kirkton Farm, Crianlarich, FK20 8RU. Email: [tony.waterhouse@sac.ac.uk](mailto:tony.waterhouse@sac.ac.uk).

<sup>2</sup> The full report can be found here: <http://www.sac.ac.uk/ruralpolicycentre/pubs/researchreports/>.

often below the costs of production and much of the farming in hill areas only continues because of the support payments provided by government. In some areas – especially the North West – this situation is particularly pronounced and some farmers have already scaled back their livestock numbers or removed livestock altogether.

The prices received for lambs and for steers have risen recently and represent a welcome increase in the income per animal. This price increase has, however, been joined by simultaneous increases in input costs, extending concerns over farm profitability in Scotland. In practice, the degree to which a farmer will benefit from rising prices will depend on the detail of their operation. The better hill farms with 100% lambing, for example, do not buy in great quantities of concentrates or fertilisers and will be less affected by the input price rises.

### Consequences for biodiversity

Although grazing levels were considered to be too high in large parts of the British uplands throughout much of the late twentieth century (leading to heather loss and damage to vegetation and soils), the situation in some places has now reversed with little or no livestock, which may lead to problems associated with under-grazing. In general, though, a reduction of grazing on hill land will benefit some species but be detrimental to others (figure 2). Some sites will be of greater conservation value while others will have a lower conservation value. Having a range of different management systems, including some which have little or no grazing livestock is perhaps the key to maximising biodiversity in the uplands.

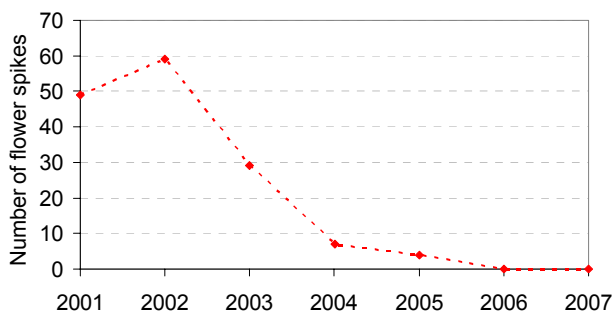


Figure 2: The removal of grazing animals from an area of heath at Tyndrum Community Woodland resulted in a dramatic decline in a population of small white orchids (*Pseudorchis albida*).

### Consequences for communities

Agriculture plays an important role in many rural economies and communities either directly, through employment, or indirectly, through the way that farm businesses are linked to other businesses in an area. Change in agricultural production, especially in remote rural areas – where agriculture plays a more prominent role in the economy – can have significant implications for the local economy and for local communities. An examination of the census data suggests that the Highlands and Islands have seen the greatest decline in the number of full-time occupiers and spouses at the same time as witnessing the slowest growth in part-time occupiers working 50 percent of their time or less. There has also been a rise in the number of spouses working less than 50 percent of their time on farm, suggesting that spouses in particular are shifting to find employment off-farm. The availability of labour is also an issue with the number of employees having declined across large parts of Scotland (figure 3).

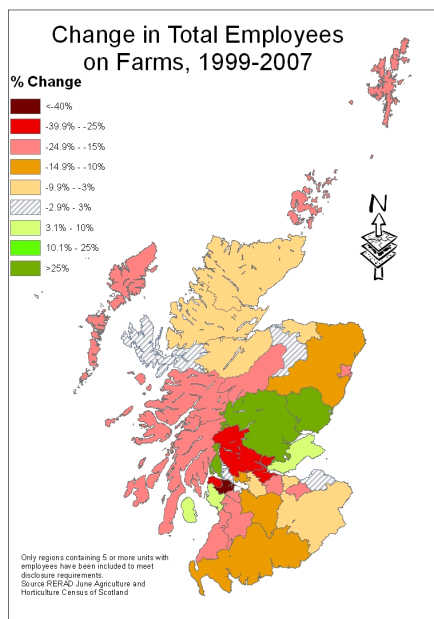


Figure 3: Change in total employees on farms between 1999 and 2007 (excluding occupiers and spouses).

### Managing the retreat from the hills – where next?

The trends in livestock numbers, the number of people working in the hills and the high input prices suggest that, in the short-term at least, the decline will continue. Other factors, such as the relative profitability of alternative land uses such as forestry, may also come into play. If the profitability of hill farming remains low and funding is available for forestry, it could make economic sense over the long-term for many landowners to move further away from hill sheep farming. Such a shift is not without its own economic, social and environmental consequences and requires further examination.

In general terms, the current decline in livestock numbers in the hills could have several negative implications: the farming sector appears to be contracting in hill areas; there are knock on consequences for local economies and communities; and some moorland species are likely to be detrimentally affected. The reduction in livestock numbers therefore begs the question of whether new policies are required. Any response will be difficult, however, because, as a society, we want to retain a thriving farming sector, we want to see vibrant rural communities and we want a healthy natural environment. Finding solutions that help to deliver all these objectives will be

complex. At a general level, there are three broad responses:

- accept that farming is changing – simply allow the changes to happen and deal with the consequences;
- attempt to halt the decline through changes to the rules surrounding direct payments – reinforcing cross compliance or providing some form of support payment (perhaps through Article 69/68);
- attempt to halt the decline through enhanced rural development measures – move further towards paying farmers for the provision of 'public goods'.