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THE SCOTTISH SUCKLER BEEF SUPPORT SCHEME (SSBSS)

Briefing Report

December 2024

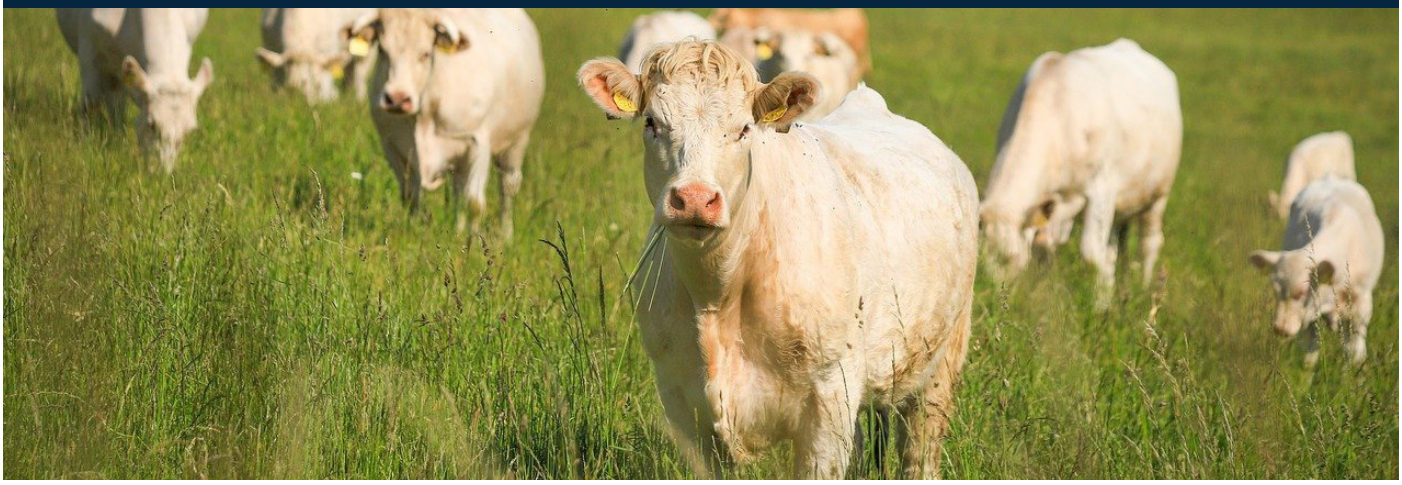
Overview

Whilst the organisations attached to this briefing are fully supportive of the Scottish Suckler Beef Support Scheme (SSBSS) and we were all pleased that the Minister for Agriculture and Connectivity confirmed the scheme continuation at the recent RAI Committee, we cannot support the Scottish Statutory Instrument: Rural Support (Improvement) (Miscellaneous Amendment) (Scotland) Regulations 2024 (SSI 2024/draft) (SSI) which seeks to add a 410 day calving interval condition to this vital beef sector support scheme.

We seek a pause to the current course of action to allow all impacted stakeholders to reconvene with Government to agree a more suitable way forward. This will allow us to understand the Business and Regulatory Impact Assessment carried out for this policy update. If we do this at pace, we can still achieve a policy outcome during 2025.

You will find some high level analysis attached. This is based on Scottish Government funded research from SRUC: Calving Intervals in Scotland's Cattle Population: Conditionality Options Output Ref: RESAS/005/21 – W9 and we predominantly use the 2021 data for our calculations.

> **Our analysis suggests that small herds will be adversely impacted by this scheme.**



The smallest herds with less than 15 cows, which make up almost one third of all beef holdings and 3.8% of total breeding dams, could see potential funding reductions of between £89,231 and £130,507.

There are 3,640 holdings with less than 30 cows. This equates to just short of 50% of all beef holdings in Scotland with 10.3% (40,394) of the breeding cows. Based on the data provided by SRUC and funded by Scottish Government, those farms could see a potential reduction in funding of between £156,740 and £233,255 per annum.

5,170 holdings with less that 60 cows, 69.6% of total breeding herds with 27.1% (106,562) of all cows, will see a potential reduction in support of between £232,245 and £358,585.

Those native bred cattle that we see on the hills around our country are also caught in the sights of this conditionality. Highland, Galloway and Belted Galloway breeds make up only 2.26% (8,884) of all cattle, however their average calving interval % means that farmers in already severely disadvantaged areas, could potentially see a funding reduction of an eyewatering £96,761 to £139,541.

There are 3,640 holdings with less than 30 cows. This equates to just short of 50% of all beef holdings in Scotland.

The 2023 data from an Illustration of the Financial Impact of 410 CI eligibility on small herds suggests that herds of 30 cows and less could see a reduction in funding of £241,240 based on 2023 eligibility.

Whilst we recognise these are averages and there are always winners and losers, it is clear that a significant proportion of Scotland's beef breeding holdings could see their income from the SSBSS fall based on the available data.

SRUC research suggests that the average loss to a business with an 80% of dams achieving the calving interval would be a loss of between £325 and £470 per business dependant on location – note that this is an average. It is likely that the spread will be much larger than this.

Whilst the Scottish Beef Association were involved in the initial stakeholder group (IAAS & NBA were not consulted at any point), the actual rollout of the proposed changes to the SSBSS fell well short of the expectations of the SBA membership.

This policy is continually linked to work undertaken by the Farmer Led Groups (FLG) on suckler beef. This Calving Interval was covered in the report, but only as part of a wider set of measures that would have been incentivised, rather than enforced. The FLG report was not produced as an 'a la carte' menu of items to choose from.

Culling at this level could see fragile rural areas with smaller herd sizes devastated.

The FLG report suggests that a 4% increase in the rearing percentage can reduce the emissions intensity by 1.4% - whilst not to be ignored, the potential negative financial impacts on individual beef herds seems to outweigh the emissions savings this conditionality could deliver on its own.

The emissions reduction success of this condition also relies on the farmer taking the management decision to cull every animal that could not meet the 410 day interval - a highly unlikely outcome for a range of reasons such as high genetic merit cows, a general reluctance to cull younger cows etc.

If this condition was introduced and every farmer culled every animal that failed to meet the calving interval, which, according to SRUC research carried out on behalf of Scottish Government, could be as high as 17% or as low as 13% of the breeding herd dependant on geographic location (as an average) (ref: Calving Intervals in Scotland's Cattle Population: Conditionality Options Output Ref: RESAS/005/21 – W9 - copy attached) then we could see as many as 50,960 cattle culled at the lower end and 66,640 at the upper end based on the 2021 population of 392,000 head of breeding beef cattle in Scotland.

Culling at this level could see fragile rural areas with smaller herd sizes devastated.

The NBA has carried out some 'straw polls' with members asking for feedback on what their replacement policy could be under this scenario with most responding that they would seek to replace around 50% of those animals culled. This could lead to a net reduction of 25-33,000 head of breeding cows per annum. If that replacement figure was 75% then we could be looking at net herd reductions of 12-16,500 head of breeding cows per annum.

The reality is that the replacements for these cows aren't widely available due to a slippage in numbers below that required to maintain the critical mass of the sector.

Based on the QMS Red Meat Industry Profile 2024 (RMIP 24) 42.2% of all prime cattle slaughtered in Scotland are heifers, leaving only 7.8% of heifers for breeding (c.26,886 head).

Over a period of 4 years this could take us very close to a 100,000 herd reduction – in the past Scottish Government have openly stated they could not sign up to strategies to even help stabilise the beef herd.

This would be a devastating blow for farms, auction marts, abattoirs and hauliers and would undoubtedly lead to consolidation and closures across the supply chain. Please note that this has not been an in depth research project, but the concerns raised are very real. Additional information has been included in our High Level Analysis.

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The 5 largest Scottish beef processors currently process 75% of the entire Scottish beef kill.

The total kill is 344,700 as per QMS 2024 Scottish Red Meat Industry Profile with 258,525 head being processed by the 5 largest processors. An average of 51,705 per top 5 processor.

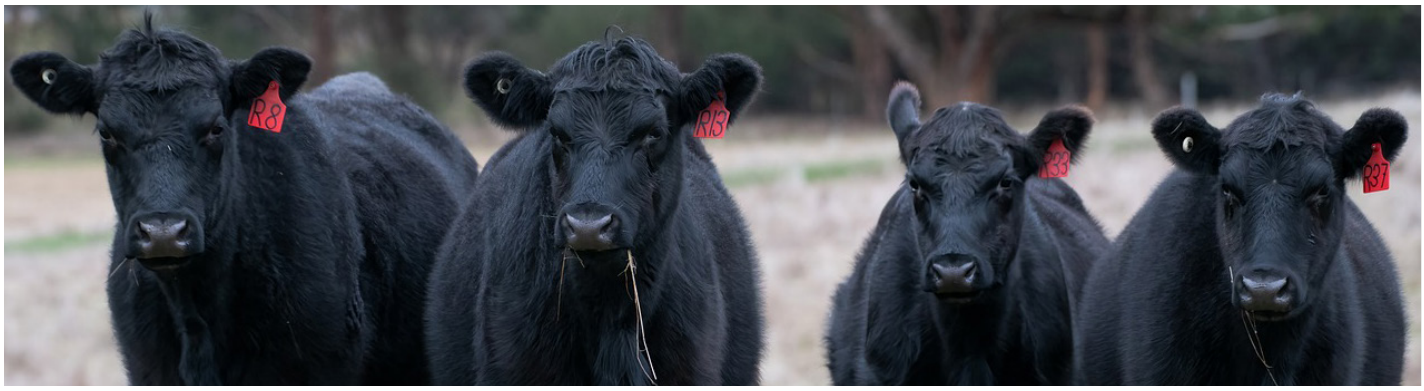
The implementation of this conditionality on a historic support payment for the beef sector increases the risk of losing at least one large processor to the Scottish sector resulting in economic output and job losses.

It would undoubtedly also lead to an acceleration in the closure of private kill facilities across Scotland, which is an area that Scottish Government has seemed keen to support.

Auction marts would also be threatened. In 2023 Scottish marts sold 344,564 head of cattle for a value of £415.8m – the loss of 100,000 head of breeding cattle would result in a contraction of almost 1/3 and the economic loss of £120.6m of cattle sales to the Scottish economy. This could easily lead to contraction in the sector with the loss of marts in remote areas a real possibility.

The overall impact of this proposed conditionality to the SSBSS has been poorly planned and researched. Government has failed to fully consider the impact across all farm sizes and they have totally failed to consider the impact across the entire supply chain.

The estimated emissions reduction put forward as being achievable under this policy will only realised if a substantial number of ineligible cows are culled.



IAAS, SBA and NBA are absolutely against the implementation of this policy in its current format.

We understand a mechanism needs to be implemented, however this currently ignores the original rural development nature of the current scheme and the implementation of such could lead to a state of rural hardship that has not been accounted for.

The potential cumulative negative impact from farm through the supply chain is too high a risk to take. Anything close to these potential outcomes could be terminal for the Scottish beef sector and we would ask Members to consider the risks that have been raised in this paper.

By pausing the proposals now, impacted stakeholders will also be able to make a case to Government on how this policy could be finessed to support producers and supply chain participants and act as a foundation for the restoration of growth and the end to contraction of our beef industry.

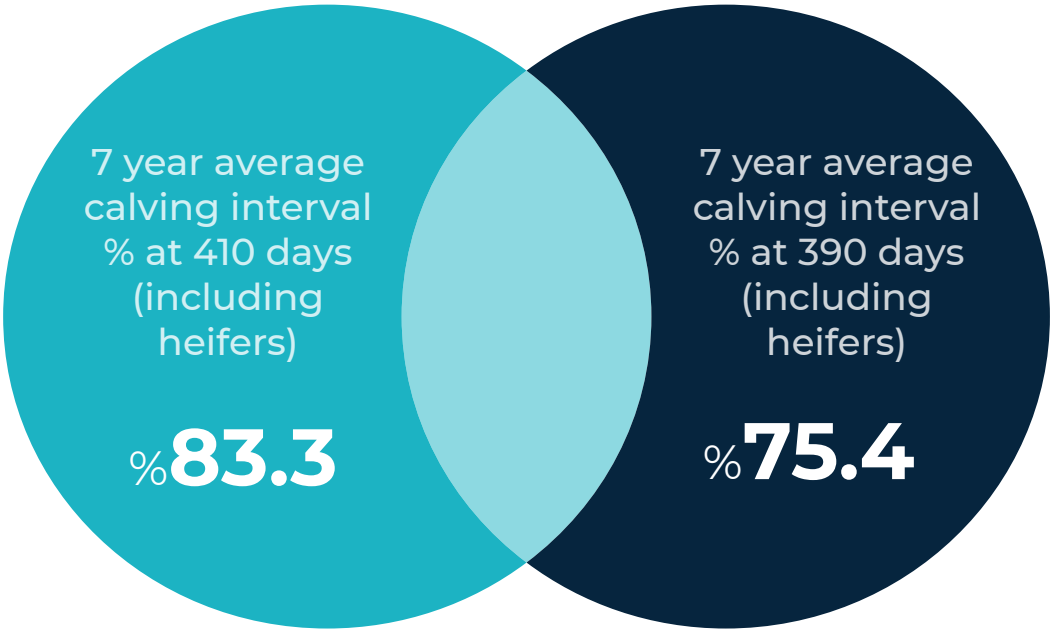
It will also allow for a broader industry discussion on force majeure reasons and clarity on the mechanisms for producers to appeal in that regard.

We need to find a way to work together to meet Government aspirations as well as delivering a comprehensive support package to assist producers with income support alongside advice on how calving interval and other performance metrics could be improved.

Shortened and Simplistic High Level Analysis of Impact on Small Herds

Figures used from Calving Intervals in Scotland's Cattle Population: Conditionality Options Output Ref: RESAS/005/21 – W9 authored by SRUC and the undernoted payment rates lifted from the 410-day calving interval condition - An Assessment of Conditional Scottish Suckler Beef Support Scheme payment rates for 2015-2023 also authored by SRUC.

National Picture:



Using 2021 data:

392, 173 dams were recorded on farms in 2021.

19% were heifers = 74,512 heifers guaranteed payment as 1st calvers.

Leaves 317,627 beef breeding cows (2nd calving onwards).

Using the 83.3% of cows projected to meet the 410 day calving interval would mean that 264,583 2nd calving and onward cows would meet the requirement (53,043 ineligible).

If the calving interval moved to 390 days during the course of this scheme then only 75.4% of beef breeding cows are projected to be eligible. Continuing to use the 2021 numbers that would mean that only 199,495 2nd calving and onward cows would be eligible (118,131 ineligible).

SSBSS Claim Rates for 2021:	
Mainland £103.48	Island £146.87
Equivalent rates if 410 day Calving Interval (410 CI Rate) was overlaid:	
Mainland £121.50	Island £172.12

Impact on small herds

Less than 30 cows

Total of 3,640 'beef' holdings which represents 49% of all 'beef' holdings in Scotland.

Total of 40,394 dams which represents 10.3% of Scotland's dam population.

Less than 60 cows

Total of 5,170 'beef' holdings which represents 69.6% of all 'beef' holdings in Scotland.

Total of 106,562 dams which represents 27% of Scotland's dam population.

1-14 Cow Holdings

- 2439 holdings (32.8% of total) with 14,770 (3.8% of total) dams.
- 19% of dams are heifers – 2806 heifers / 11894 breeding cows
- 410 days calving interval % for these holdings = 76%
- 11894 breeding cows @ 76% = 9039 eligible cows (2854 ineligible)
- 9039 eligible cows + 2806 heifers = 11,845 eligible breeding females

Using the Mainland Payment Rates for 2021:

- Current situation: 14770 eligible cows x £103.48 = £1,528,399
- Using 410 CI Rate: 11,845 eligible cows x £121.50 = £1,439,167
- Potential reduction in funding of £89,231

Using Island Payment Rates:

- Current situation: 14770 eligible cows x £146.87 = £2,169,269
- Using 410 CI Rate: 11,845 eligible cows x £172.12 = £2,038,761
- Potential reduction in funding of £130,507

Outcome: **Herds of between 1 and 14 cows will potentially see reduced funding of between £89,231 and £130,507.**

As cows are split between Islands and Mainland the potential reduction will be between the figures quoted.

Impact on small herds, continued

15 - 29 Cow Holdings

- 1201 holdings (16.2% of total) with 25,624 (6.5% of total) dams.
- 17% of dams are heifers – 4,356 heifers / 21,268 breeding cows
- 410 days calving interval % for these holdings = 81%
- 21,268 breeding cows @ 81% = 17,227 eligible cows (4,040 ineligible)
- 17,227 eligible cows + 4,356 heifers = 21,583 eligible breeding females

Using the Mainland Payment Rates for 2021:

- Current situation: 25,624 eligible cows x £103.48 = £2,651,571
- Using 410 CI Rate: 21,268 eligible cows x £121.50 = £2,584,062
- Potential reduction in funding of £67,509

Using Island Payment Rates:

- Current situation: 25,624 eligible cows x £146.87 = £3,763,396
- Using 410 CI Rate: 21,268 eligible cows x £172.12 = £3,660,648
- Potential reduction in funding of £102,748

Outcome:

Herds of between 15 and 29 cows will potentially see reduced funding of between £67,509 and £102,748.

Smaller farmers with less than 30 cows, 49% of total breeding beef farms, will see a reduction in support of between £156,740 and £233,255.

Impact on small herds, continued

30 - 59 Cow Holdings

- 1530 holdings (20.6% of total) with 66,168 (16.8% of total) dams.
- 17% of dams are heifers – 11,248 heifers / 54,920 breeding cows
- 410 days calving interval % for these holdings = 81%
- 54,920 breeding cows @ 81% = 44,485 eligible cows (10,435 ineligible)
- 44,485 eligible cows + 11,248 heifers = 55,733 eligible breeding females

Using the Mainland Payment Rates for 2021:

- Current situation: 66,168 eligible cows x £103.48 = £6,847,064
- Using 410 CI Rate: 55,733 eligible cows x £121.50 = £6,771,559
- Potential reduction in funding of £75,505

Using Island Payment Rates:

- Current situation: 66,168 eligible cows x £146.87 = £9,718,094
- Using 410 CI Rate: 55,733 eligible cows x £172.12 = £9,592,763
- Potential reduction in funding of £125,330

Outcome:

Herds of between 30 and 59 cows will potentially see reduced funding of between £75,505 and £125,330.

Smaller farmers with less that 60 cows, 69.6% of total breeding herds, will see a potential reduction in support of between £232,245 and £358,585 (being the sum of all categories 1-14 cows, 15-29 cows and 30-59 cows).

Native Breeds

There are a range of breeds listed on page 15 with their calculated calving interval % success rates attached.

It is worth noting that there is a real mix between native breeds and continental breeds in terms of success rates.

However, it is worth noting that Galloway, Belted Galloway and Highland cattle all come in below the average rate of 83% at 77%, 79% and 75% respectively. These native cattle are also the most likely to be farmed on some of the toughest terrain Scotland has to offer and are therefore a part of farm businesses who are already farming in the most disadvantaged of conditions. We may refer to them as Hill Breeds.

Whilst the dams of these breeds only account for 8,884 head (2.26%) of all cattle, they are likely to make up a large % of smaller farm populations.

For this small population, the potential funding loss is an eye watering £96,761 to £139,541.

Assumptions:

Mainland and Island herds cannot be split out in total from this dataset hence the use of all cattle as mainland and also as Island to generate the range in potential loss.

The calving interval % is an average and is as per the SRUC reports as are the holding numbers, cattle populations and payment rates.

Assumes eligible cow as a proxy for eligible calf.

Because we use the average calving interval we cannot then say that each holding could lose £X because there will be businesses with a better than average calving interval and businesses with lower than average calving intervals.

What we do know is that these smaller farms are already starting at an average level that is below the national average.

Smaller farms also have the potential to be more disadvantaged as the business owners may not be full time farmers and therefore cannot devote as much management time to herds.

Smaller farmers may also need to hire bulls, or may have difficulty accessing bulls to tie in with the demands of a calving interval test.

Most small farms are likely to have only one bull available and therefore if he fails to work properly they are more likely to see higher than average % of dams not being in calf.

Claim year	SSBSS Mainland				SSBSS Islands			
	Existing rate	410-day CI ineligible calves	410-day CI rate	410-day uplift	Existing rate	410-day CI ineligible calves	410-day CI rate	410-day uplift
2015	£75.69	15.8%	£89.86	19%	£112.25	15.1%	£132.16	18%
2016	£92.05	16.1%	£109.77	19%	£140.71	17.2%	£169.97	21%
2017	£99.49	16.1%	£118.64	19%	£144.23	15.2%	£170.11	18%
2018	£98.92	15.8%	£117.47	19%	£144.28	14.7%	£169.19	17%
2019	£101.56	16.6%	£121.80	20%	£148.20	15.9%	£176.21	19%
2020	£100.72	14.6%	£117.88	17%	£145.13	13.5%	£167.83	16%
2021	£103.48	14.8%	£121.50	17%	£146.87	14.7%	£172.12	17%
2022	£101.42	14.4%	£118.47	17%	£144.48	13.2%	£166.45	15%
2023	£105.10	13.3%	£121.23	15%	£151.24	12.6%	£173.01	14%

Supply Chain Challenges

IAAS throughput numbers for 2023 are noted below:

341,885	0.78%	344,564	Total Cattle	£1,206.72	£415,792,972.67	13.71%	£365,662,334.92
2,412,846	2.52%	2,473,542	Total Sheep	£100.44	£248,441,128.85	3.60%	£239,800,484.98
1,833	23.30%	2,260	Total Pigs	£143.81	£325,011.56	35.25%	£240,312.99
2,756,564	2.31%	2,820,366	Totals		£664,559,113.08	9.72%	£605,703,132.89

According to the QMS Red Meat Industry Profile 2024 (RMIP 24) Scotland's abattoirs:

Prime cattle slaughter numbers in 2023 were 344,700 head (down 6.9% YoY).

42.2% of cattle killed were heifers. 51.3% steers. 6.5% bulls.

Mature cattle kill of 68,100 (down 13.4% YoY) in 2023.

Since 2022 auction markets have noted an increased number of cull cows going through the ring and at that time IAAS suggested that surge of cull cows would lead to tightening of supplies during 2023 and 2024. Cull cow sales reduced by 13% in 2023.

Store cattle sales remained strong through auction marts in 2023 with numbers remaining flat and values increasing. Feedback remained that 2024 was likely to see a tighter market.

Prime cattle slaughter at Scotland's abattoirs has been in decline for years in line with the ongoing reduction in cow numbers.

Using RMIP 24 data, 68% of Scotland cows were beef cows. Therefore we could suggest that of the 68,100 mature cattle killed in Scotland, 46,308 were beef cows.

This will not be absolutely accurate as a number of bulls would be killed and a number of cull cattle end up outside of Scotland. However, it is the best guide we have on available data.

The following three paragraphs are taken from information provided to us by **Quality Meat Scotland**:

Modelling the future cattle population suggests that, by 2030, the estimated abattoir kill of UTM (under thiry month) cattle in Scotland could fall by another 8,800 head and 170 head per week, equivalent to another £16.8m of lost output and 48 jobs. Over the 2024-2030 period, the total output foregone to the Scottish economy from UTM cattle slaughter remaining well below its potential level is estimated at £445.5m.

Critical mass will differ between individual processing sites and the industry as a whole, but with the sector already operating on thin operating margins and well below capacity, there is a significant risk posed by further reductions in cattle supply.

The size of potential reduction from 2024-30 is enough to put the future of a small to-medium sized abattoir with a 2023 turnover of around £17m and 50 jobs under threat. It is also of a level which could squeeze the supplies available to a medium to-large sized abattoir to the extent that it could put its operations at threat.

This is in the context of the current industry trend. The introduction of a 410 day calving interval could accelerate this decline.

SSBSS Conditionality and Potential Impact on Immediate Supply Chain

The emissions reduction area of this policy will only be a success if all cows calf within 410 days.

It may be that some overall improvements could be made to calving interval and it should be noted that the average calving interval has improved by 10 days over the last decade as farmers take stronger management decisions.

However, there is also a risk that cull rates increase to remove ineligible cows more quickly.

The current structure of the beef industry means that there are not enough heifers coming through as replacements to meet the current cull rate (as per commentary in the above section on industry contraction).

If we were to encourage more heifers to come through to the breeding herd we would see a contraction in the prime cattle kill at Scottish abattoirs resulting in an increased threat to beef processors between now and 2030.

We would also see auction marts close in some areas. These marts are crucial in linking the breeder and feeder as well as helping ensure the right animal is in the right place at the right time.

The only way we can read this predicament is that we have already fallen below a critical industry mass whereby the beef sector should be able to maintain a required replacement rate and sustain an effective abattoir slaughter.

This brings an even higher risk of offshoring our beef industry to places with lower standards and higher emissions as well as the potential for the loss of thousands of jobs in the supply chain.

All of this could feed into an ever decreasing sector as the symbiotic relationships between farmgate and supply chain breakdown to a point that there is no market access available without significant cost and effort to the producer.

While the balance of risk remains relatively low that we would see a mass cull, it is not outside the range of possibility that this conditionality could encourage an accelerated removal of ineligible stock. It is clear that the supply chain businesses would wish to avoid any action that makes beef production harder.

NBA

SBA SCOTTISH BEEF ASSOCIATION

IAAS