



President's Report

Farming in Scotland is at a tipping point.

I can think of few times when faith in the future of farming was so fragile, yet there is much to be optimistic about.

Responses to our credit crunch and input cost survey, issued in October, have highlighted the sea change that has taken place in farming's fortunes. Only six percent of those who responded were planning to increase their business's production in the next 12 months. On the other side, more than 40 percent were planning to reduce output with roughly the same number of producers planning to stand still.

What is at the root of this crisis in confidence?

Undoubtedly, the day-to-day drudgery of compliance is contributing to the desperately low levels of confidence in our industry. When combined with surging input costs, volatile market prices and concerns over credit and investment, there are some serious issues around the future of food production in this country.

Our job, in the past 12 months as it will be in the year ahead, is to make sure that policymakers in Holyrood, Westminster and Brussels take note and take action. Failure to respond will further undermine our farming industry and all the economic, social and environmental good that it delivers.

The Scottish Government's headline Food and Drink Strategy can only be delivered if the country

continues to produce food. The Scottish Government's ambitious renewable energy targets require buy-in from agriculture to secure their success. The environmental aspirations of wildlife organisations can only be delivered by a vibrant and profitable agricultural sector.

We also need balance, perspective and joined-up thinking in policy making decisions so that strategies do not sit at odds with one another. Ambitious climate change targets are laudable but must only be delivered without impact on our primary production when that primary production is the very cornerstone of Scotland's strategy for food and drink.

We have been urging the Scottish Government and stakeholders to consider a radical shake-up of the way support is delivered to the Scottish agricultural industry. In our 'Manifesto for the Hills' document, launched at the start of September, we highlighted the urgent need for new policies and pointed out that, constructed as a package, the following three elements could protect the future of livestock production in most of Scotland.

- A re-modelled Less Favoured Areas Support Scheme (LFASS), backed by additional money, focused on targeting funding at active production;
- A revitalised list of Land Managers Options under the non-competitive element of the Scotland Rural Development Programme;
- Retention of the Scottish Beef Calf Scheme.



Jim McLaren - NFUS President

There is now real momentum behind the need for change in the way we deliver support to all those farming in Scotland. Targeting that support at those who actively farm the land will be a key element of that delivery. With the Health Check of the CAP now behind us, thoughts are turning to the review of LFASS and the shape of support in Scotland after 2013. It is vital that NFUS and its membership lead on these debates.

Our membership continues to grow at a healthy rate, despite a continued modest decline in farmer numbers working in our industry. I remain confident about the future of agriculture in Scotland, against a background of increasing world demand for food and climate change.

Only with the presence of a strong agricultural lobby can that future be properly exploited. I thank you for your support.

CEO Report



James Withers - NFUS Chief Executive

The last twelve months have been hectic and intense, but I believe hugely successful for NFUS. On a personal note, it was particularly significant as I moved into the Chief Executive post following

Andy Robertson's departure. Andy left the Union in February after four successful years with NFUS and his insight into the policy-making process and work on behalf of the industry has left an important legacy.

Despite having worked with NFUS for over nine years, I am still astounded at the workrate both of NFUS staff across Scotland and the hundreds of our members who voluntarily give up their time to fight on their industry's behalf. It is that work that makes the Union tick and which has made my first few months in this post particularly enjoyable.

My appointment was the catalyst for additional staff changes in Head Office. It was particularly satisfying to fill two of our staff Directors posts from within the organisation and Alison Gillespie's appointment as Membership Director and Bob Carruth's as Communications Director was testament to the strength in depth and talent this organisation is fortunate to have at its disposal.

In policy terms, the world never stands still, indeed the pace of developments only seems to quicken.

Having overcome the re-emergence of foot and mouth and its ghastly fallout in 2007, the animal health focus turned to bluetongue and preventing its spread to Scotland. Nobody wants to be facing a compulsory vaccination programme, but it is the right course of action and represents the outcome of Scottish Government working hand-in-hand with industry.

Our relationship with Scottish Government, both Ministers and officials, is excellent. However that is not to say we don't make their life difficult! I have been impressed with the statements of intent from the administration since it came into office in 2007. However, delivery is everything and at a time when the livestock industry is witnessing a dramatic drop in numbers and volatility in the arable sector is leaving many producers questioning their future, we need decisive action.

NFUS continues to be on the front foot pushing for that action. From fighting unnecessary regulation such as the individual recording of sheep movements and draconian pesticide proposals or promoting innovative policy proposals such as those within our Manifesto for the Hills, we cannot let up for a second.

We can do all this because of the support of members up and down the country. That support continues to strengthen, with over 350 new members joining us in 2008. Our net increases in membership of the last two years reverse the trend which had, prior to 2007, seen our membership gradually reduce in line with the contraction of the industry. I believe this turnaround is a sign that non-members are increasingly recognising the work we can do on their behalf and the importance of them supporting our efforts. It is certainly a

reflection of the commitment of our President, Vice-Presidents and Board, with support from all our membership staff, to the recruitment and retention of members.

With the momentum of recruitment on our side, we are continually looking to invest in membership services. The Union has once again had a solid financial year. With subscriptions up by around £100,000, NFUS will continue its investment in regional staff in particular as we move towards having one regional manager in each of our regions. As I write, the auditors are doing their work, however the Union will post a profit of around £45,000 for the 2007/08 financial year. Next year, the focus is once again on reinvestment and I would expect that figure to be around break-even. Once again, the support we receive from NFU Mutual is hugely valued and is critical to our work. Quality levels of service count and just as NFUS has seen a bounce in its membership, so too the Mutual has taken great strides forward in Scotland in 2008, which is a credit to them.

The financial crisis of 2008 was a reminder that no-one can predict everything. So too, I can't make exact predictions for our industry in 2009. However, I can promise you that your Union will remain central to its future, planning its forward path and, with your support and the dedication of national and local office-holders and all staff across Scotland, we will continue to make a difference. I wish you well for 2009 and your support is as valued as ever.

CAP – The Shape of Things to Come

The deal on the Common Agricultural Policy (CAP) Health Check, agreed by EU Farm Ministers in mid-November, should deliver a fair outcome to Scottish farmers. It certainly represented a significant improvement from what was originally on the table.

It took some concerted joined-up lobbying to secure the continued operation of the Scottish Beef Calf Scheme (SBCS) to at least 2012, giving some future stability to the diminishing beef herd.

On modulation, the rates for Scottish farmers remain at those that had previously been set out by the Scottish Government while the rates applicable to all other EU member states are now much closer to those that will apply in Scotland, providing a more level playing field than before.

Of concern are new rules regarding the cross-compliance conditions that farmers

may have to meet if they are to receive their Single Farm Payment and concessions made to countries on milk quotas that could bring a fresh flood of imported dairy produce to the UK.

However, the debate is already turning to the future of the CAP in 2013 and beyond. The Union's forward thinkers are already discussing the shape of CAP and meetings with EU Farm Commissioner Mariann Fischer Boel will take place in the coming months to ensure Scotland is at the heart of that debate.



Fight for Supply Chain Fairness



Supermarket abuse and the difficulties that suppliers face in complaining about mistreatment is a story we all know only too well.

Four years ago, NFU Scotland's Milk Committee lobbied Holyrood and Westminster, starting a campaign for the introduction of an independent supermarket ombudsman. Finally, in April 2008, the Competition Commission recommended just that - an independent ombudsman to oversee relationships between retailers and suppliers.

However, some of the UK's biggest retailers have been putting up resistance to the move. In the meantime, the domination that they exert over their suppliers, frequently to the detriment of those supplier businesses, and farmer growers in turn, continues.

Recently, we have received more and more reports from businesses that feel they are being mistreated. Complaints include over-riders where suppliers are made to pay for shelf space on terms that change at will, last minute alterations to payment terms and timescales and the use of promotions paid for by the supply trade.

What we want, with immediate effect, is a move away from loose 'gentlemen's' agreements, which allow the supermarkets total control over their suppliers, to proper contracts that allow sustainable profit margins for everyone within the supply chain.

If the warm words that the supermarkets have been speaking mean anything at all then the time has come for them to grasp the ombudsman recommendation with both hands.

NFU Scotland will be fighting to make that happen.

Livestock Decline Needs Long Term Solution

In the last decade, Scotland has lost a quarter of its breeding flock and one in ten of its beef cows. This is undermining food production, the social fabric and environmental benefits and NFU Scotland is leading the debate on how to halt this unprecedented exodus of cattle and sheep from our hills and uplands.

Our manifesto for livestock production, published in early September, represents a package of policy options which focuses on better use of existing public funds. We believe that, constructed as a package, the following three elements could protect the future of livestock production in the hills and uplands:

- A re-modelled Less Favoured Areas Support Scheme, focused on targeting funding at active production;
- A revitalised list of Land Managers Options under the non-competitive element of the Scotland Rural Development Programme;
- Retention of the Scottish Beef Calf Scheme.

NFU Scotland is not prepared to sit back and let this decline continue without challenge. Scottish Government and other stakeholders must recognise the huge social, environmental and economic benefits delivered by agricultural activity in our hills and uplands and intervene. In our view, there is no question that intervention is necessary.

Debate and decision-making on this issue must be short, sharp and focussed if it is to deliver meaningful changes in 2009 and 2010.



The Bluetongue Blues

It was a major disappointment for NFU Scotland that the abject failure to control bluetongue disease in the rest of Europe forced Scottish producers into the position of agreeing to a compulsory vaccination programme to protect our livestock industry. Vaccination in Scotland started in early November.

The bluetongue position in Northern Europe has gone from bad to worse. At the time of writing, it is dealing with three separate strains of the disease - BTV8, BTV1 and, more recently, BTV6. Vaccine is currently only available for BTV8 and BTV1. The haphazard approach to vaccination and animal movements in parts of Europe has seen the disease continue to spread.

In GB, the voluntary vaccination route taken by England and Wales has seen variable vaccine uptake. In the Border counties, vaccine usage has been as low as 10 percent. Worse still, at the end of 2008, some producers in England and Wales were still importing animals from the Continent when it is blatantly apparent that control policies are not working. More than 40 animals, believed to be free of disease, arrived in England this year and subsequently tested positive for the virus.

Scotland needs a successful vaccination campaign to protect itself against BTV8 and it needs other parts of GB to properly protect their livestock against the virus. We need appropriate EU animal movement controls and we need the whole of GB to get behind an import ban on livestock until such times as Europe is seen to have the disease under control.



Most we win, some we lose

The need for a radical shake-up of the Agricultural Subsidy Appeals System, was set against the backdrop of NFU Scotland's long-running campaign to seek justice for those penalised four years ago for unintentionally breaching a livestock support scheme rule.

NFUS was unsuccessful with the written verdict in the case, heard by the Scottish Land Court in June, finding in favour of the Scottish Government. This was a landmark case and the outcome was a disappointment for more than 260 Scottish farmers.

The case revolved around the requirement in 2003 for those claiming support under the

Suckler Cow Premium Scheme (SCPS) to have heifers - defined by Europe as young cows yet to have a calf - make up a minimum of five percent of their eligible animals. If a heifer calved during the claim period, there was a requirement to substitute that animal on the claim form with another eligible heifer. Failure to notify SEERAD of a substitution resulted in a penalty being placed on the subsidy claim. Individual farmers lost up to £80,000 of their support payments as a result.

The upshot was that a simple administrative error resulted in a significant number of Scottish livestock farmers being hit with hefty losses that ran into tens of thousands of pounds. At NFU

Scotland, we felt those farmers had a justifiable case and that the fines were disproportionate given that the information required was already at the Scottish Government's disposal. Those farmers merited the full support of NFU Scotland. Our opinion has not changed, but the court did not support it.

Where issues like this arise, we will continue to represent our members interests in such cases. We hope that this will be less of a challenge in the future and that the recommendations of the review into the appeals procedure will address some of the fundamental problems with the current system.

Drowning in the Red (Tape) Sea

Excessive red tape is a scourge of Europe, the UK and Scotland - and the agricultural industry is drowning in it.

NFU Scotland believes the burden of excessive regulation across all sectors of the agricultural industry hampers any drive towards long-term profitability and security for our farmers and growers.

Every effort must be made to reduce the amount of paperwork that lands on the farm doorstep irrespective of whether it is generated by Brussels, Westminster or Holyrood. In the past year, we have raised the issue with EU Commissioner Fischer Boel, Prime Minister Gordon Brown and Scotland's First Minister Alex Salmond. All are aware of the problems caused by regulation on our industry, but what we require is definitive action.

Agriculture is a crucial part of the solution to meeting political ambitions on food, rural development and the environment but we cannot deliver our part of deal if we have one hand tied behind our back with red tape.

Crofting in the Spotlight

These are changing times for crofting and NFU Scotland has been consulting its crofting membership widely in its consideration of the Scottish Government's proposals to bring forward a new Crofting Bill and consolidate Crofting law.

As well as the Bill, Scottish Environment Minister, Mike Russell is giving consideration to a number of issues, including: reconstituting the Crofters Commission; making Highlands and Islands Enterprise (HIE) the lead organisation for developing crofting communities; encouraging the creation of new crofts, especially on public land; and extending the crofting areas. One casualty could be the Bull Hire Scheme.

The Government's proposals are underpinned by a series of principles to, among others, maintain and increase the amount of crofting land; ensure that croft land is put to productive use; give more power to local people to determine their own futures; and assist young and new entrants into crofting.

We share the Minister's aspiration for vibrant crofting communities and we will be working with more than 800 NFUS crofting members to determine what we believe is the best approach in the interest of all of rural Scotland.

Crunching the Numbers

NFU Scotland has been putting hard facts and figures to the true cost of the credit crunch and rising input prices. And the results are a real concern.

We are all aware that farmers have been lumbered with huge hikes in the costs associated with fertiliser, fuel and animal feeds and added to the list of financial burdens is the increasing cost and difficulty of securing credit for farm businesses. We needed to quantify these costs and understand the impact that these were having on farmers' intentions.

The Union's questionnaire entitled 'Credit Crunch & Input Costs - The Impact on You' showed that only six percent of members were planning to increase production in the coming year with three-quarters of members planning to maintain or reduce their output.

On finance, there are similar worrying signs. Many of our farmers have seen interest rate hikes and some investment plans scuppered. Farming is not immune from the crunch and the information is being used by NFUS in its lobbying of government and in its discussions with the supply trade.

Rural Priorities Rigmarole

After an ignominious start, members have NFU Scotland to thank for the promised review into the Rural Priorities scheme.

Within weeks of its launch, our members had identified a number of issues relating to the scheme. The lengthy list included: Statements of Intent (Sols), the initial stage in the application process; inconsistent feedback from case officers, the Scottish Government staff appointed to handle Rural Priority applications; difficulties with the internet-only application system and a mismatch between existing agri-environment schemes and the time delay in applying for rollover funding for these schemes.

Ahead of the scheme launch, the Union had held one-to-one meetings with more than 350 members in a bid to encourage and enable farmers to apply for SRDP funding. However, the scheme's launch was problematic and we provided the Scottish Government with a list of trouble areas and our ideas for how they might be fixed.

The review of Rural Priorities must address these if it is to meet its potential.

Problems Looming over Pesticides

The controversial European agenda on plant protection products has left a huge shadow looming over all Scotland's growers.

Early in 2009, the proposals, which could see a significant number of pesticides, fungicides & insecticides eventually removed from the shelf, will pass in front of the European Parliament's plenary meeting when all 785 MEPs will decide whether or not to adopt them.

NFU Scotland will fight to the wire to convince more politicians that these proposals have significant ramifications for the quality and quantity of food that we may be able to grow in the future and that they must be rejected. We believe that we already have Scotland's MEPs on side. Along with our Brussels office, we plan to use the last few weeks of 2008 and the start of 2009 to meet as many MEPs from other member states as possible in the hope of convincing them of the folly of the proposals.

Paying Up for Pigs

The launch of a £1 million package intended to provide long-term support to Scotland's pig industry is a somewhat hollow victory.

The level of loss endured throughout the 2007 FMD outbreak devastated the pig sector. The Scottish Pig Sector Task Force set up by the Cabinet Secretary recommended a number of immediate actions to help ensure a sustainable future for the pig sector. The hard work of the task force, which included NFUS members and staff, proved in vain when its recommendations were rejected.

Whilst disappointed at that outcome, NFUS is focussed on making the best of the projects that were announced.

The Scottish pig industry has much to be proud of. It has led the line on issues like farm assurance and herd health, yet market returns have failed to deliver the long-term profitability needed to halt the decline in the Scottish pig herd. Scottish sow numbers now languish at less than 40,000 head, below the credible mass needed for a viable Scottish sector.

We will continue to apply pressure to those parts of the chain that claim to support Scottish pig production. They must step up to the plate and send a positive message that our pigmeat is wanted if we are to reverse the decline in the Scottish pig herd.



The Farmer and the Inspector can be Friends

An independent review into the Agriculture Subsidy Appeals Procedure in Scotland could signal a return to the days when local Scottish Government officials are seen as friends rather than foes.

The review proposes wholesale changes to the existing culture, structure and processes associated with the appeals process. It has called for an abolition of the current three-tier mechanism and its replacement with an independent Appeals Agency.

It also highlights the need for cultural change to avoid the number of appeal cases being

presented. It suggests that the constructive relationship that has previously existed between Government officials and grass roots farmers has broken down with officials now seen as policemen rather than a source of help. NFUS welcomes the recommendation that local Scottish Government officers offer more positive assistance to those claimants struggling with the plethora of scheme rules and regulations.

It also suggests that this constructive approach be extended to more simplified claim forms and a plea that any guidance that accompanies scheme forms identifies more clearly areas where compliance may be difficult.

The existing appeals procedure has been a huge source of frustration for our members with individual cases taking months and years to be resolved.

We are looking for the Cabinet Secretary to respond positively to this report as its recommendations offer a win-win solution for farmers and Scottish Government on the delivery of schemes and the appeals process in the future.

Making the Most of the Media

Our Communications team works day in, day out with numerous journalists, putting staff and members forward for interviews or providing comments and information on topics ranging from beaver reintroduction to pesticide legislation.



We are proud of our success. In the 12 months from December 07 to November 08, we secured more than 1500 pieces of media coverage – TV, Radio, daily newspapers and magazines. This total does not include the coverage that we manage to secure in the specialist farming press such as the Scottish Farmer, Farmers Weekly and Farmers Guardian.



And those are just the stories that we saw and recorded. There are bound to be many others.

Our record month was October 08, where we achieved 154 pieces of coverage on subjects such as milk price, sheep identification, bluetongue, pesticides, weather, core paths, CAP health check, sea eagles and many more!

When it comes to television, everybody has an opinion about Landward. NFUS Scotland's opinion is that it provides a very good shop window for farming and rural activities to display their wares to the general public. We have been very pleased that the 2008 season of Landward has contained far more farming stories than last year and we have been proud to work with the production team on virtually every episode. We await future involvement and future series with anticipation.

Our media and public relations work is all about ensuring that Scottish farming gets the recognition it deserves. And of course your Union is also working to ensure that you get the profits you deserve. More on that elsewhere in this document!

Access All Areas

Access is always a contentious issue with our members and is one that we will remain engaged on.

This has been a crucial year in the development of public access and, with NFUS help, many of our members are now taking part in their local Councils' consultations on Core Paths Planning.

These are taking place up and down the country.

The Land Reform (Scotland) Act requires all Councils across Scotland to draw up Core Paths Plans to ensure sufficient provision for the general public to walk, cycle or ride in the countryside and take access on inland water.

Where the proposed paths come into contact with farming activity, we have been urging our members to take part in the consultation process to ensure that farming operations are protected.

This is a growing area of work for NFUS Scotland and our membership team is on hand to assist members with any enquiries should their land be affected by Core Paths proposals.



Recruitment Rally

Our future success lies in the hands of a strong grass roots membership.

Having strength in numbers lends credibility to our position as the lead agricultural organisation in Scotland – whether we are lobbying in Holyrood, Westminster or Brussels.

Our officeholders, staff, secretaries and members have put significant time and effort into recruiting new members to our cause – and it is paying off.

In 2007, NFUS Scotland recruited 448 new members around the country. In the first 11 months of 2008, we brought a further 350 members on board.

Membership of NFUS is not about leaving the fight for the future of our industry to others but being part of an organisation that works round the clock on behalf of Scottish farmers and crofters.

Our membership hotline for those who wish to join our cause is 0131 472 4015.



Red tape must be cut, says union

NFUS chief casts critical eye at areas of potential conflict

NFUS chief executive, Mr. Thomas, has cast a critical eye at areas of potential conflict between the union and other stakeholders in the agricultural sector. He highlighted the need for improved communication and collaboration to address these challenges.

Mr. Thomas stated that the union's primary focus is on representing the interests of its members and ensuring their voices are heard in policy-making processes. He emphasized the importance of transparency and accountability in all dealings with government and other organizations.

The report also discussed the impact of various agricultural policies and the need for a more balanced approach that considers the needs of all stakeholders. Mr. Thomas called for a more proactive role for the union in shaping the future of the sector.

rd Advice iser, Tuesday, May 20, 2008. FARMING/FINANCE

Concern as threat to pesticides remains

There is a growing concern among farmers and the public regarding the potential threat to pesticides. The industry is facing increasing pressure to reduce the use of chemical inputs, which could impact crop yields and farm profitability.

Experts warn that the overuse of pesticides can lead to environmental damage and the development of resistant pest strains. However, they also note that pesticides remain essential for maintaining food security and protecting crops from disease and pests.

The industry is working to develop more sustainable and targeted pest management strategies. This includes investing in research and development for new, safer pesticides and promoting integrated pest management (IPM) practices.

The report also discussed the impact of various agricultural policies and the need for a more balanced approach that considers the needs of all stakeholders. Mr. Thomas called for a more proactive role for the union in shaping the future of the sector.

FARMING AND FISHING

NFU Scotland in bold move to secure hill farmers' future

NFU Scotland has announced a bold move to secure the future of hill farmers. The union is advocating for increased support and resources to help these farmers maintain their livelihoods in the face of challenging economic conditions.

The initiative includes a range of measures, such as providing technical advice, financial assistance, and access to new markets. NFUS is also working to raise awareness of the importance of hill farming and the role it plays in Scotland's rural landscape.

Mr. Thomas stated that this is a critical moment for the industry, and the union is committed to standing up for its members. He expressed confidence that these measures will help to secure the future of hill farming in Scotland.

Farmer

Supermarkets are abusing suppliers, claims NFUS chief

NFUS chief executive, Mr. Thomas, has claimed that supermarkets are abusing their suppliers. He argued that the large retailers are using their market power to drive down prices and impose unfair trading conditions on smaller producers.

Mr. Thomas stated that this practice is unsustainable and is leading to the closure of many small businesses. He called for a more level playing field where all suppliers are treated fairly and equitably.

The union is taking action to address these issues, including negotiating with supermarkets on behalf of its members and providing support to affected suppliers. Mr. Thomas emphasized the need for a more balanced and sustainable retail sector.

New report supports case for higher milk price, says NFUS

FARMERS MUST BE PAID AT LEAST 29.64p A LITRE - CONSULTANTS

NFU Scotland believes the case for a milk price rise for producers has been strengthened by an independent study by consultants Premier International for First Milk, the Paisley-based dairy co-operative.

The report said farmers needed to be paid at least 29.64p a litre for their milk. This is a significant increase from current prices and reflects the rising costs of production and the need for a more sustainable industry.

Mr. Thomas stated that this report provides strong evidence for the union's position. He called for a more realistic and fair milk price that would allow farmers to cover their costs and invest in the future of the sector.

