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Crichton Institute

Policy Briefing 06

Rural Economies: Diversify or Die?

Introduction

On Tuesday 3rd February, the Crichton Institute (CI) hosted its third panel discussion, this time on the subject of 'Rural Economies: Diversify or Die?' at the Somerton House Hotel in Lockerbie. There were five panel members and a chair², and audience members included representatives from the public, private, third and research sectors.

The session began with panel members offering their perspectives on the key challenge facing Dumfries and Galloway (D&G) in terms of diversifying its economy, and the key opportunity and how it might be maximised. The subsequent lively discussion between panel members and participants covered a wide variety of topics within this theme. This briefing provides a summary of the main issues discussed at the event and the key messages that emerged for policy-makers³.

Key issues and how they might be addressed

- **There are too few businesses in D&G prepared to innovate, expand and 'think outside the box'**, although this is also a Scotland-wide challenge. However, a real opportunity exists for businesses and other stakeholders from the Government's emphasis on commercialising research and achieving 'impact'. Within the region, the CI, and the Crichton Campus more generally, has a vital role to play in making connections and stimulating demand for innovation and change.
- **Broadband remains a huge challenge and competitive barrier for businesses across rural D&G.** High-speed, reliable broadband connections are vital for staff and visitors alike. Expectations are high and tourists will go elsewhere if they are not satisfied.
- **Recruiting skilled workers was highlighted as being problematic.** Local people are unaware of, unwilling to apply for, or do not have the right skills to take up, vacancies in the region.
- **Finance is getting harder for businesses to find, especially from banks.** Previous schemes which provided 'soft' loans to businesses should be reintroduced.
- **There is a lack of positive support for businesses wishing to diversify.** A 'can do' attitude is needed among all support providers to support those with good ideas. This attitude is often reliant on the agency individual and may be lost when personnel change jobs. There is too often a risk averse 'don't or can't do' tick-box approach taken by public sector staff.

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² The event was chaired by Sarah Skerratt, Co-Director of the Crichton Institute's (CI's) Policy Function. Panel members were: Duncan McConchie from [Laggan Outdoor](#), Seamus Donnelly from [SAC Consulting](#), SRUC, Finlay Carson from [CMS Broadband](#) based at Conchieton Farm near Twynholm, Wilma Finlay from [Cream O'Galloway](#) and [Steve Talbot](#) from the University of the West of Scotland.

³ This event was organised by the CI's Policy Function which is directed by SRUC's Rural Policy Centre (RPC). The RPC provides the Secretariat for the Cross Party Group in the Scottish Parliament on Rural Policy which is meeting on February 18th to discuss the diversification of rural economies across Scotland. The key messages from the Dumfries event will be fed into this meeting by CI staff. This briefing will also be made available to participants at both events and put on the CI website (<http://www.crichtoninstitute.co.uk>).

- **Diversification ideas often emerge spontaneously** and from the bottom-up as a result of entrepreneurial thinking in response to a clear need or opportunity (such as on-farm succession issues), as well as ideas which emerge as a result of policy or support initiatives. Both need to be understood and supported.
- **The region should use and sell its locational advantages and high quality of life more readily.** Despite perceptions of remoteness, D&G is well positioned in relation to key markets, such as the demand for renewable energy from the north of England. There is a high quality of life and high quality environment which are key factors in attracting (back) in-migrants.

Key messages for national policy-makers and politicians

- The tendency for the public sector (including Scottish Enterprise) to **focus on high growth businesses is not 'fit-for-purpose' for rural areas** where businesses are often very small but nevertheless provide vital jobs. Moreover, **measuring the impact of a business only in terms of turnover or profit is unsuitable for rural locations** where enterprises may provide a unique product or service or help to sustain local services and maintain the local population. Approaches need to be modified to make them more appropriate for rural economies.
- A much **stronger 'can do' attitude is required** amongst business support providers and planners to support those with a sound diversification idea. Notwithstanding the important safeguards that are required when spending public money, the relatively high proportion of business start-ups that fail and the tendency for the public sector to be risk averse, innovation should be encouraged. Often a small amount of funding is all that is required to kick start a good project.
- The **public sector has traditionally treated agriculture as an industry apart.** This is beginning to change for some organisations and it is critical to achieving successful, balanced development in regions which have large rural areas. Including agricultural businesses in local private sector networks will also help.
- **Diversifying will not be the right pathway for everyone.** Key to a successful project are: a good idea, the right location, management time, skills and enthusiasm and capital.
- The new Scotland Rural Development Programme (SRDP) should offer opportunities for people to collaborate and cooperate, which may be important in encouraging linked diversification projects. The channelling of farm diversification support through the LEADER programme in the next SRDP will bring advantages, including freedom to be more innovative and opportunities to consider a wider variety of outcomes (beyond economic outcomes) and to work in partnership. Galloway Groundbase, a predecessor of LEADER in D&G, was highlighted as a 'good practice' approach due to its flexibility and presence 'on-the-ground'.
- Added to this, **significant changes in the farming sector are likely** as the Common Agricultural Policy is reformed and farmers see payments changed. While food production will remain critical (and perhaps become increasingly so, bringing potential diversification opportunities), many farmers may be required to find alternative sources of income.
- **Sharing best practice and lessons** learned across Scotland (and beyond) is critical. We do not need to reinvent the wheel⁴.
- **Mentoring support and sound advice from someone (independent) who has already diversified** is vital for someone just starting out – and is usually a low cost form of support. LEADER Local Action Group members will be able to take on this function in the new Programme.
- **Stronger linking between schools and the agricultural industry is vital** to ensure that young people have the right qualifications and are aware of the opportunities available to them, and so that employers understand more about the supply of labour in the region and see the benefits of taking on apprentices⁵.
- **We need to 'sell' our rural areas and their advantages more strongly;** often people moving into rural areas are highly innovative and entrepreneurial. This can be seen in highly creative communities.

⁴ [SRUC's Farm Diversification website](http://www.sruc.ac.uk/info/120182/farm_diversification) may provide a useful starting point (http://www.sruc.ac.uk/info/120182/farm_diversification). This could be expanded to include other information, including contact details for those who have already set up enterprises.

⁵ The CI's second panel discussion in November also discussed the need for stronger links between schools and industry. The briefing from this event is available [here](http://www.crichtoninstitute.co.uk/index.php/publications) (<http://www.crichtoninstitute.co.uk/index.php/publications>) on the CI website. This was also discussed at the December meeting of the Cross Party Group in the Scottish Parliament on Rural Policy. The briefing, minute and presentations from this event are available via the SRUC Rural Policy Centre website [here](http://www.sruc.ac.uk/info/120597/group_meetings_2014-15/1379/meeting_2_employment_employability_and_skills_in_rural_scotland) (http://www.sruc.ac.uk/info/120597/group_meetings_2014-15/1379/meeting_2_employment_employability_and_skills_in_rural_scotland).