



Rural and Agricultural Development – Maximising the Potential in the Islands of Orkney, Shetland & Outer Hebrides

Introduction, Background and Land Capability



Suggested Citation:

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This project was funded by the Scottish Government's Community Led Local Development Fund, as part of the Scottish Rural Development Programme, and was delivered by the Orkney Local Action Group in collaboration with the Shetland Local Action Group, Outer Hebrides Local Action Group, Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar and Highlands and Islands Enterprise.



Comhairle nan Eilean Siar



SHETLAND
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1 Introduction

1. This report presents findings from a project to assess the potential impacts of forthcoming agricultural and associated policy changes to farming and land use within the areas covered by Orkney Islands Council, Shetland Islands Council, and Comhairle nan Eilean Siar (the Outer Hebrides).
2. Following the UK's withdrawal from the EU there has been considerable uncertainty over the long-term replacement of the EU's Common Agricultural Policy, which still forms the rules and regulations governing direct agricultural support and associated rural development support in Scotland. Following two public consultations on the design of future agricultural support by the Scottish Government (in [2021](#) and [2022](#)) the [Agriculture and Rural Communities \(Scotland\) Bill](#) was laid before the Scottish Parliament in September 2023.
3. Orkney Local Action Group, Shetland Local Action Group, Outer Hebrides Local Action Group, Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar and Highlands and Islands Enterprise commissioned this project to consider the impacts of this Bill and changes to future direct support payments and rural development support on the economies and communities of these island groups.
4. The project considered risks and opportunities associated with policy change for farms and crofts, and associated upstream and downstream sectors, local communities, local cultural heritage and the natural environment. These then formed the basis for recommendations for each island area (and collectively) to seek to influence emerging new replacement policies for legacy CAP schemes, that can better account for the unique characteristics of Scotland's island regions and the importance of active farming to these economies.
5. The project also provided insights on the relative importance of agricultural support to the profitability of farming and crofting activities in these areas, and to the maintenance of unique habitats and species, particularly on the many statutory designated sites. Hence the report identifies opportunities for local support for agriculture and rural communities in the context of Scottish, UK and international obligations regarding support to land managers. Further recommendations are also made for future research, and potential funding routes, that can help understand the unique characteristics and challenges faced in these islands.
6. Agricultural policy in Scotland (and within the EU and rest of UK) is evolving to address climate change and nature restoration, alongside food production and maintaining economic activity in rural areas. Whilst the EU's newly designed Common Agricultural Policy (CAP) launched in 2023, and Defra's Environmental

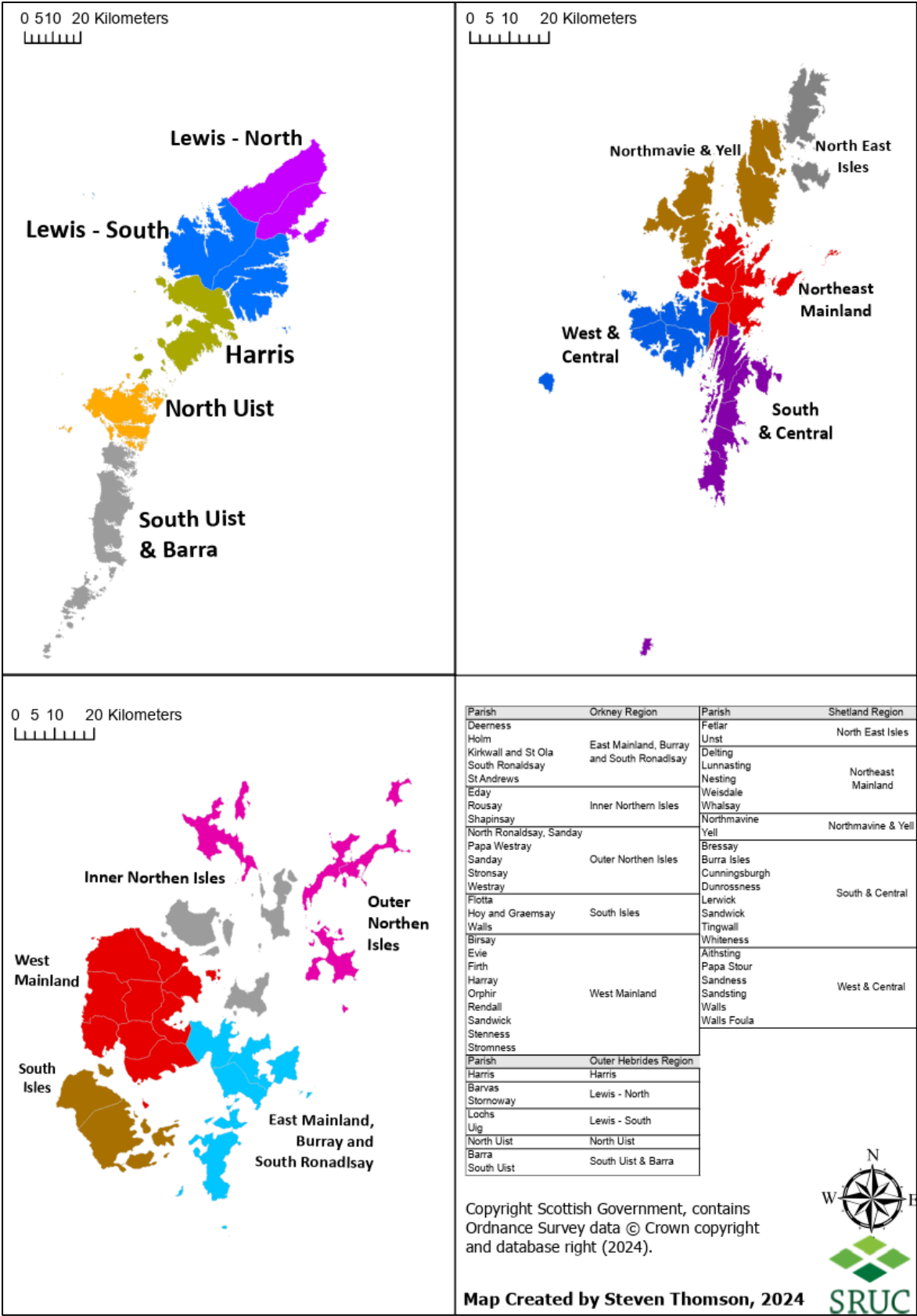
Land Management Scheme (ELMS) launched in 2021, Scotland, Wales and Northern Ireland have been slower to implement changes to agricultural support.

7. In Scotland the Agriculture and Rural Communities (Scotland) Bill was laid before the Scottish Parliament in September 2023 following various public consultations. This “framework bill” aims to set out the broad structure for future support payments in Scotland, to introduce legislation that permits the Scottish Government to evolve or replace the legacy CAP that still operates in Scotland, and to give powers to the Scottish Government to introduce new support schemes through secondary legislation. The [Rural Affairs and Islands Committee](#) and the [Finance and Public Administration Committee](#) both consulted on the competences and provisions of the Bill, with concerns raised over the powers Ministers may have over important agricultural policy decisions. However, the Bill itself provides little information on what levels of support may be expected nor how it will be distributed across different policy areas. The [Bill was passed on 18th June 2024](#).
8. Whilst there is much focus on the [Agriculture and Rural Communities \(Scotland\) Bill](#), various other pieces of legislation also have the potential to impact on land managers, including: the [Land Reform Bill](#), [Wildlife Management and Muirburn \(Scotland\) Bill](#), the [Draft Climate Change Plan](#) (and associated [Just Transition Plan for Land Use and Agriculture](#)), the [Biodiversity Consultation](#), and the [Natural Environment Bill](#). Moreover, farmers are already having to adapt and prepare for compliance with new slurry storage and application rules through [Water Environment \(Controlled Activities\) \(Scotland\) Amendment Regulations 2021](#) – thereby delivering ‘enhanced conditionality’.

1.1 Sub Region Selection

9. Despite having some similarities and differing from mainland Scotland, the three Council areas also differ amongst themselves. For example, the dominant farming systems on Orkney are somewhat distinct. In addition, there is some further variation within each island group. For example, the landscapes of Lewis and Harris are markedly different. To reflect this variation, agricultural data are presented throughout this report for island sub-regions, as shown Figure 1 (with other administrative geographies used for socio-economic data shown in Annex 1 Island groupings).
10. Choices about how to demarcate sub-regions were guided by local knowledge. Whilst it is impossible to capture all potential dimensions of variation, the sub-regions nonetheless provide a useful means of reflecting the main differences. For example, in terms of dominant land use and additional transport challenges.

Figure 1 Agricultural Parishes and creation of island sub regions



2 Background Context

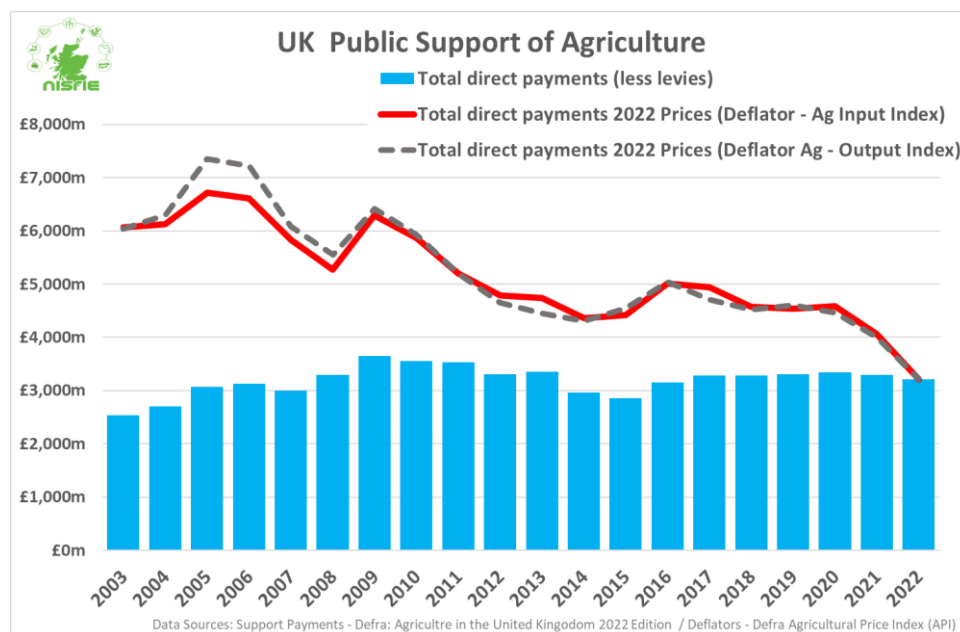
11. The Scottish Government have committed to at least 50% of the agricultural budget having enhanced conditionality by 2025. With just over a year to go, there remain significant concerns that the period of '[Stability and Simplicity](#)' is rapidly coming to an end – farmers and crofters are still trying to absorb and understand what they will be required to do as conditions of support in 2025, let alone beyond 2026 when the powers of the Bill are expected to come into force. For example, until March 2024 when the Cabinet Secretary for Rural Affairs and Islands, Mairi Gougeon, announced changes to 2025 eligibility conditions² alongside published updates on the Agricultural Reform Route Map³ there remained significant industry uncertainty on what a 'whole farm plan' will entail and cost, or what the calving interval condition on the Scottish Suckler Beef Support Scheme will be (and any changes in payment rates), or what the new GAEC measure on peatland and wetland protection will require. We know how significantly the major CAP reforms of 2005 impacted on many islands (as documented by Thomson et al.'s [Response from the Hill: Business as Usual or a Turning Point](#)), and it is vital that full consideration is given to any unintended outcomes from this evolution of policy.
12. The forthcoming Climate Change Plan appears to be significantly driving agricultural policy thinking within the Scottish Government – agriculture and land use contribute about a fifth of Scotland's net greenhouse gas emissions. However, the relative importance of agricultural emissions or land use, land use change and forestry net emissions are rarely considered in a regional context. That regional context is vital to consider as the heterogeneity of soil type and land cover have shaped regional agricultural systems over centuries. These systems present opportunities and barriers to issues such as addressing peatland restoration and trying to curb agricultural emissions.
13. Policies tend to be designed based on national averages, yet the analysis below demonstrates that in comparison to the rest of Scotland, the Outer Hebrides and Shetland have low agricultural emissions per square kilometre but extremely high emissions due to peatlands, whilst Orkney has very high agricultural emissions associated with ruminant livestock – most notably suckler beef. Within the study region, agriculture and land use contribute over three-quarters of the national inventory greenhouse gas emissions with for each of the Local Authorities but there is very limited opportunity to offset those emissions through woodland sequestration, unlike in many parts of the mainland. Furthermore, the governance of tenanted common grazing land presents barriers to peatland restoration.

² [Agricultural reform route map: Ministerial statement – gov.scot \(www.gov.scot\)](#)

³ [Agricultural Reform Route Map \(ruralpayments.org\)](#)

14. The Scottish Government are expecting farmers and crofters to deliver more 'public good' for 'public monies' despite the budget being static. In their work for the [Highlands and Islands Agricultural Support Group](#), Moxey and Thomson highlighted the importance of agriculture to these island economies, and also highlighted the significant UK peatland reserves, terrestrial statutory designations and biodiversity action species that are located in these areas.
15. Despite agricultural support evolving to be more focused on climate and nature, the UK agricultural budget allocations to devolved administrations remain bound by levels of agricultural activity in the 2000–2002 period – something that needs to be addressed. Moreover, policy leads and politicians consistently state that they are 'maintaining' levels of support for agriculture – rarely acknowledging the significant erosion of the real term value of that budget caused by the recent period of 'agflation' resulting from factors out with the control of the agriculture sector. At least Shona Robinson (Deputy FM and Cabinet Secretary for Finance – May 2023) acknowledged that the Government's programmes have "*seen high inflation erode our buying power*"⁴. Figure 2 demonstrates how the real-term value of the agricultural support budget in the UK has declined markedly over the past 20 years (nominal values have also fluctuated due to exchange rate movements) meaning the 'buying power' of the UK (and Scottish Government) is diminishing – yet the expectation is that the industry must deliver more to address climate and biodiversity 'emergencies' under this declining real term budget.

Figure 2 Nominal UK agricultural budget (expressed in current prices) and real prices (adjusted for inflation) in 2022 prices



⁴ [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy \(www.gov.scot\)](#)

3 Land Capability

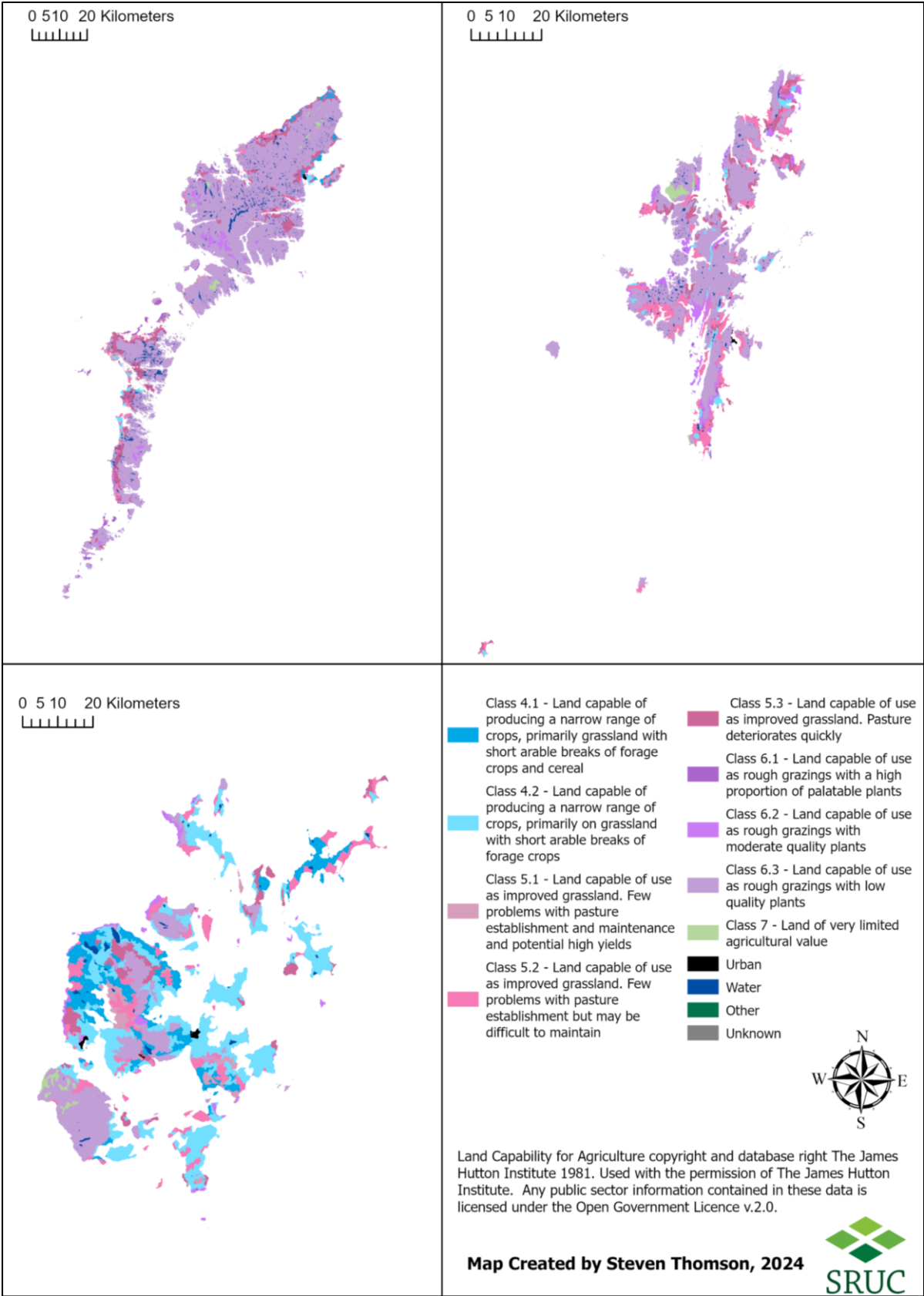
3.1 Land Capability for Agriculture

16. The Macaulay land capability for agriculture (LCA) (Soil Survey of Scotland Staff, 1981)⁵ assessed land on the basis of its potential productivity and cropping flexibility, splitting land into a seven-class system (with four classes containing subdivisions). The James Hutton Institute⁶ summarise the classes into four broad categories (see Annex 2 Land Capability for Agriculture for a brief description of the individual land classes):
- Arable Land – LCA classes 1 to 3.1
 - Mixed Agriculture – LCA classes 3.2 to 4.2
 - Improved Grassland – LCA class 5.1 to 5.3
 - Rough Grazing – LCA classes 6.1 to 7
17. Using the Macaulay LCA it is apparent that the productive potential of land is considerably constrained across high proportions of each Island group. This is particularly true for the Outer Hebrides and Shetland, and for common grazings overall, and underpins the predominant management systems observed across the islands.
18. Reflecting the different biophysical and characteristics and climactic conditions faced in the island areas, there is no 'prime agriculture land' in Orkney, Shetland or the Outer Hebrides. Figure 3 shows the LCA maps for each of the island groupings. Shetland and the Outer Hebrides are dominated by poorer quality LCA class 6.3 land – Land capable of use as rough grazings with low quality plants. In Orkney there is a higher proportion of the land capable of mixed agriculture (Class 4.1 – Land capable of producing a narrow range of crops, primarily grassland with short arable breaks of forage crops and cereal, and Class 4.2 – primarily suited to grassland with some limited potential for other crops such as barley, oats and forage crops).

⁵ Land Capability for Agriculture maps of Scotland at a scale of 1:250 000. Macaulay Institute for Soil Research, Aberdeen. 10.5281/zenodo.6322683

⁶ [Land Capability for Agriculture in Scotland | Exploring Scotland | The James Hutton Institute](#)

Figure 3 Land Capability for Agriculture across island groupings



19. Using the LPIS⁷ derived boundaries for eligible BPS land, Figure 4 and Table 1 show the proportion of agricultural land, common grazings and total eligible land under each LCA class.

Figure 4 Land Capability for agriculture by island group separating common grazings and agricultural land

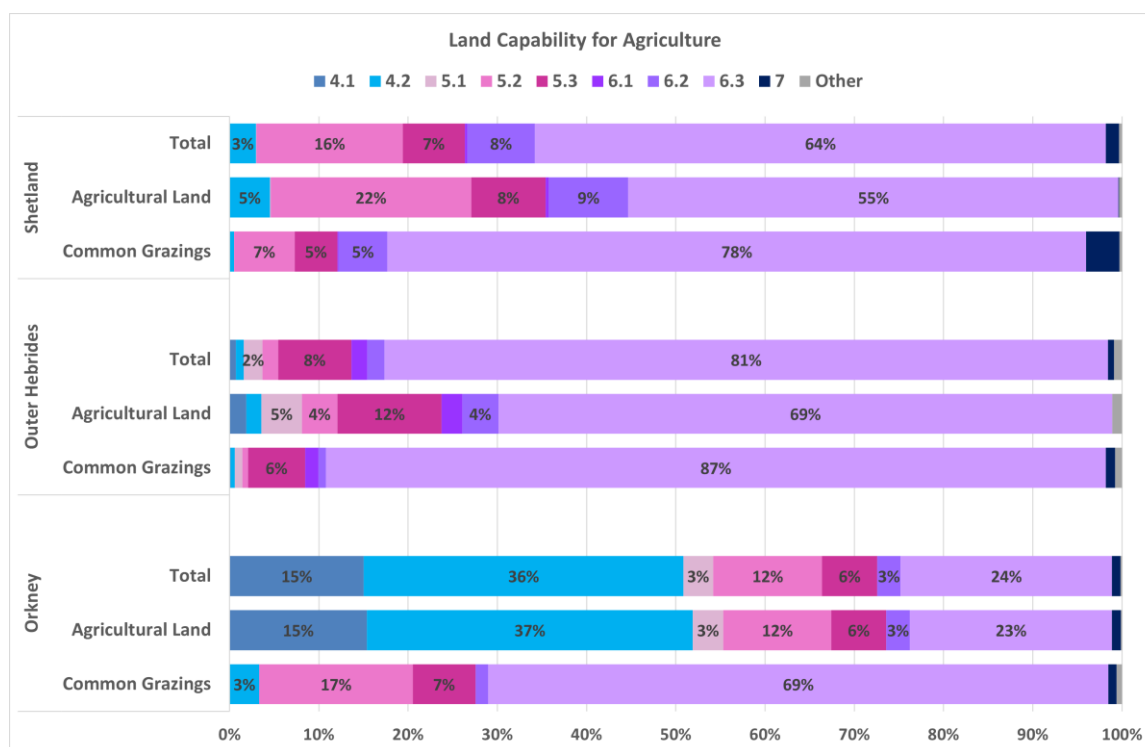


Table 1 Summary of Land Capability for Agriculture by Island grouping, 2022 land parcels – % common grazings and agricultural land in each LCA class.

	Orkney		Outer Hebrides		Shetland	
LCA Class	Common Grazings	Agricultural Land	Common Grazings	Agricultural Land	Common Grazings	Agricultural Land
Class 4.1	0.0%	15.4%	0.1%	1.9%	0.0%	0.0%
Class 4.2	3.3%	36.5%	0.5%	1.7%	0.5%	4.5%
Class 5.1	0.0%	3.4%	0.8%	4.6%	0.0%	0.1%
Class 5.2	17.2%	12.1%	0.6%	4.0%	6.8%	22.5%
Class 5.3	7.1%	6.2%	6.4%	11.6%	4.8%	8.4%
Class 6.1	0.0%	0.0%	1.5%	2.3%	0.1%	0.4%
Class 6.2	1.4%	2.6%	0.8%	4.1%	5.5%	8.9%
Class 6.3	69.5%	22.6%	87.4%	68.8%	78.3%	54.9%
Class 7	0.9%	1.0%	1.0%	0.0%	3.8%	0.1%
Other	0.6%	0.1%	0.8%	1.1%	0.3%	0.3%
Total Ha	1,946	86,948	176,203	90,113	52,114	82,242

⁷ Land Parcel Information System, used by the Scottish Government Rural Payments and Inspections Division to administer agricultural support.

3.2 Land Capability for Forestry

20. There is considerable policy pressure to increase the area of woodland in Scotland in order to mitigate climate change, help sequester carbon and contribute to the Net Zero 2045 target that the Scottish Government has set. However, Orkney, Shetland and the Outer Hebrides are not well suited to tree growth, due to biophysical conditions including high winds, unsuitable soils and salt spray.
21. Using the Land Capability for Forestry (Soil Survey of Scotland Staff, 1988)⁸ maps provided by the James Hutton Institute, Figure 5 shows there are very few areas suited for tree growth in these islands. When overlayed with land eligible for BPS, on Orkney only 10% of the area (c.8.5k Ha) has very limited flexibility for trees, with 90% unsuitable for trees. In the Outer Hebrides 80% of the eligible BPS area is unsuited for trees with only 15% (c.39.5k Ha) having very limited flexibility for trees – predominately in Lewis and Harris. In Shetland, 94% of the BPS eligible area (and 97% on common grazings) is considered unsuitable for trees, with only 5% with very limited flexibility for trees.
22. With the land in the islands largely unsuited to trees, it means that: (a) there is limited scope to access national budgets for afforestation or tree planting; (b) measures designed to encourage silvopastoral agricultural systems have limited opportunities and (c) emission reductions from regional LULUCF greenhouse gas emissions will require a significant focus on peatland restoration activities (much of it on common grazings).



⁸ (Soil Survey of Scotland Staff, 1988). Land Capability for Forestry of Scotland at a Scale of 1:250 000. Macaulay Land Use Research Institute, Aberdeen. DOI: 10.5281/zenodo.6322608'

Figure 5 Land Capability for Forestry by Island Groups

