



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

Supply Chains



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9 Supply Chains

9.1 Economic Multipliers

251. Production activities on farms and crofts generate further economic activity and employment elsewhere. For example, purchases of goods such as fertiliser, feed and machinery or vet, haulage and mart services underpin businesses upstream in the supply chain. Equally, downstream supply-chain business such as abattoirs and creameries are also stimulated. In addition, a proportion of wages paid to staff across the supply-chain is spent locally, thereby underpinning businesses out with the agri-food supply-chain itself.
252. These wider economic influences of agricultural production are referred to as multiplier effects: an increase (decrease) in production is amplified along the supply-chain and across the wider economy. Multiplier coefficients are difficult to estimate, but Scotland-level values are published as part of the national Input Output tables¹²⁷. These cite Scottish Type I 'Direct' multiplier (agricultural GVA and impacts in upstream suppliers and downstream processors) values in 2019 for agricultural output, employment and Gross Value Added (GVA) of 1.49, 1.45 and 1.63 respectively (with respective Type II multipliers of 1.62, 1.58 and 1.85 after induced effects are accounted for). Hence any decline in on-farm and croft production across the three island groupings would be expected to lead to a proportionate further decrease in output, jobs and GVA across the Islands. Supporting and encouraging further processing of food and drink products can lead to wider economic growth opportunities (as the multipliers from other sectors suggest).
253. In Shetland the Fraser of Allender Institute (2017)¹²⁸ estimated economic multipliers for Shetland of (i) Output: Type I = 1.63 and Type II = 1.92. Similarly, Cogentsi (2013) were commissioned to undertake a social and economic model of the Orkney Islands¹²⁹ where Type I (1.29) and Type II (1.76) output multiplier were estimated for agriculture. Whilst these studies are dated, they suggest higher overall local multipliers from agriculture at a local level than for Scotland as a whole. This goes against conventional wisdom given higher 'economic leakage' – that is volumes of product exported from the islands for finishing or processing (lamb from Shetland and cattle from Orkney in particular), and reliance on imported

¹²⁷ > [Multipliers – Supply, Use and Input-Output Tables – gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/multipliers-and-input-output-tables/pages/multipliers-and-input-output-tables.aspx)

¹²⁸ [Shetland Economic Accounts 2017 | FAI \(fraserofallender.org\)](https://www.fraserofallender.org/publications/shetland-economic-accounts-2017/)

¹²⁹ https://www.researchgate.net/profile/Hervey-Gibson/publication/322223007_OIIO_Orkney_Islands_Input_Output_A_social_and_economic_model_of_the_Orkney_Islands/links/5a4c943baca2729b7c8a1562/OIIO-Orkney-Islands-Input-Output-A-social-and-economic-model-of-the-Orkney-Islands.pdf

inputs (tractors, quadbikes, fuel, feed, fertiliser, etc.)¹³⁰. That said – the additional need for inter-island ferries, and ferry transport to the mainland may indeed increase the total economic multipliers of agriculture in the islands.

Table 46 Scottish economic multipliers for agriculture, fishing, and food and drink sectors 2019

↓ Industry group ↓	Output multiplier		Employment multiplier		GVA multiplier	
	Type I	Type II	Type I	Type II	Type I	Type II
Agriculture	1.49	1.62	1.45	1.58	1.63	1.85
Fishing	1.23	1.38	1.12	1.23	1.22	1.39
Aquaculture	1.51	1.63	2.04	2.36	1.68	1.90
Meat processing	1.72	1.89	2.34	2.66	2.45	2.97
Fish & fruit processing	1.68	1.87	2.15	2.49	2.25	2.71
Dairy products, oils & fats processing	1.56	1.75	1.85	2.14	1.68	2.02
Grain milling & starch	1.56	1.71	2.57	2.99	2.28	2.75
Bakery & farinaceous	1.31	1.51	1.26	1.43	1.38	1.68
Other food	1.40	1.58	1.41	1.61	1.57	1.91
Animal feeds	1.55	1.68	2.85	3.34	2.05	2.42
Spirits & wines	1.25	1.37	1.86	2.30	1.23	1.38
Beer & malt	1.32	1.50	2.00	2.52	1.39	1.66

Source: Scottish Government, Supply, Use and Input-Output Tables: 1998–2020¹³¹

254. It should be noted that all Input-Output multipliers should be treated with caution as they are often based on small sample sizes, with often poor geographical or sectoral coverage. For example, in the Fraser of Allender Institute Shetland study only 2 agricultural businesses were part of the Shetland business survey and 5 through the Shetland employment survey.
255. Nonetheless, national average multiplier values may indeed under-estimate island impacts due to the dominance of livestock production (which generally has higher multiplier coefficients) and the closely inter-twined nature of island communities¹³². The rest of this section illustrates the nature of agricultural supply-chains across the islands by summarising the number and type of businesses involved and describing some local examples. This is then followed by estimation of the additional transport costs experienced across the island groupings.

¹³⁰ The same is true between Scotland and UK multipliers where often UK multipliers are higher as input, processing and retail impacts are felt beyond Scotland's border – particularly for ruminant products that are largely processed, distributed, retailed and consumed out with Scotland.

¹³¹ <https://www.gov.scot/publications/input-output-latest/>

¹³² As shown by slightly older island-specific multiplier estimates for Orkney and Shetland: https://www.researchgate.net/profile/Hervey_Gibson/publication/322223007_OIIO_Orkney_Islands_Input_Output_A_social_and_economic_model_of_the_Orkney_Islands/links/5a4c943bac_a2729b7c8a1562/OIIO-Orkney-Islands-Input-Output-A-social-and-economic-model-of-the-Orkney-Islands.pdf and [FAI 2021 Shetland economic accounts 2017.pdf](https://www.fraserofallender.org/publications/FAI_2021_Shetland_economic_accounts_2017.pdf) (fraserofallender.org)

9.2 Local supply chains

256. To assess the presence of agricultural and ancillary services for each of the island groupings, as well as the dependence on imported goods and services, an inventory of businesses was created through desk-based research, local knowledge of SAC Consulting and direct contact with selected individual businesses (which also served to inform estimates of additional transport costs). Firms were categorised by business type and relative position/role in the supply-chain: upstream services, ancillary services, and downstream services.

257. Upstream services include input sellers such as feed, fertiliser and machinery suppliers, but also contractors, agricultural consultants and vets. Downstream services include livestock marts and abattoirs – whilst hauliers contribute to both input supplies and haulage of output.



Ancillary services include businesses such as ferries, solicitors, estate agents, land surveyors and accountants, but only those known to be actively serving farm or croft clients were included.

258. Many island businesses occupy positions in multiple supply-chains and are not exclusively agricultural in nature. Consequently, whilst the inventory aims to be as comprehensive as possible, some discretion was required as to which businesses to include and which to exclude. To avoid over-estimation, only firms considered to be predominantly serving agricultural needs were included in the inventory. Hence, for example, Table 47 suggests that it is not possible to source agrichemicals directly on the islands and these must be bought from the mainland, despite agrichemicals being available through resellers such as the general agricultural merchants. Another example is that several contractors may also sell or hire machinery.

259. Overall, the inventory (see Table 47) suggests that farms and crofts on the Outer Hebrides, Shetland and Orkney are part of extensive supply-chains encompassing 77, 114 and 123 other local businesses respectively, plus a further 67 on mainland Scotland. This helps illustrate the economic linkages underpinning the economic multiplier effects described above. It is noticeable that in Orkney, where agriculture is more intensive, there are many more machinery dealers and 'other input' suppliers alongside high levels of 'downstream markets (similarly to Shetland) that is in stark contrast to the Outer Hebrides. Only a small number of vets that are available in the Outer Hebrides – something that may lead to challenges in finding a 'suitably qualified person' to sign off an animal health and welfare plan annually as part of the proposed Whole Farm Plan (unless the 'suitably qualified person' criteria is extended to, for example, accredited consultants).

260. As the new model of conditional agricultural support is implemented in Scotland it is anticipated that there will be a need for more support services, in the form of agricultural, veterinarian and environmental advice, knowledge exchange and training. To ensure a Just Transition, the need to future-proof on-island advisory and consultancy capacity will require investment by stakeholder organisations and the Scottish Government to ensure island farmers and crofters are fully supported, as on the mainland, in undertaking new Whole Farm Plan elements (Tier 1), and in adapting to Tier 2 conditional direct support payments.

Table 47 Summary of agricultural supply-chain business inventory for island groupings, by business type

	Orkney	Shetland	Lewis & Harris	Uist & Barra	Mainland	Other islands	% share
Upstream services							
Agrichemical	0	0	0	0	2	-	0.5%
Seeds	2	0	0	1	1	-	1.0%
Feed	9	2	4	9	-	-	6.2%
Fuel	6	3	0	0	-	-	2.3%
General agricultural supplies	4	8	2	3	6	1	6.2%
Machinery	11	13	5	2	8	-	10.1%
Contractors	3	10	1	8	17	-	10.1%
Vets	2	4	1	1	13	2	5.9%
Other inputs	13	9	3	2	-	-	7.0%
Ancillary services							
	22	23	5	9	-	-	15.2%
Downstream services							
Hauliers	11	5	4	5	12	1	9.8%
Marts	1	1	2	2	6	2	3.6%
Processors & abattoirs	3	1	1	3	2	0	2.6%
Downstream markets	36	35	2	2	0	0	19.4%
	123	114	30	47	67	6	387

**Dashes recorded for mainland and other islands where studied island groupings not dependent on these for corresponding services*

261. A supply-chain density location map is shown in Figure 37. This reveals the spatial distribution of supporting businesses, highlighting how access to some services is affected by ease of within-island transport. For example, many farms and crofts are a significant distance from their nearest vet. Figure 38 provides more detail on the typology of the wider supply chain (including Scottish Government RPID offices, NatureScot, SEPA, and SAC Consulting that are integral to the sector and its outcomes) but it should be noted that many of these businesses are heavily clustered (e.g. in industrial estates on the outskirts of Kirkwall). Figure 77 and Figure 78 in Annex 6 Socio Economic Data further splits this map into two maps showing (i) the key input businesses and (ii) the service and downstream businesses on the islands.

Figure 37 Maps of upstream, ancillary and downstream supply chain businesses associated with agriculture in the island groupings

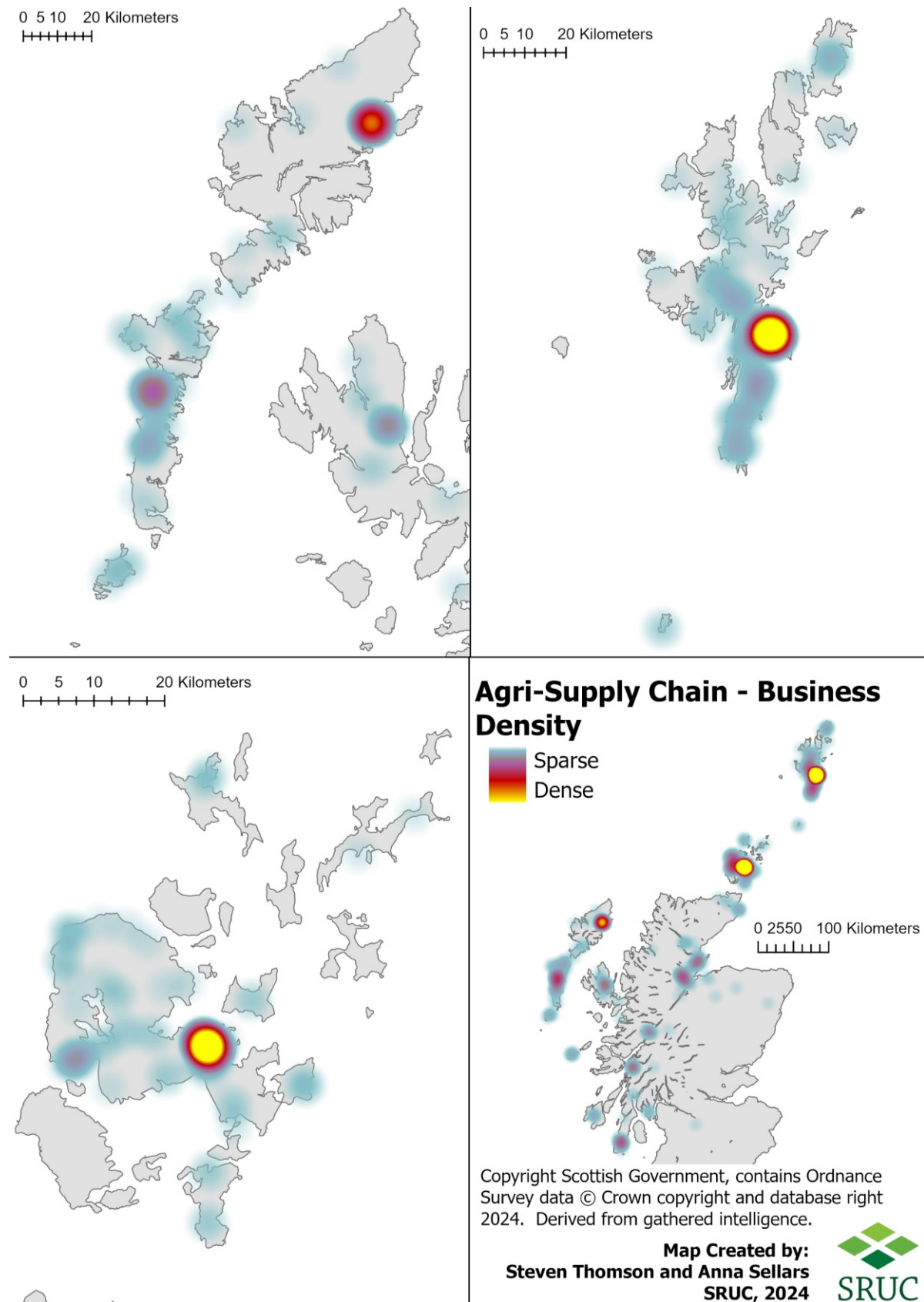
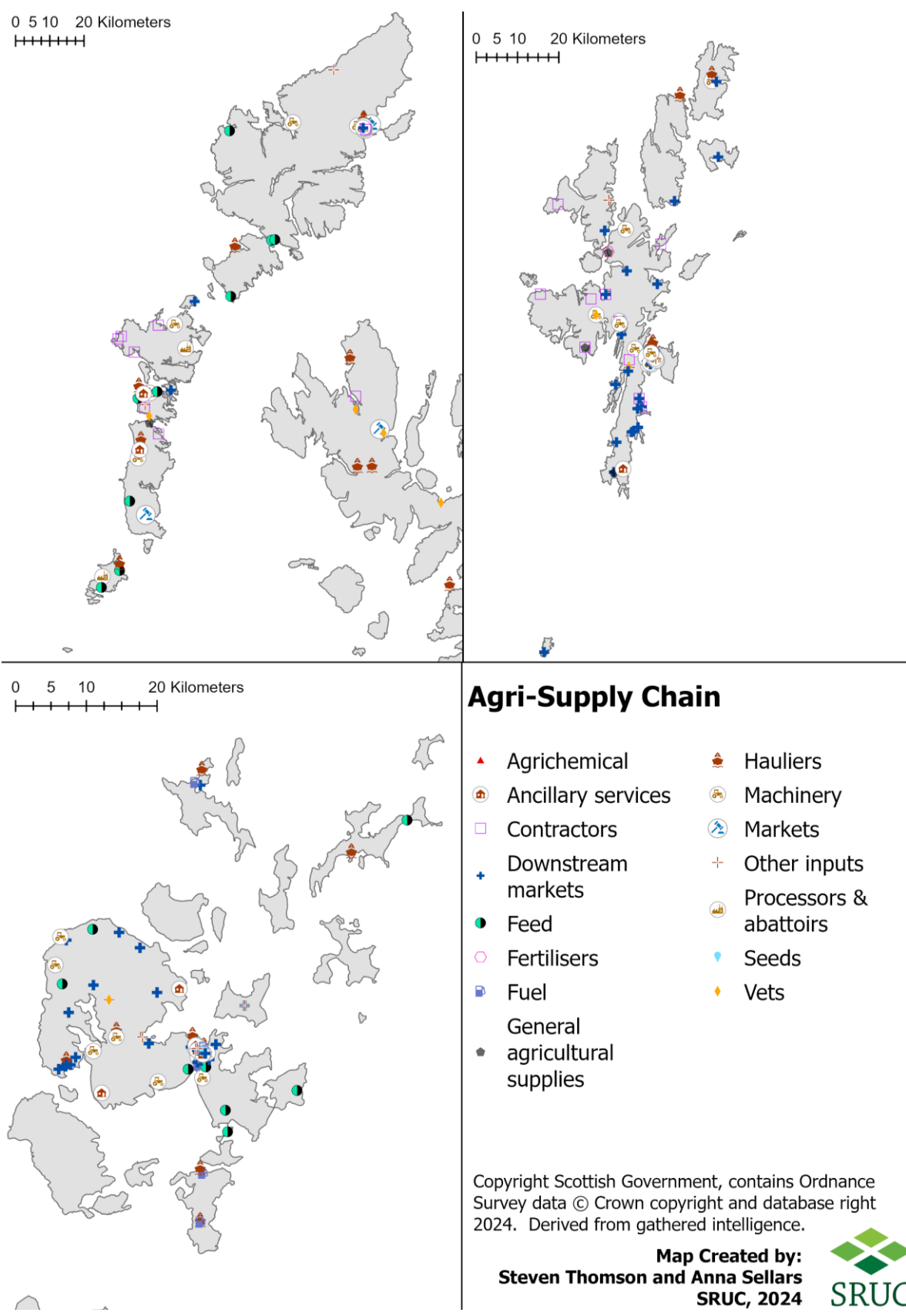


Figure 38 Typology of supply chain businesses supplying agriculture within the island groupings



9.3 Importance of agriculture in island supply chains

9.3.1 Orkney

262. The inventory indicates that, of the island groupings, Orkney has the largest number of businesses supporting its agricultural sector, which given its agricultural output compared to other island groupings is not surprising. Its relative accessibility and number of route options to mainland Scotland also seems to be reflected in the number and range of businesses operating to provide various agricultural inputs, as well as haulage via the multiple routes between the islands and to the mainland. Despite this, there is still a limited choice of input suppliers and uneven availability of specific inputs over time (for example, lamb feed was not available in 2024, and some types of manure are available but not others), so buyers are always prepared to buy alternatives. Distilleries also provide some by-products as feed to local farms.
263. In conversations with key businesses in Orkney, the interdependence of the wider community and economy on agriculture was emphasised, with suggestions that the economy would not be as healthy, or even surviving well, without agriculture on the islands. With rising inflation, the outer islands, in particular, saw the cost of freight and inputs rise. Despite these cost increases farmers are, however, still supporting businesses as they are locally owned and run and employing neighbours within their community.
264. On the outer islands particularly, but also on larger farms on Orkney mainland, agriculture is often an essential contributor to multiple income streams for households. In Orkney, as also in Shetland, it is not uncommon for some members of the household to work half of the month at home on the farm, and half away, for example at the oil terminal, supporting a family member who is based at home full time, even if agricultural work is not necessarily full time. (see Table 23 in Section 6.1.1 Occupiers and Spouses on agricultural holdings). As such, the balance of several employment options including agriculture, as well as air and ferry linkages, is crucial in supporting island life and livelihoods. In conversations with local businesses for this study it was unclear what was the driving factor in keeping people living on the outer islands – whether predominantly agriculture or other factors – but this is suggested for further research.
265. There are many downstream outlets for agricultural output on Orkney, including various butchers and bakeries, the creamery and cheese businesses, smokeries, as well as delicatessens, craft businesses, wool businesses and various furniture-makers. Liquid milk is treated on the islands and sold to local shops and Tesco (the Co-op used to stock local milk, but no longer does so). Moreover, it is important to the hospitality sector to be able to feature local produce on their

menus. Orkney cheese¹³³ is largely produced for export off the islands, with over half their product sold in France. The small proportion retained in Orkney is sold in various retail outlets (including specialist delicatessens), directly into the hospitality sector and to added value producers to smoke and flavour. Ice cream and butter is also produced and sold locally with locally produced milk and whilst product is available in Orkney supermarkets the product first must leave Orkney to be packaged for retail (by Lactalis) before returning to, for example Tesco.

266. The majority of Orkney produce is exported, mainly because land quality means that Orkney is more than self-sufficient in such food, but also due to limited processing capacity on the islands for many foods. Prior to Orkney Meat Ltd closure in 2012¹³⁴ 'Orkney Island Gold' beef and lamb¹³⁵ was well marketed in Scotland and the UK in high-end butchers, targeting affluent tourists during their visit as well as when they return home. Between 2012 and 2018 a local butcher consortium – Orkney Meat Processors Ltd (OMPL) – rented the abattoir from Orkney Islands Council prior to its closure in 2018.¹³⁶ Currently without an abattoir on Orkney the Protected Designation of Origin classification for Orkney Beef and Orkney lamb cannot be utilised.¹³⁷ Now, Orcadian butchers procure finished cattle locally and then have to send them to Dingwall for processing before having meat returned (that incurs haulage costs) to supply local consumers, hospitality businesses as well as the public sector (care homes, hospitals and schools) per procurement guidelines.
267. Until recently three main egg producers operated in Orkney, one ceasing production recently because of rising input costs. The two-remaining sell into the local hospitality sector. Other smaller producers around the islands operate honesty boxes, and there is also some vegetable production for local shops. Bere barley, traditional to Orkney, is produced and processed on the islands (Barony Mill¹³⁸), which is sold in local shops as well as to bakeries to produce bere Bannocks and biscuits, as well as being malted and used in a new Scapa whisky¹³⁹ and in along with a range of beers by Swanney Brewery¹⁴⁰. Several distilleries operate in

¹³³ Orkney Scottish Island Cheddar has had EU Protected Geographic Indication (PGI) status since 2013 (and UK protected status since 2021), limiting the branding to cheese produced on Orkney, using milk from locally grazed cows.

¹³⁴ [Orkney abattoir closes after 'difficult trading conditions' – Farmers Weekly \(fwi.co.uk\)](#)

¹³⁵ <https://thecountrysmallholder.com/news/orkney-beef-and-lamb-6245242/>

¹³⁶ [Only abattoir on Orkney to close – BBC News](#)

¹³⁷ 'Orkney Beef' and 'Orkney Lamb' were awarded EU Protected Designation of Origin in Orkney beef 1996 (before 'Scotch Beef' and 'Scotch Lamb' were protected) but only beef and lamb reared (using traditional methods), slaughtered and prepared on Orkney could carry the label. The lack of abattoir means the conditions for PDO could not currently be met.

¹³⁸ <https://baronymill.com/>

¹³⁹ [Exploring Orkney's larder – Orkney whisky | Orkney.com](#)

¹⁴⁰ [Bere beers – Swannay Brewery](#)

Orkney with Scapa, Deerness Distillery and Highland Park (which is undertaking environmental improvements in 2024 to reduce greenhouse gas emissions¹⁴¹) in particular sourcing a small quantity of grains locally.

9.3.2 Shetland

268. Compared to Orkney, agricultural inputs such as fertiliser, feed and agrichemicals appears more centralised through a smaller number of businesses providing general agricultural supplies. This does include some primarily marine businesses, such as LHD Marine Supplies¹⁴², but those are known to also commonly supply smaller-value items such as personal protection equipment and other miscellaneous items used by agricultural businesses. Following a loss of agricultural business since withdrawing from red diesel supply, LHD Marine Supplies estimated that 7–8% of their revenue is from agricultural businesses.
269. While four vets are listed for Shetland in Table 47, these are all part of the same franchise. During stakeholder discussions on using Scottish Government Preparing for Sustainable Farming Animal Health and Welfare Intervention¹⁴³ grants to check bull fertility, it was explained that the vet practice did not currently have the capacity to undertake such tests. 'Other inputs' include businesses providing construction materials and polycrubs¹⁴⁴.
270. Many of the downstream markets recorded are linked to Shetland wool, in processing of products, sale of yarns, and of knitted products. Other businesses in this category include a small number of bakeries, local grocery shops, butchers, and restaurants.
271. The vast majority of agricultural output on Shetland is associated with livestock production (see Section 6 Trends in Agriculture), and most of this is produced for export off the islands. However, since the abattoir reopened¹⁴⁵ in 2011, there is an increasing amount of meat products available for local sales. This in part goes to local butchers and shops as well as JW Grays which have cutting facilities and supply schools, hospitals and care homes on the islands, as well as direct to customers who are killing for their own consumption and/or for small scale box schemes selling direct farm to fork.

¹⁴¹ <https://www.orkney.com/news/highland-park-closure>

¹⁴² <https://www.lhdlimited.co.uk/marine-supplies>

¹⁴³ <https://www.ruralpayments.org/topics/all-schemes/preparing-for-sustainable-farming--psf-/preparing-for-sustainable-farming--psf--full-guidance/#713563>

¹⁴⁴ <https://www.polycrub.co.uk/>

¹⁴⁵ [Shetland Livestock Marketing Group \(slmg.co.uk\)](https://www.slmg.co.uk)

Table 48 Throughput from Lerwick abattoir, 2020–2023

	2020	2021	2022	2023
Sheep	3,310	3,497	3,781	3,629
Cattle	337	367	362	315
Pigs	167	211	355	207

272. In 2023, around 350 sheep carcasses were exported from Shetland, with the majority of those being the North Ronaldsay sheep from Orkney that are transported to Shetland for slaughter. This was the case for several years. Ferry times make it possible for the stock to travel from North Ronaldsay to Shetland in 24 hours, reducing the costs since animals do not have to be rested on route. This trade has, however, stopped recently as Shetland's Animal Health Scheme¹⁴⁶ does not favour imports for where full compliance with local animal welfare and disease control measures might be difficult to ascertain.
273. Beef and pork slaughtered in Shetland are almost all consumed locally. In 2023 there were just 3 cattle and 6 pigs that were imported from Orkney and the carcasses went back to the producer in Orkney, which again may be logistically easier than sending them to a mainland abattoir from Orkney. A small number of goats are also processed. Though the numbers are very small there is increasing interest in goat meat.
274. There are a growing number of box schemes, single provenance branded product ready for retail, such as Uradale (organic) and Lunna Lamb, and a variety of local butchers. The local butchers all do a range of value-added products including ready to cook items, reestit mutton, pies, and cured meats. All of them stock their own outlets and supply a range of local independent retailers, restaurants, and hoteliers. The local wholesalers both have cutting facilities which allows them to supply local meat to fulfil orders and public procurement contracts. There are a healthy number of freelance butchers who offer cutting, dressing, and packing services for those who run box schemes and/or kill for home consumption. This would not be possible without a local abattoir.
275. A small volume of dairy output is still produced on Shetland from just two dairy farms, but they provide about a third of total consumption in Shetland including to all schools, care homes, hospitals and most local shops. After some negotiations, both the local Tesco and Co-op stock local milk consistently. Milk itself tends to break even for producers who try to compete with imported milk prices, but producers are able to make profits on butter and cream.
276. People who are aware of buying locally generally make an effort to purchase local foods, which is generally obviously packaged and marketed as produced in

¹⁴⁶ [Shetland Animal Health Scheme – Shetland Islands Council](#)

Shetland. Some meat vendors are attempting to source more local meat including the Scalloway Meat Company. Andersons, the other main butcher, used to sell entirely locally finished livestock, but now order some meat from elsewhere to meet demand for higher value beef cuts. People buying local meat will tend to do so for quality cuts, preferring to buy low-cost cuts from the supermarket.

277. There are a small amount of vegetable growers doing some direct sales (e.g. through box schemes), as well as supplying local shops and one a select range to Tesco. Most local shops will also stock local eggs, which seem to be increasing in production.
278. The wool market is a significant market in terms of its added value to the wider Shetland economy, although the premium for Shetland wool (i.e. from the Shetland breed) is not significant additional income to farmers. However, output of wool products is limited by low wool supply, as well as difficulty in recruiting a weaver. Added value from wool is associated with knitwear designers, agritourism, Wool Week, local crafts and a growing number of farm experiences (e.g. farm tours, lamb tastings etc.)

9.3.3 Lewis and Harris

279. Businesses supplying agricultural inputs on Lewis and Harris are predominantly Stornoway based, and many are part of mainland businesses, with branches offering some core products per mainland stores, as well as adapting to serve local markets, such as providing a small shop in addition to the warehouse.
280. Two main agricultural wholesalers operate on Lewis and Harris, one of which is an agricultural cooperative run by local crofters with a board of directors (Lewis Crofters¹⁴⁷). While these wholesalers sell feed, more recently a feed merchant in Ayr linked up with a local haulier to offer more competitively priced orders from the mainland delivered to the door on the islands within 2 days. Local wholesalers took time to adjust prices and saw a loss of customers due to this.
281. Due to spiralling material costs, customers on the islands are increasingly considering sourcing from much further afield on the mainland, with one example of a crofter buying and shipping timber from Peebles. This suggests a different attitude to supplier loyalty to locally situated business to that observed in Orkney, although this could be attributed to types of business ownership (i.e. loyalty in Orkney relates to locally owned businesses, whereas more expensive input providers in Lewis and Harris in this instance are mainland owned).
282. Conversations via the SAC Consulting office in Stornoway suggest that there is an undersupply of contractors for the available work (demand for services outstrips

¹⁴⁷ <https://www.lewiscrofters.co.uk/>

supply), and people are reluctantly beginning to bring contractors from the mainland for larger jobs. For example, polycrubs (that can get funding through Crofting Agricultural Grant Scheme¹⁴⁸) can take a week to erect and there are currently installation waiting lists. A key barrier to greater provision of installation contractors is lack of training for rural skills. Slowness in contractor provision is not helped by slow processes for applying for and drawing down CAGS grants, which can see costs rise between application and finalising of the work.

283. Crofters in Lewis and Harris generally have other employment alongside crofting, such as work on windfarms, ports or other services, which help to retain people locally. It was suggested that while crofting is an important part of island life and land management on the islands, any negative impact on employment stemming from a potential reduction in agricultural support may be absorbed to a greater extent than on other islands via alternative employment opportunities.
284. The majority of livestock on Lewis and Harris are sold as 'store' animals, although a small number are finished locally, with some value added. There are some direct sales and box schemes for locally produced vegetables, beef, lamb and mutton, although much less than Orkney. Only a small number of butchers source local meat, with most sourcing from the meat processor and wholesaler in Dingwall. Harris Tweed manufacturers have to import wool from the mainland, as local wool must be first exported for processing.
285. The seasonal Lewis and Harris Auction Mart is community owned, managed by the Long Island Rural Trust¹⁴⁹. Stornoway Abattoir, owned by Comhairle nan Eilean Siar¹⁵⁰ is also seasonal, opening from August to December (with press reporting annual throughput of c.2,700 lambs, 155 cattle and 102 pigs in 2022¹⁵¹). Although this does provide some local supply, during engagement stakeholders believed that there could be more support from local butchers, of which three are large, established businesses, one of which sells premium product to Harrods. There was a perception that the butchers have lost their expertise in buying, and so it is easier to purchase more standardised product from a wholesaler – something that could be addressed through training and awareness. Nonetheless, Stornoway Black Pudding has had EU Protected Geographic Indication (PGI) since 2013 (with equivalent UK Geographic Origin status since UK withdrew from the EU, and only

¹⁴⁸ For example, see: <https://www.polycrub.co.uk/case-studies/polycrub-perfect-for-crofting-diversification>

¹⁴⁹ <https://lewisandharrisauktionmart.co.uk/about-us.html>

¹⁵⁰ <https://cne-siar.gov.uk/>

¹⁵¹ <https://www.thescottishfarmer.co.uk/news/23373316.stornoway-abattoir-putting-rates-5-help-reduce-loss/>

black pudding made in a defined area around Stornoway can carry the label – the blood is sourced from the local abattoir¹⁵².

286. Of the two supermarkets in Stornoway, only the Co-operative stocks some local food, although this no longer includes meat since the person leading on sourcing for the 'Heather Isle Meats' range via the local abattoir has retired.
287. While the Co-operative and other shops are generally community-minded, it is suggested that suppliers may not be coordinated enough to establish greater markets, and this is a missed opportunity given the rising number of tourism and interest of tourists is local and artisan food. A FAS (Farm Advisory Service) Connect group is aiming to pilot one project, and supplier organising and enhancing of outlets like the local farmers market is likely to be positively impacted by the recent surge or enthusiastic new entrants into crofting in the area.

9.3.4 Uist and Barra

288. Local supply of inputs to these islands is much more limited than other areas covered in this report, with much shipped from mainland suppliers (captured in the mainland column of Table 47). A small number of local general stores, hardware stores and garages provide some feed and general agricultural supplies, and so are partly reliant on crofting for income alongside other business. A couple of feed suppliers rely 100% of crofters for business, while other suppliers may be around 75% dependent on crofting.
289. Feed is often delivered in smaller quantities due to transport on boats and smaller quantity demand from crofters. Local distilleries also supply some byproducts as feed to crofts on the islands. Generally, there is a high dependency on the import of feed (hay, concentrates, straw). Crofters with access to machair or good quality in-bye land can produce the majority of stock fodder requirement, but still need to buy in concentrates, whereas poorer quality land in North Uist and South Uist, and all of Barra rely 100% on imports.
290. The vast majority of agricultural output is exported off the islands, due to it being uneconomic to finish animals on the islands, as well as limited processing facilities. Less than 5% of meat is now processed or sold locally (having seen a decrease over time) through small-scale box schemes and farm shops or food hubs. Road-end egg sales are relatively common on the islands, and some horticultural produce is sold to local hotels and restaurants, although generally local shops do

¹⁵² For a description see: [Protected food names: Stornoway Black Pudding \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

not sell local croft produce. A couple of local distilleries are beginning to source local grains for distilling, although the products have not yet reached market.

291. Lochmaddy Auction Mart is owned by North Uist & Benbecula Livestock Limited and sales, until recently, were undertaken by Dingwall and Highland Marts (DHM). DHM recently pulled out from Lochmaddy Auction Mart on North Uist stating the closure was a result of *"many factors including declining livestock numbers, staffing, increased running costs and stock being consigned to mainland markets"*¹⁵³. Managing Director of DHM stated livestock numbers had *"fallen off a cliff"* also noting that *"poor reliability of the ferry service to the island has been another major factor – we have had senior auctioneers stuck on the island on two or three occasions and we cannot afford this during the busy sale season"*¹⁵⁴. He added¹⁵⁵ that *"we have seen an increase in stock being consigned to Mainland markets – a customer's right – which obviously affects the number of animals traded in Lochmaddy and makes it increasingly more difficult to attract mainland buyers for reduced numbers."*
292. The North Uist & Benbecula Livestock Limited committee are attempting to find someone else to take on sales from Lochmaddy, but that process is ongoing. With DHM withdrawing from Lochmaddy, sheep and cattle for sales from North Uist, Berneray and Benbecula are likely still going to be sold in Dingwall, being transited from Lochmaddy to Uig on Skye (c.1 hour 45 min crossing) with the onward journey by road. Some North Uist cattle may be sold through United Auctions at Lochboisdale¹⁵⁶, before onward move to Oban (with a longer c.5 hours crossing – noting that the direct Lochboisdale to Oban sailing only operates on sale days). Animals from Barra are usually sold through Dalmally via United Auctions at Lochboisdale Mart also ferried to the mainland from Lochboisdale to Oban. Crofters may transport animals directly from Barra to Oban privately.
293. Active crofters across Uist and Barra comprise approximately 15% of the population (based on the number of IACS claims by island population), and therefore crofting is hugely important for local culture, society and economy compared to Scotland as a whole. Environmental management is dependent on livestock, so if schemes supported this there would be further positive impact to the environment. Reductions to support for livestock production would have serious knock-on consequences for land management, as well as impact on many supporting businesses. Any further reduction in active crofting in the islands could have indirect impacts on the economy via reduced local spending in local

¹⁵³ [Dingwall & Highland Marts ceases trading at Lochmaddy Auction Mart \(pressandjournal.co.uk\)](http://pressandjournal.co.uk)

¹⁵⁴ Ibid

¹⁵⁵ [Dingwall auction firm's decision to withdraw livestock sales from island mart 'not taken lightly' \(northern-times.co.uk\)](http://northern-times.co.uk)

¹⁵⁶ <https://www.uagroup.co.uk/sales-reports/lochboisdale>

businesses such as shops, restaurants, hospitality, as well as knock on impacts to attractiveness of area to tourists if active crofting land management ceases (machair habitat, corncrakes, sea eagles).

9.3.5 Supply chain risks in the event of reduced agricultural output

294. Table 49 summarises the estimated expected risk to supply chain businesses associated with any reductions in agricultural output arising from policy changes that are adverse for the islands. Scoring, on a 1–3 (purple to red) reflects risks as perceived by consulted businesses along with local SAC consultants' judgement of likely impacts for each of the island groupings. A score of 3 represents high risk, and 1 representing low risk. In all cases, perceived risks were considered significant and widespread, spanning the full supply-chain.

Table 49 Expected risk to supply chain businesses as a result of reduced support to agriculture

Risk factor	Orkney	Shetland	Lewis & Harris	Uist & Barra
Agricultural employment	2	2	3	3
Other household employment	3	3	2	2
Input suppliers	2	2	3	3
Veterinary services	2	2	3	3
Ancillary services	2	2	3	3
Auctioneering services	3	3	3	3
Abattoirs & processing services	3	3	2	1
Haulage services	3	2	2	2
Downstream markets	2	2	1	1
Impact on tourism	2	1	2	2
Impact on wider economy	2	3	1	1

295. This table can only be considered a broad indicator of supply-chain risk based on value judgements and, where possible, data evaluated within this report. The logic behind scoring for each category is as follows:

- Agricultural employment is based on the headcount of occupiers and spouses engaged in agricultural activity (Table 23) along with regular and casual employees (Table 24) as proportion of the total population of respective island groupings, drawing from population data and.
- Other household employment is based on the number of part-time agricultural household members as a proportion of the population of respective island groupings. While not all part-time workers in agricultural households will have other part-time work, the scoring illustrates the relative

dependence of other household members on agriculture, and the interaction with outside potential employment.

- Scores for all categories between input suppliers and haulage services are based on a reasoned judgement based on conversations had with local advisors and local businesses, representing the dependence of each category of businesses on agriculture for business income.
- The impact of tourism is based on the value of tourism for each island grouping, drawn from published estimates online.
- The impact on the wider economy is based on GVA figures for agriculture for each island grouping, as presented in Figure 54.
- The total score sums the column for each island grouping to indicate relative overall risk.
- Total output draws from the modelled estimated BRN turnover from agricultural businesses in the island groupings, as presented in Table 3.

296. This risk matrix could suggest the following:

- Input and ancillary services in the Outer Hebrides appear to have greater dependence on agriculture than in Orkney and Shetland; this reflects the role of other industries as more significant in those islands' economies, alongside agriculture (such as fishing).
- Auctioneering services on all island groupings would be severely affected by reduction in agricultural activity. Shetland's abattoir would be most affected by reduced agriculture, Lewis & Harris to some extent although the abattoir is just seasonal, whereas Uist and Barra export all livestock for slaughter. Orkney's high score primarily represents impact to creameries.
- Orkney and Shetland both indicate stronger linkages with downstream processing than the Outer Hebrides, hence the higher risk score.
- Overall, all island groupings average a very similar total risk scoring, although the scores' composition differ. For the Outer Hebrides, risk appears more centralised around impacts to service provision, and less linked to downstream services and value added. Orkney and Shetland have much more even, and consistently higher, risk scoring across all categories. Lastly, given the total output of agriculture to each island grouping, the risk scoring suggests that the greatest economic risk from reduced agricultural production is on Orkney, with the lowest, but still significant as a proportion of economic output, in the Outer Hebrides.

9.4 Additional agricultural costs on islands

297. Unsurprisingly, the cost burden of additional transport for inputs purchased and outputs marketed are significant across the islands. Table 50 provides an overview of cost of key inputs and haulage to island groupings versus Skye,

mainland Highlands and the rest of Scotland. These are based on prices as of mid-February 2024, gathered by local SAC Consultants from published sources and direct contact with businesses and suppliers. Colour coding indicates additional cost versus the baseline price, assumed as the rest of Scotland, with cells in red showing greatest additional costs and purple the lowest additional cost.

298. The data in Table 50 is important, as it also demonstrates the additional costs faced by more remote farms and crofts within the islands. The data shows for example that Ammonia Nitrate (AN) fertiliser was £54/t more expensive in Kirkwall than the Rest of mainland Scotland (non-Highlands) but those on outer islands faced further additional costs of £15/t to get it delivered from Kirkwall. In Shetland outer isles, beef stock nuts were £114/t more expensive (similar to Uist and Benbecula) than in the rest of Scotland (with Lerwick £85/t more). Compared to the Rest of Scotland the average haulage costs to mart were £30 a cow more in Lewis and Harris, and £60 a cow more in the Shetland Outer Isles. This demonstrates that the £46 per calf SSBSS uplift (2023) can be quickly eroded away on the islands, particularly in outlying islands (noting there is no island uplift for SUSSS despite similar additional costs).

Table 50 Cost of inputs and haulage to island groupings

	Fertiliser (AN, £/t)	Red diesel (ppl)	Feed (beef stock nuts, £/t)	Cow haulage to mart (£/hd)	Average distance to mart (miles)	Notes
Orkney (Kirkwall)	£380	£84.3	£369	£23	120	(To Aberdeen) - though most sell through Kirkwall mart. Up to 20 miles on land then 120 miles on sea
Orkney (inner isles)	£402	£84.3	£391	£25	20	12 miles on land, 1 mile on sea
Orkney (outer isles)	£417	£84.3	£406	£25	20	20 miles on sea
Shetland (Lerwick)	£413	£84	£415	£22.5	245**	To Aberdeen - 20 on land, 225 miles over sea
Shetland (outer islands)	£444	£90	£444	£75	55	To Aberdeen - 20 on land, 225 miles over sea
Lewis & Harris	£425	£92	£427	£45	95	45 miles on land, 50 miles over sea
Uist & Benbecula	£393	£88	£445.2*	£40	150	120 miles on land, 30 miles over sea
Skye	£410	£85	£360	£9	32	
Mainland Highlands	£378	£78.3	£400	£15	35	
Rest of Scotland	£348	£77.3	£330	£15	30	

*Sold in 25kg bags – price shown is equivalent price per ton

**Distance and cost are for haulage to Aberdeen. Distance and costs for outer islands only indicates to Lerwick

299. These additional costs faced by farmers and crofters across the islands are summarised in percentage terms in Table 51. Orkney mainland had the lowest additional costs (for fertiliser, fuel and feed) across the island groupings, averaging around 9–12% higher than mainland costs, versus Shetland mainland at 9–26% and the Outer Hebrides collectively at 13–35%¹⁵⁷. The lower additional costs in Orkney may be reflected by volume of inputs traded and the collective purchasing power of the farmers' cooperative Birsay Farmers¹⁵⁸. Shetland's outer islands had the highest overall additional costs for these products, 16–35%, higher than mainland costs for feed. Again, for cow haulage, Orkney mainland was the lowest additional cost, at 53% higher than mainland costs, compared to costs 400% higher for the outer Shetland islands. This reflects the additional costs of having to cover both the initial haulage to/from the mainland plus further haulage to/from more outlying islands.
300. During the recent period of high agricultural input cost and fuel cost inflation these significant uplift costs of production can be significant and put pressure on financial margins – leading to some to adopt more extensive grazing systems, or to downscale and withdraw from production (as the data demonstrates in Section 6 Trends in Agriculture).

Table 51 Additional cost of inputs and haulage to island groupings, relative to mainland Scotland cost.

Area	Fertiliser (AN, £/t)	Red diesel (ppl)	Feed (beef stock nuts, £/t)	Cow haulage to mart (£/hd)*
Orkney (Kirkwall)	+9%	+9%	+12%	+53%
Orkney (inner isles)	+16%	+9%	+18%	+67%
Orkney (outer isles)	+20%	+9%	+23%	+67%
Shetland (Lerwick)	+19%	+9%	+26%	+50%
Shetland (outer islands)	+28%	+16%	+35%	+400%
Lewis & Harris	+22%	+19%	+29%	+200%
Uist & Benbecula	+13%	+14%	+35%	+167%
Skye	18%	10%	9%	-40%

* it is worth noting that the additional cost to farmers arising from animal weight loss during transit was also referred to by farmers and crofters

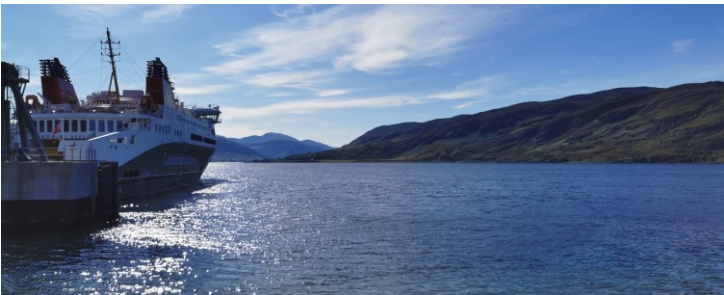
9.4.1 Livestock haulage

301. The need for inter-island ferries contribute significantly to the additional costs of livestock haulage, effectively adding over £1 per head per further mile in haulage costs relative to costs on main islands in each grouping. Some crofts located on

¹⁵⁷ It is worth noting that the ferry charging in the Outer Hebrides, Shetland and Orkney differ that may influence some of the pricing variation.

¹⁵⁸ <https://www.orkney.com/listings/birsay-farmers-ltd>

the northernmost Shetland islands have to travel over 60 miles and take two inter-island ferries to reach Lerwick mart.

302. Off-loading costs from the islands to the mainland are not insignificant (see Table 52) and eat into prices received on the islands, or into the margins of farmers and crofters selling directly through mainland marts. In the case of Shetland, where stock is sold for export to Aberdeen via the local mart, an extra 85p per head transport from mart to pier applies. For transport between Aberdeen and Lerwick, stock is shipped in livestock cassettes (LCs) and one complete stock box on an LC on the boat costs £90. There is no option to transport in livestock trailers or by other means due to the length of the journey. The Barra to Oban ferry charges the Barra – Oban £81 per trailer for a crofter transporting their own animals.
303. Cost of transportation of livestock by crofters and farmers can vary widely, based on the size and weight of animals, size and capacity of the trailer, and the number of animals per trailer. It is not uncommon for a trailer to travel at half capacity, for smaller sales throughout the year, which will effectively double the cost of self-haulage. Likewise, costs of haulage of animals to Aberdeen from Lerwick are priced on a per box basis, so costs may be £22.50 per head if shipping a full box, or £45 per head if shipping one or two.
304. An example from Uist cited £420 haulage cost for 55 ewe hogs for Dingwall to Oban, with a further £190 for the Oban to Barra leg (a total of £11 per hogg) , with that trip also requiring 3 nights' accommodation to link with ferries (a cost that can grow if there are ferry cancellations). Costs cited for haulage from Barra to Oban include £3 per lamb, £20 per calf and £30 per cow.
- 
305. Costs of transporting livestock from the outer islands can be greater than to get them from Lerwick to Aberdeen. For example, taking cattle from Unst to Lerwick may cost £75 using own transport, including fuel, two ferry fares for a pick-up with 3.5-ton trailer at £28 return, a basic mileage rate at 7-8 miles per gallon in fair weather, plus wear and tear of 20p per mile as per HMRC guidance. In addition, crofter/farmer time costs involved in transport should be added to these costs. Often residents of small islands such as Fair Isle organise collective transportation, since individually costs are prohibitive.
306. On Orkney, most animals are sold store, although some are sold direct to processors. Generally speaking, only a minority of livestock is sold off the islands by farmers, with most selling through Kirkwall mart. Typically, when buyers from

further south are visiting for sales, the mart pays for their flights, and buyers pay for and arrange haulage of purchased livestock off the islands.

307. In the Outer Hebrides, sales are limited and seasonal, with just three or four sheep sales and one cattle sale in the late summer/early autumn. Outside these sales, all livestock must be transported to Dingwall mart directly.

Table 52 Livestock offloading costs from island groupings

Origin	Destination	Duration	Cost per cow	Cost per calf	Cost per ewe
Orkney	Aberdeen (from Kirkwall)	6 hours	£23	£19	£2.80
Shetland	Aberdeen (from Lerwick)	12.5 hours	£22.50		£3.10
Lewis & Harris	Dingwall (from Stornoway)	4.5 hours	£45	£30	£3.50
North Uist & Berneray	Dingwall (from Lochmaddy via Skye)	5 hours	£40	£30	£3.80
South Uist & Barra	Dalmally (from Lochboisdale / Barra via Oban)	6 – 7.5 hours	£30	£20	£3.50

*Additional cost of inter-island ferry from Barra to Eriskay/South Uist

**Costs not yet available – route not running

308. Not factored into the additional costs in Table 52 is the costs of certification required for transporting animals over 40 miles (in under 8-hour period), the Level 2 Certificate of Competence in the Transport of Animals¹⁵⁹ by road (Short Journeys). Therefore, crofters and farmers from some outlying areas face this additional transport cost and compliance requirements to even get their stock to market locally. The Certificate of Competence for animal transport is £95 to sit the assessment at an SRUC campus, with an additional £25 admin fee at offices, also requiring at least half a day's time for travel and sitting the test from more remote Isles.

9.4.2 Other input costs and haulage

309. Wherever possible, haulage companies tend to work closely with clients to find means to load sharing and lowering costs for inputs. This is more possible with some inputs than others (due to product stability, storage and anticipation of demand) but, therefore, also naturally limits choice of input suppliers for customers. Particularly for the outer islands, it is more important for businesses to anticipate needs and plan for purchases, such as for fuel deliveries where tankers may only travel to the islands once a month. This can create additional pressure on business cashflow due to the need to buy in larger quantities.

¹⁵⁹ City & Guilds Land Based Services (formerly NPTC)

<https://www.nptc.org.uk/qualificationschemedetail.aspx?id=304>

310. Additional costs involved in deliveries include not only distance travelled, but also time for unloading. For northern Shetland isles this can be up to 6 hours, adding an additional £354–378 +VAT diesel per full load delivery, or 4 hours for more distant parts of Shetland mainland (£236–283 +VAT additional). Ticket prices for a truck on inter-island ferries in Shetland are around £100. Deliveries to Uist rely on an articulated lorry from Invergordon via ferries, costing approximately £1,100, adding a minimum of £38 per ton for a full load of fertiliser.
311. Table 53 shows the additional animal feed costs on the islands compared to the mainland. These higher costs add-up for farmers and crofters that erode profit margins. For example, delivered ewe rolls can be £77/t (+22%) more expensive, beef nuts can be £97/t more expensive delivered (+29%), bruised barley up to 2.9 times more expensive delivered, and hay bales 3 times more expensive (£178/t) delivered.

Table 53 Feed costs across island groupings versus mainland costs

Region	Ewe rolls (18% protein)	Beef nuts (17% protein)	Silage bales	Bruised barley	Large straw bale	Hay bale
Orkney	£398 / t	£369 / t	£16-£20 / bale	£200 / t	£105 / t, or £57.75 / bale	
Shetland	£422 / t	£415 / t		£355 / t	£68 / bale	£62 / bale or £248/t
Lewis & Harris	£11.20 / 25kg bag, or £427 / t	£11.20 / 25kg bag, or £427 / t	£38 / bale	£467 / t		£67 / bale or £268/t
Uist & Benbecula	£11.13 / 25kg bag	£372 / t	£35 / bale			£58 / bale or £232/t
Mainland	£350 / t	£330 / t	£18 / bale	£160 / t	£90 / t	£140 / t

312. Ongoing issues with ferry frequency, capacity and reliability, particularly to the Outer Hebrides, have made haulage of inputs more challenging in terms of capacity and reliability of delivery. Adverse weather affecting services also means a reluctance to haul livestock. Recent rising fuel prices have also added a fuel surcharge to deliveries.
313. Fuel prices also vary across and within the island groupings based on accessibility to tankers and whether it is sold at pump or in drums. For example, in Shetland, buying per drum will add 4p per litre, pumps in more outlying parts of the mainland will be priced 2p higher, and 5–7p higher for connected outer isles. For some islands like Fair Isle and Foula customers must transport and fill drums on the mainland at their own cost.
314. Lastly, similar to additional costs of certification required for livestock haulage over a certain distance, the cost of legally required CPD for activities such as use of herbicides and sheep dipping falls heavier on smaller producers and crofters given their turnover relative to farming businesses, with some choosing to opt out,

with potential impacts on production efficiency and output as a result. Moreover, CPD and attendance of meetings, etc. can be logistically challenging for those part-time farmers and crofters that are working (particularly full-time) off-farm/croft. It is essential that in the design of future AKIS (Agricultural Knowledge and Information System) for Scotland that effective engagement with small and part time businesses, alongside hard to reach (often digitally remote) groups are embedded in the design¹⁶⁰.

9.5 Case studies

Box: 3 Orkney Auction Mart

Orkney Auction Mart has been on its current site since 1993, after the amalgamation of the Kirkwall Mart and the West Mainland Mart. Sales include cattle (store, fat, breeding), sheep (store, fat, breeding), implements, and machinery.

The main trading income from the mart comes through commission from livestock sales, which is set at a percentage of the buying price. Therefore, as market prices fluctuate the commission earned increases or decreases and affecting mart profitability.



Orkney traditionally sells cattle off grass at the age of 16–18 months old (at 450 – 575kg), in recent years more cattle have been sold at 12 months (see Figure 72 in Annex 4 Agricultural data). However, due to high grass growth in Orkney most farmers prefer to keep their cattle an extra summer, to benefit from extra gained weight from grass and increased sale price, at minimum expense. This prolongs the number of days cattle spend on Orkney and therefore affects the carbon footprint through methane (noting that selling younger, often simply means the emissions occur elsewhere).

Sales are quite seasonal and due to the changing seasons and weather patterns, the peaks in sales are becoming higher with a larger mart throughput at certain times of the year. The peak time of the year currently is September.

Due to animal transportation regulations, boat timetables, and health and safety requirements (including animal handling and zoonotic diseases), livestock can arrive at the mart a week in advance of the sale date. This means that the mart is obliged to look after these animals (lairage) until sale. Moreover, if the weather is particularly bad the boat shipping the animals to their destination can be cancelled, or the weather conditions such that shipping of livestock is not recommended. When this happens, then the Mart is again obliged to look after these animals until the weather calms and shipping resumes.

¹⁶⁰ The Scottish Government have undertaken an 'informal consultation on AKIS in early 2024 and it is expected a full consultation (potentially including CPD) will be launched later in the year.

Larger sale days are favoured by those selling livestock, as the Mart is able to attract more buyers to the sale, and therefore increased buyer competition and higher prices. The majority of buyers come from Aberdeenshire and Edinburgh. There would have been more buyers from Orkney when there was an abattoir and Orkney Meat Ltd was promoting "Orkney Gold Beef", this also coincided with an agricultural support system that rewarded keeping cattle for finishing (through headage payment). After Orkney Meat closed¹⁶¹ and the support system changed the local market for buying store animals to finish almost disappeared. Currently, around 14 buyers attend regularly from Aberdeenshire. On bigger sale days there can be around 30 buyers from Aberdeenshire and beyond looking to buy Orkney cattle.

Over the last decade turnover has remained stable at £1.1 to £1.2 million except for 2014 and 2019. In the years that turnover was below the million pound mark, the throughput was less, with just 9,162 cattle and 25,644 sheep sold in 2014 compared to 15,376 cattle and 33,475 sheep in 2015 when turnover was just under £1.2million.

Considering that SSBSS claims for Orkney are around 25,000, just under half of these animals are sold store at Orkney Auction Mart (noting c.18% of calves are retained for breeding replacements).

Employees – 6 (full-time), 5(part-time), 11 casual

Throughput 2014-2023

Cattle	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Prime	327	809	713	626	557	551	495	456	361	362
Store	7,393	12,438	12,025	11,912	11,382	10,378	11,329	11,706	11,364	11,880
Breeding	143	140	183	255	389	234	293	332	474	240
OTM	1,299	1,989	1,688	1,353	945	839	883	838	1,021	793
Total	9,162	15,376	14,609	14,146	13,273	12,002	13,000	13,332	13,220	13,275

Sheep	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Prime	7,018	9,769	11,226	12,212	11,750	14,802	15,488	13,867	14,057	16,322
Store	11,739	13,917	11,500	8,921	9,762	12,008	9,230	10,780	12,144	16,182
Cast	3,997	5,929	5,088	4,848	4,751	5,361	4,112	5,044	5,846	6,510
Breeding	2,890	3,860	3,528	2,750	2,642	2,499	2,805	2,974	3,194	3,531
Total	25,644	33,475	31,342	28,731	28,905	34,670	31,635	32,665	35,241	42,545

Turnover £millions 2013-22

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
£1.14m	£0.99m	£1.17m	£1.12m	£1.15m	£1.56m	£0.97m	£1.01m	£1.12m	£1.19m

¹⁶¹ <https://orcadian.co.uk/orkney-meat-to-cease-production-staff-informed-of-redundancies/>

Box: 4 Shetland Livestock Marketing Group (SLMG)

SLMG is a community benefit co-operative, established in 1995 to serve the local agricultural community and bring together various agricultural groups under one umbrella organisation. It is home to Shetland's abattoir and marts.

It is a membership association, with approximately 450 members. Membership fees are based on stock numbers and benefits include prime sale slots and a discounted rate when using the abattoir's services, but it would be fair to say that

many of its members see their subscription as a way of showing their support for an essential service provider in their industry and community.



The abattoir was opened in 2011 and is Shetland's only abattoir facility. They process sheep, goats, cattle and pigs all year round and are Quality Meat Scotland assured and Scottish Organic Producers Association accredited. The presence of a local abattoir is crucial to local livestock producers and the local market. Without it, Shetland would be unable to service local demand for Shetland lamb, beef, and pork. The on average, in the four years from 2020 to 2023, the facility has processed approximately 3600 sheep, 350 cattle, and 250 pigs annually.

The vast majority of the meat produced goes to the local market through independent butcher shops, local independent retailers via the butchers and local wholesalers, and through Shetland's hospitality sector. Via the wholesalers, the abattoir also services the SIC's commitment to local procurement for council catering services in schools, care homes and the hospital. In addition, there is a growing farm to fork sector. An increasing number of agricultural businesses use the abattoir's killing and butchering services to offer beef and lamb box schemes as well as to supply the needs of family and friends.

Without a local abattoir Shetlanders would not have access to the meat produced locally as the cost of shipping livestock to slaughter and returning carcasses for butchering is prohibitively high. This was evident in the year prior to the establishment of SLMG when Shetland did not have its own abattoir for a number of years.

In association with Aberdeen and Northern Marts, SLMG stage various livestock and machinery sales throughout the year. Mainly sheep and cattle are sold through the ring with the main sale season running from August to November with additional sales in February and April. The mart is also home to the annual Shetland Flock Book show and sale, and an annual Shetland Pony Breeder sale. The buildings are home to the Lerwick branch of Harbro and also host a broad range of agricultural training courses, meetings, industry events and networking groups all run by other partner agricultural businesses and organisations.

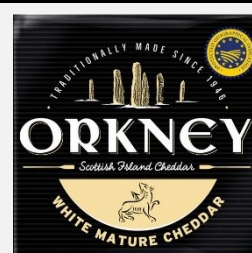
An online bidding system was recently introduced and has opened up mainland markets to Shetland producers, encouraging higher prices and allowing more Shetland producers to feel confident that selling through their local mart is the soundest solution. There are now a number of regular mainland buyers who purchase direct

from Shetland with more coming online at a steady rate as word of the quality or the livestock and ease of accessing the mart sales spreads. Online bidding has created healthier competition in the ring and pushed prices up across the board with sales sometimes now reaching higher prices than those achieved by the nearest alternative on the mainland at Thainstone.

SLMG work closely with the Shetland Animal Health Scheme supporting the scheme and helping to ensure that any animals brought to Shetland from elsewhere meet Shetland's Animal Health Scheme requirements. The mobile dipping facility used as part of the scheme to prevent the spread of sheep scab in Shetland is housed and operated at SLMG premises.

Box: 5 Orkney Cheese

Orkney Cheese is an award winning cheddar, and is Protected Geographical Indicator (PGI) accredited. All of their milk is sourced from Orkney farms, currently 12 in number, through Orkney Milk, a farmers cooperative and 70% shareholder in Orkney Cheese. Orkney cheese continues to outperform the Scottish sector for cheese (cheddar) in volume and value growth according to the 2023 Grocery Performance Review.



Lactalis have a 20% shareholding in Orkney Cheese and they manage the marketing of the product. They would like to be able to market an additional 300–400 tonnes of cheese, the amount of milk available is only just sufficient for existing production. Indeed, demand exceeds supply, and the creamery has recently had to reject lucrative international some orders. Current turnover is £5.5m and there are 23 employees. Orkney Cheese remaining viable is important for the local economy as it responsible for many additional jobs through supplying milk and cheese for local retail and added value opportunities.

Current agricultural policy proposals are not perceived as a main threat to the creamery per se, as the island's dairy farms already undertake most elements of the Tier 1 Whole Farm Plan to comply with milk sector standards. However, the creamery does have concerns regarding a lack of farm succession and the general lack of labour availability within the dairy industry. Failure to attract more and new farmers into the industry risks making the production of cheese unviable given that an extra c.20% of milk volume is desired.

The perception from creamery management is that the current narrative regarding greenhouse gas emissions from cattle is disenfranchising young people from working in the industry alongside a persistent narrative about farmers working long hours for little, to no, reward. It is feared that these perceptions put many off pursuing a career within farming, in particular dairying. In order to secure the long-term viability of the award-winning creamery it would be beneficial if the industry was viewed as a profitable, attractive industry to be in where there the market rewards your hard work with a decent price for your product i.e. milk. <https://www.orkneycheddar.co.uk/>

Box: 6 Shetland Vets

Shetland is currently served by a single veterinary practice. They have 3 surgeries on mainland Shetland and offer 24-hour service. They work hard to ensure coverage of the whole of Shetland with weekly visits to Unst and Yell, and regular visits by appointment to other islands as well.



They cover a broad range of veterinary services for pets, horses and livestock with a full range of medical and surgical treatments, preventative medicine and health planning, advisory work and routine visits and screening. They offer an emergency on-call service which covers both the livestock and small animal side of their work. They also provide biosecurity advice and work closely with the [Shetland Animal Health Scheme](#) run by the Shetland Island Council's Environmental Health Department.

The practice serves approximately 4,100 active customers across Shetland. In the year from February 2023 to February 2024, they serviced almost 400,000 medical transactions, up 14,000 on the previous year. This is split roughly 75% on small animal practice and 25% on agricultural practice.

They currently have a team of five FTE veterinary nurses, two fulltime vets, and two part-time vets. One of the part-time vets is exclusively a small animal vet and the other is about to take maternity leave. The national shortage of large livestock vets is being felt acutely in Shetland. The practice is recruiting for two more fulltime vets but are struggling to find anyone. They have been trying to recruit continuously for almost three years now without success, or indeed any applicants at all.

As a result, they currently have two fulltime locums, in place at all times. This clearly comes at an increased cost both in terms of salary and in terms of the cost of accommodation and travel expenses for the locums. Those increased costs have, so far, been absorbed by the practice but this is not sustainable in the long term. Higher costs of doing business will ultimately have to be handed on to clients. Staff report that even with two locums they are running at maximum capacity all the time. There is simply no scope to increase workload and it is prohibitively expensive to take on additional locums.

This reliance on locums also comes with limitations in what services can be offered. Animal health and welfare planning, whether it is stand alone or as part of QMS assurance, requires local knowledge and good long-term working relations with crofters and farmers. Locums are often unwilling to take on Animal Health and Welfare plans at all. This is partly due to the lack of these requisites, but also because of workload. They do not have the necessary admin time to write up plans, which would mean them leaving before they have had time to complete a plan properly.

Shetland Vets offer a remarkably broad range of services given the size of the practice, but due to location, staffing, and market demand, they are unable to cover

some of the government's target interventions. For example, they cannot carry out bull fertility testing locally and do not have the capacity to have someone trained for this. They don't have the right handling facilities for pregnancy testing for cattle and for instance, cannot offer ultrasound for cattle.

The harsh reality of the critical shortage of skilled staff for island vets has not been adequately considered in the new conditionality and cross compliance measures proposed. It is clear that there will be a marked increase in the work required of vets to support the sector in achieving compliance but there is simply not a large enough workforce to cover that workload. Vets will find themselves having to make tough decisions, under increased pressure, whilst delivering essential veterinary care, emergency support, and also trying to assist people with compliance issues to access basic support payments.

Vets also commented that they felt that the new calving interval criteria for the Scottish Suckler Beef Scheme would seriously disadvantage Shetland producers. Keeping cattle on marginal land is oft vaunted for its environmental benefits but it is also an uphill struggle here in Shetland. Producers face a relentless gauntlet of harsh climate, relatively poor ground, short growing season, most units' limited shed space, reliance on a single bull or a hired bull, a single calving season, higher costs, and limited access to support services which could help with any of these issues. This means that producers are already disadvantaged before they start. The introduction of calving intervals within the Shetland system will create a further barrier to keeping cattle with, at best uncertain, and more likely worsened environmental outcomes, especially in terms of biodiversity.

A frank assessment of how Shetland Vets are feeling about the proposed new support scheme would be best summed up as dismayed.

Box: 7 Island Perspectives on Peatland Restoration and Nature Based Jobs

The national policy perspective seems to be focused on encouraging project development and Peatland Code accreditation whereas what we really need locally here are more contractors to carry out the work and specifically digger drivers and appropriate training for plant operators. Existing restoration contractors have tried everything to recruit them but we're not getting anywhere. Without adequate numbers of machines and operators we can't do the work. Part of the issue is that it requires skilled operators. There are plenty of skilled operators in the islands but we're struggling to recruit them to work on peatland both because there is high demand for their skills and because the current funding model does not allow for land managers to restore their own peatland (plenty of crofters have their own machinery and the skills to carry out the work but current process requires the work to be tendered to contractors).

'Cathedral builder' mindset: Peatland restoration work requires a shift in mindset for operators. Often they are used to getting on and getting the job done as quickly and efficiently as possible, as you would on a building site for example. Peatland restoration requires a different approach. They need to work on land that they'd never normally take a machine over and be really careful to avoid causing



further damage. There is such an expanse of peat to be restored that it requires a 'cathedral builder' mindset. Workers need to be able to keep going while recognising that they may never get to see the final result. In discussions with existing contractors the block to recruitment was not put down to wages – as they are offering wages in line with the windfarm and other developments.

Tight labour market generally: The local labour market is tight – tighter than it has ever been. Knitwear, crab, and seafood processors have lost access to a large pool of foreign workers and this has had a knock on effect across all sectors. Shetland is short of hundreds of European workers who would have filled a number of roles. Although recruitment is always an issue where the pool of workers available is limited, the extent of the problem is unprecedented. Local businesses often used to recruit through referrals but now access to the personal networks of settled foreign nationals has been lost. There's also the problem of housing, even where employers are able to attract workers from outside the isles, there's nowhere for them to live. Property prices have increased exponentially in the past 4 years – new regulations have pushed people out of the private rental market and the number of second homes and holiday lets is putting pressure on housing stocks.

Encouraging young people into green jobs: Local young people could be an asset. More engagement with schools is required so there is greater awareness of the jobs. For example, many conservation surveys (habitat / species) conducted by agencies and NGOs are undertaken by recruits (often young graduates) from outside the islands – which leads to perception that there aren't enough locals involved and a breakdown of communication. This issue around communication and winning hearts and minds is playing out in peatland restoration – many people think it's just about getting the landowners on board, but that's not really the case where the land is managed by crofters who have property rights and legal entitlement to use the land. Those engaging need an awareness of, and understanding of, land management to get land managers and crofters on board.

Green skills – a core skill for the future is the ability to be flexible: Career guidance tends to focus on getting young people into university. There needs to be broader recognition for the range of training opportunities, including modern apprenticeships, and that the modern workforce is highly mobile – everyone has a minimum of four careers in their lifetime now. A core skill for the future is the ability to be flexible.