



Committee of Inquiry on Crofting : 1<sup>st</sup> COMMITTEE MEETING  
8<sup>th</sup> – 9<sup>th</sup> May 2007, Inverness

**PAPER 1/8**

**Summary Of The Evidence Base On Crofting**

**Background**

1. An independent Committee of Inquiry was recently established to examine how crofting can best contribute to improving the economy, social infrastructure and environment of rural Scotland. The Committee will look at the role and functioning of the Crofters' Commission and other issues surrounding modern day crofting. The Committee will review crofting in Scotland during 2007.

2. A key part of the work of the Committee of Inquiry is to draw on the evidence and provide an analysis of the extent to which crofting contributes to sustaining and enhancing the population, improving economic vitality, safeguarding landscape and biodiversity and sustaining cultural diversity.

3. Scottish Environment Rural Affairs Department (SEERAD Analytical Services Division) holds a wide range of datasets that could be used to understand crofting and has previously explored the role of crofting.<sup>1</sup>

4. This paper summarises the evidence base on Crofting, identifying areas for further research and analysis. It focuses on three themes:

- Crofting in context;
- Identifying public sector expenditure on crofting;
- Evaluating the impact of support for crofting.

**Crofting in Context**

5. In order to understand crofting, key facts and descriptive statistics are required. Such a description requires consensus on the crofting identifier to be used and a consistent approach to be adopted in analyses.

6. The main crofting identifier is from the Crofters Commission register. The list has also been applied to the main survey of agriculture in Scotland (the Agricultural Census) in order to understand crofting's role in agriculture. The match is not perfect, however, because some of the crofts on the Crofters Commission register are no longer agricultural holdings and therefore do not appear on the agricultural census. Furthermore, in the agricultural census, a croft may only form part of the agricultural holding. For this reason, analysis is sometimes carried selecting

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<sup>1</sup> SEERAD ASD (2005). Crofting and its role in population retention, income generation and environmental conservation

only those holdings that are less than 30 hectares that fall within the former crofting county areas (Argyll, Inverness, Ross and Cromarty, Sutherland, Caithness, Orkney and Shetland).<sup>2</sup> Hence, to date, a range of crofting identifiers have been used for analytical purposes.

7. Table 1 summarises relevant socio-economic characteristics of crofting. The number of registered crofts account for approximately 33% of all agricultural holdings. Owner occupation accounts for 21% of all registered crofts with the remainder being tenanted. Around 10% of crofts are vacant.

8. The crofting population and number of households in crofting represent around 10% of the remote rural population and remote rural households respectively.

9. In terms of absenteeism, there is no difference between tenanted and owner occupied crofts and this is borne out by some research which found that succession to a croft title or tenancy is the most likely cause of absenteeism.<sup>3</sup> The same research explores the advantages and disadvantages of crofting ownership and concludes entrepreneurial reasons were not the main reason for purchasing. Potential new entrants perceive purchasing on the open market to be the main means of accessing a croft.

**Table 1: Socio Economic Characteristics of Crofting**

<b>Statistics</b>	<b>Estimate</b>	<b>Source</b>	<b>Comments</b>
Number of crofts	17,778 registered crofts of which [33% of all agricultural holdings]	Crofters Commission	
Number of owner occupied crofts	3,886 registered crofts are owner occupied [21% of registered crofts]	Crofters Commission	
Absenteeism	1,754 [10% of registered crofts]	Crofters Commission	Similar rate between owner occupied and tenanted. <sup>4</sup>
Population	33,000 [11% of population of remote rural areas]	Crofters Commission	Remote rural areas are settlements with a population of less than 3,000 more than a 30 minute drive time from a settlement of 10,000 or more [2004 figures]
Households	11,500 [10% of all households in remote rural areas]	Spice Briefing <sup>5</sup>	Remote rural areas are settlements with a population of less than 3,000 more than a 30 minute drive time from a settlement of 10,000 or more [2001 figures]
Household incomes	Majority earn between £10,001 and £20,000	SEERAD	Income data from Crofting Building Grants and Loans Scheme Based on a sample of 189 crofters and 27 spouses. See Annex A.

<sup>2</sup> Crofting Counties Agricultural Grants (Scotland) Scheme is open to all occupiers with holdings of this size in the former Crofting County areas

<sup>3</sup> SAC and Anderson MacArthur (2001). The advantages and disadvantages of croft owner occupation.

<sup>4</sup> [http://www.crofterscommission.org.uk/documents/4.1ActiveCrofting\\_000.pdf](http://www.crofterscommission.org.uk/documents/4.1ActiveCrofting_000.pdf)

<sup>5</sup> <http://www.scottish.parliament.uk/business/research/briefings-05/SB05-50.pdf>

10. Information on household incomes is limited. Annex A presents further detail on the figures in table 1 but it should be noted that the data is based on a sample and may therefore not be representative.

11. Table 2 shows that the land use and agriculture characteristics of crofting.

**Table 2: Land Use and Agriculture Characteristics of Crofting**

<b>Statistics</b>	<b>Estimate</b>	<b>Source</b>	<b>Comments</b>
SEERAD registered LFA-croft holdings	14,693	SEERAD	SEERAD registered means that a croft has a parish and holding number. [2004 figures]
LFA Croft holdings with livestock	7,601 [52% of all registered LFA croft holdings] 2004	SEERAD	SEERAD registered means that a croft has a parish and holding number. [2004 figures]
Number of cattle	81,561 in 2002 to 80,356 in 2004 [1.5% decline]	EKOS study <sup>6</sup>	
Number of sheep	1,103,809 in 2002 to 1,046,884 in 2004 [5% increase]	EKOS study	
Employment in agriculture	-		Difficult to get accurate estimates. A meaningful comparison requires conversion into full time equivalents but, as a result of issues over a crofting identifier, there are difficulties associated with conversions using Annual Work Units/Standard Labour Requirements
Cropping area	46% decline between 1982 and 2004	SEERAD Agricultural census	Holdings of under 30 hectares in the Agricultural Census are taken to be proxies for crofts
Permanent Grassland area	56% increase between 1982 and 2004.	SEERAD Agricultural census	Holdings of under 30 hectares in the Agricultural Census are taken to be proxies for crofts
Agricultural perceptions, intentions, incomes	20% of crofters' household disposable income from farming	Small Farm Survey 2004 <sup>7</sup>	<a href="http://www.scotland.gov.uk/Publications/2005/09/2391747/17485">http://www.scotland.gov.uk/Publications/2005/09/2391747/17485</a> 30% of sample were crofts as defined by self reported answer to 'is your business based on a croft'.
Contribution of crofting agriculture to the local economy	-		Difficult to get accurate estimates. Would require detailed input output modelling of the economies in crofting areas.

<sup>6</sup> Study conducted for the Crofters Commission by EKOS consultancy company.

<sup>7</sup> A small farm survey for 2005 has also been conducted but the results have not yet been published

## **Evidence gaps**

12. In terms of having a better understanding of crofting, there are three main evidence gaps:
  - (i) Crofting identifier. Without a common identifier, and an agreed definition for analytical purposes, it is difficult to estimate the true size and impact of crofting, particularly in terms of crofting agriculture. Different definitions have been used including: crofts as registered with the Crofters commission; and agricultural holdings of less than 30 hectares in the crofting county areas.
  - (ii) Incomes of crofters. Although evidence suggests that farming comprises 20% of household incomes of crofters, such information is derived from small samples. Little is known about the sources of income beyond agricultural production.
  - (iii) Market for crofts. Evidence suggests there is some absenteeism on crofts and that purchasing a croft on the open market is the only means of accessing a croft in the desired area. but the demand for, and availability of affordable housing generally in the crofting counties is not well understood, in particular their availability for young people and new entrants.
  
13. Options for filling the gaps include:
  - (i) Developing a new crofting identifier for the agricultural census. Work is in hand by SEERAD ASD to add a new identifier to the June Census 2007. In addition to this, consensus is required as to what crofting identifier to use in data analysis. This should allow better distinction between owned and rented crofts.
  - (ii) Case study research on crofters' income. Given the problems in getting accurate income data from income surveys in general, case study research could be conducted to get a better understanding of sources of crofters' incomes. Although it would not give precise percentages, it would be a useful starting point. If quantitative information on incomes from agriculture is required, an alternative would be to include crofts in the Farm Accounts Survey (a sample of around 500 farms in Scotland which provides detailed income estimates). If this approach were adopted, data would not be forthcoming for up to 2 years, owing to the way data is collected.
  - (iii) Research on supply and demand of crofting housing. Research could explore entrants and exits to crofting. It could also explore housing affordability generally in rural areas and assess whether crofting is a particular solution. Assuming a crofting identifier could be agreed, and assuming further that the identifier was post code based, commercially available household income data and house price data (which ASD holds) could be analysed. Further evidence may be available from the Croft Entrant Scheme.

## **Identifying public sector expenditure on crofting**

14. Crofters are eligible for a variety of grants and loans. Many of these schemes are aimed specifically at crofters or crofting communities in the Crofting Counties. These are now discussed.

15. The **Crofters Housing Grant Scheme (CHGS)** (formerly the Crofters Building Grant and Loan Scheme) aims to improve and maintain the standards of crofter housing. The objective of the scheme is to help retain the rural population in the Crofting Counties, and in particular in the more remote areas. The scheme provides geographically targeted grants to build new houses and rebuild and improve existing croft houses, thereby enabling the crofter to live on the croft. The scheme provides financial assistance to crofters towards the cost of building or improving dwelling houses. CHGS is only available to croft tenants and owner-occupiers within 7 years of purchase from the landlord. It is not available to small farmers. Those ineligible for the scheme may be eligible for the Rural Housing Grant Scheme or a House Improvement Grant from the local authority.

16. The grant rates for CHGS are shown in table 3.

**Table 3: Grant Rates for Crofters Housing Grant Scheme**

	GEOGRAPHIC PRIORITY AREA		
	High	Standard	Low
New House	£22,000	£17,000	£11,500
Rebuilding and Improvement Grant	40% grant up to a max grant of £22,000	30% grant up to a max grant of £17,000	20% grant up to a max grant of £11,500

17. The total grant paid out under CHGS in 2005/06 was £1.8 million

18. The **Crofting Counties Agricultural Grants Scheme (CCAGS)** provides grants to crofters and certain other occupiers of land to aid and develop agricultural production on crofts or holdings in the Crofting Counties. The scheme contributes to the general policy of compensating crofters for disadvantages of climate, scale, terrain and remoteness and to preserve an agricultural base in the Highlands and Islands. It is open to crofters, small farmers in the Crofting Counties of a similar status to crofters, and crofting groups. Eligible operations include land improvement, agricultural building, power and access services, and facilities for keeping livestock.

19. The main provisions of CCAGS are:

- Grant rates set at 50% of costs (40% outwith the LFA).
- The maximum grant for an individual is set at £25,000 over any 2 year period and for a group is £125,000 over any 2-year period.
- Standard costs are used and are the same as those under the Agricultural Business Development Scheme.

20. The total expenditure under CCAGS in 2005/06 was £2.8 million.

21. The **Crofters Cattle Quality Improvement Scheme (CCQIS)** is based on the principle of a 50% grant towards the hire or purchase of bulls, conditional on production of clear and measurable improvement proposals. The scheme is open to groups of crofters to improve the genetic quality of their cattle. The main features of the scheme are:

- Grant support is available to crofting groups for the hire or purchase of bulls up to a maximum of £2,000 per bull.
- Bulls can be hired through the Department's stud farm which operates on a full cost recovery basis.
- Bulls may be hired or purchased from elsewhere and still attract grant.
- Groups must produce improvement proposals with measurable targets.
- Assistance towards the costs of training will be available for key members of the group.

22. The total expenditure under CCQIS in 2005/06 was £0.3 million.

23. In addition to the above schemes there are several other smaller scale crofting specific schemes:

- Highlands and Islands Croft Entrant Scheme (HICES). This is designed to encourage inactive crofters to release crofts to young people and offers the latter practical and financial support. The scheme is only available to those who have not tenanted a croft before.
- Highlands and Islands Veterinary Services Scheme (HIVSS) was set up, originally in 1915, to ensure that animal health and welfare is safeguarded in remote areas amongst people who might otherwise be reluctant or unable to incur veterinary costs. The purpose

of the Scheme is to ensure the availability of an adequate veterinary service at reasonable costs to crofters.

- Crofting Community Development Scheme (CCDS). This provides financial assistance for the preparation and implementation of a community development plan (closed 2006).

24. The expenditure under these schemes, together with the costs of running both the Crofters Commission in 2005/06, totalled around £8.9m (Table 4).

<b>Scheme</b>	<b>Expenditure in 2005/06 £ million</b>
Crofters Commission	3.1
CHGS	1.8
CCAGS	2.8
CCQIS	0.3
HICES	0.1
HIVSS	0.6
CCDS	0.2
<b>Total</b>	<b>8.9</b>

25. Beyond the schemes listed in table 4, there is also a considerable amount of expenditure on crofting through non-crofting specific schemes. In addition to the Single Farm Payment (Pillar 1), there are schemes in the Scotland Rural Development Programme (SRDP) 2000-2006 (Pillar 2) for which Crofters are also eligible. These include:

- Less Favoured Areas Support Scheme
- Land Management Contract Menu Scheme
- Agri-environment schemes (RSS and OAS)
- Scottish Forestry Grants Scheme

26. There are also a number of schemes that do not form part of the SRDP 2000-2006 that crofters are eligible for including:

- Agricultural Business Development Scheme
- Marketing development schemes

27. SEERAD has explored the money on these schemes that goes to crofters but these estimates are still being verified. There is some uncertainty over definitions, allocations and estimation of annual expenditures.

### **Evidence Gaps**

28. In terms of having a better understanding of public expenditure on crofting there are two main evidence gaps:

- (i) Payments to crofters on non-crofting specific schemes. More detailed information on payments to crofters under Pillar 1 (Single Farm Payment), Pillar 2 (SRDP) and other schemes is required.
- (ii) Understanding of rationales for schemes and targeting. Further exploration of what schemes are trying to achieve. For example, for some schemes, such as HIVSS, the stated aim is for remote areas but is applied in Crofting areas rather wider remote areas.

29. Options for filling the gaps include:

- (i) SEERAD ASD has recently acquired data from Scottish Integrated Administration and Control System (SIACS) which could be used to explore payments to crofters under Pillar

- 1 and Pillar 2. This assumes, of course, that consensus can be reached on a crofting identifier.
- (ii) Think piece research reviewing the rationales and targeting of public expenditure on crofting. This would include exploring what the specific rationales for intervention in crofting are.

### Evaluating the impact of support for crofting

30. Understanding the impact of public requires both monitoring and evaluation. This can involve a range of approaches including monitoring change from baseline using indicators as well as evaluations exploring the social, economic and environmental impact of policies.

31. There is no agreed set of indicators for monitoring the impact of crofting schemes.

32. Furthermore, there has been very few evaluations of the impact of crofting schemes and no recent ones. An evaluation of the Crofters Building Grant and Loan Scheme (1994) found that CBGLS had been significant in retaining population. An evaluation of the Livestock Improvement Schemes concluded that the scheme did not represent good value for money. A recent evaluation of the Community Scotland Rural Home Ownership Grant scheme explored its relationship with related schemes, notably Crofters Building Grant and Loan Scheme

**Table 5: Evaluations of Crofting Schemes**

<b>Evaluation</b>	<b>Findings</b>	<b>Report</b>
Evaluation of the Crofters Building Grant and Loan Scheme (1994)	CBGLS has been a significant factor in retaining population in the Highlands and Islands.	PIEDA - Evaluation of the CBGLS, 1994;  Scottish Homes - A Review of Support for Crofter Housing 1993 <sup>8</sup>
Evaluation of the Livestock Improvement Schemes (2003)	That the Bull Supply Scheme did not represent good value for money in terms of genetic improvement of crofters cattle although it did deliver wider benefits  In looking forward the study concluded that the true value must be in the gain it creates for the crofting economy, not the cost saving for individuals.	SAC (2003)
Evaluation of the Community Scotland Rural Home Ownership Grant scheme (2006)	Found reasonable legitimate policy reasons why the Rural Home Ownership Grant and CGBLS co-exist.	<a href="http://www.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/pubcs_012192.pdf">http://www.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/pubcs_012192.pdf</a>

<sup>8</sup> As referred to in the Consultation on CBGLS - <http://www.scotland.gov.uk/Publications/2003/09/18239/26848>

## **Evidence Gaps**

33. In terms of evaluating the impact of crofting there are two main evidence gaps:
- (i) Evaluations of existing schemes and their impacts of stated objectives. This should include economic, environmental and social impacts as well as agreement as to the counterfactuals the interventions are being compared against.
  - (ii) Key performance indicators. There is gap in terms of being able to monitor progress in crofting areas.
34. Options for filling the gaps include:
- (i) Commissioning evaluations of Crofting schemes
  - (ii) Commissioning work on developing a monitoring framework. This, however, will need to be based on consensus as to the desired outcomes from public support for crofting.

## **Conclusion**

35. This paper has summarised the evidence on crofting and identified key gaps in the evidence base. These gaps are summarised in paragraphs 12, 28 and 33 above. In some cases SEERAD ASD are well placed to assist in filling those gaps. In other cases, research studies need to be commissioned to fill those gaps.

Kathy Johnson  
Senior Economist  
Analytical Services Division  
Scottish Environment Rural Affairs Department

30 April 2007

## **ANNEX A: EVIDENCE ON CROFTERS HOUSEHOLD INCOME**

### Introduction

1. This paper examines the level of crofters income compared to the level of incomes in Scotland as a whole.

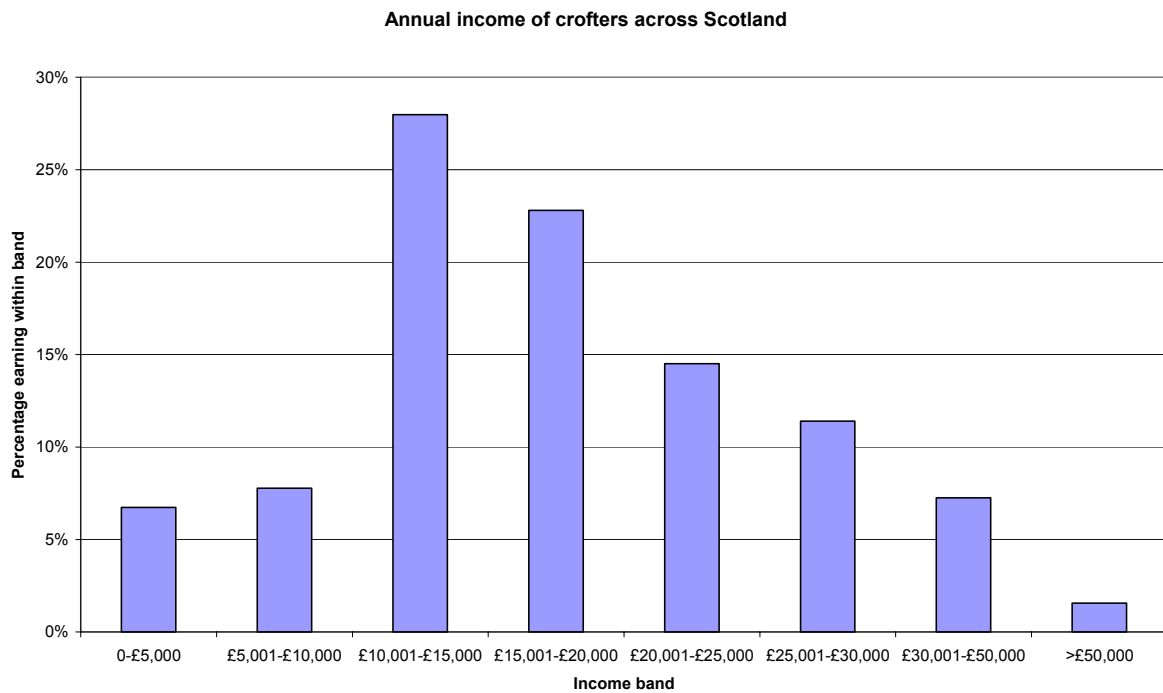
### Data Sources

2. There is scant data on crofters' incomes. Apart from the occasional one-off survey, based on very small samples, the only other data that indicates the income level of crofters is that which comes from application forms submitted to the Crofters Building Grants and Loans Scheme (CBGLS). This paper uses the annual incomes of those crofters who were successful in obtaining loans under the CBGLS during the period April 2001 to December 2004. There is no data available after this date as the loan element of the scheme closed on 31<sup>st</sup> December 2004 and there is no longer a need for income data under the revised scheme.
3. The CBGLS is only available for crofters and owner occupiers within 7 years of purchasing the croft house site from the landlord. The list of incomes does not include any applications that were refused because in the main they were refused prior to the stage when income was gathered. However, there will be a small number of crofters refused because they were low earners and they could not find suitable guarantors. Therefore, the crofting data we have may be skewed towards higher earners.
4. Calculation of annual income was made using:
  - P60 or similar
  - The last three payslips
  - The last two years profit and loss accounts for those self-employed
5. The data on Scotland incomes comes from the Annual Survey of Hours and Earnings (ASHE). This gives gross annual pay for all employees in the UK (2003) on a percentile basis.

### Main findings

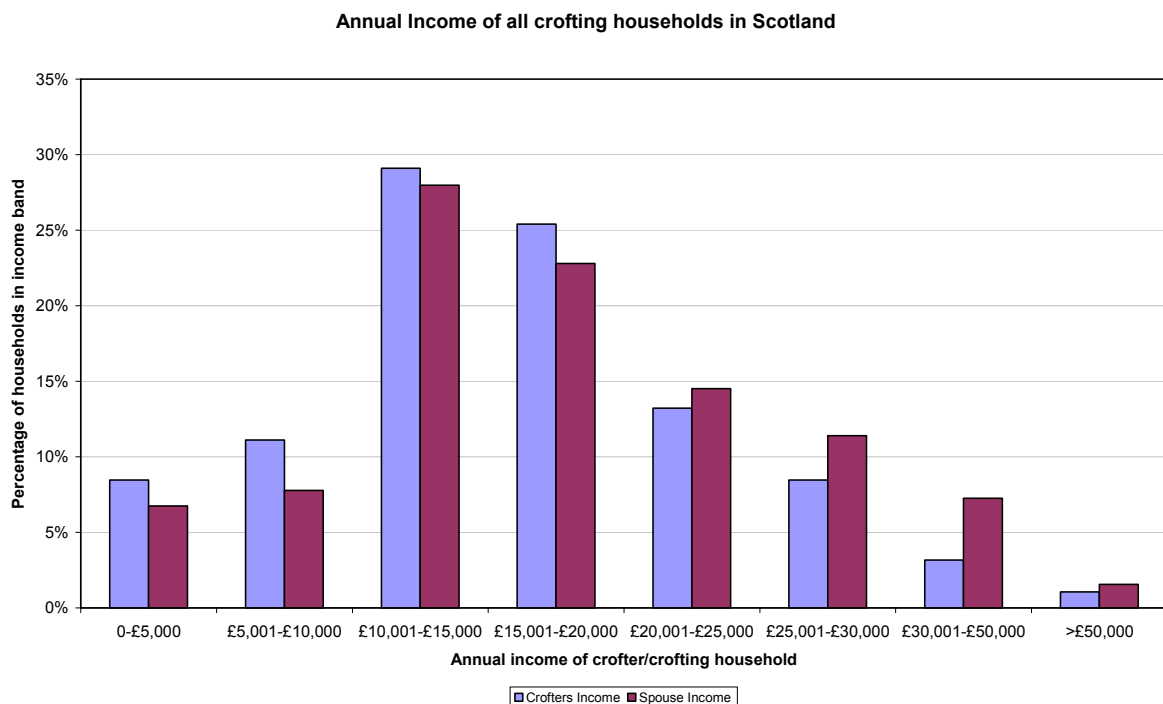
6. There were data available on incomes for 189 crofters and 27 of their spouses incomes. The total income recorded was £3.6m of which 88%, or £3.1m, of the income was due to crofters and the remainder to their spouses.
7. The following distribution results from looking at the annual income of crofters across Scotland:

### Chart 1



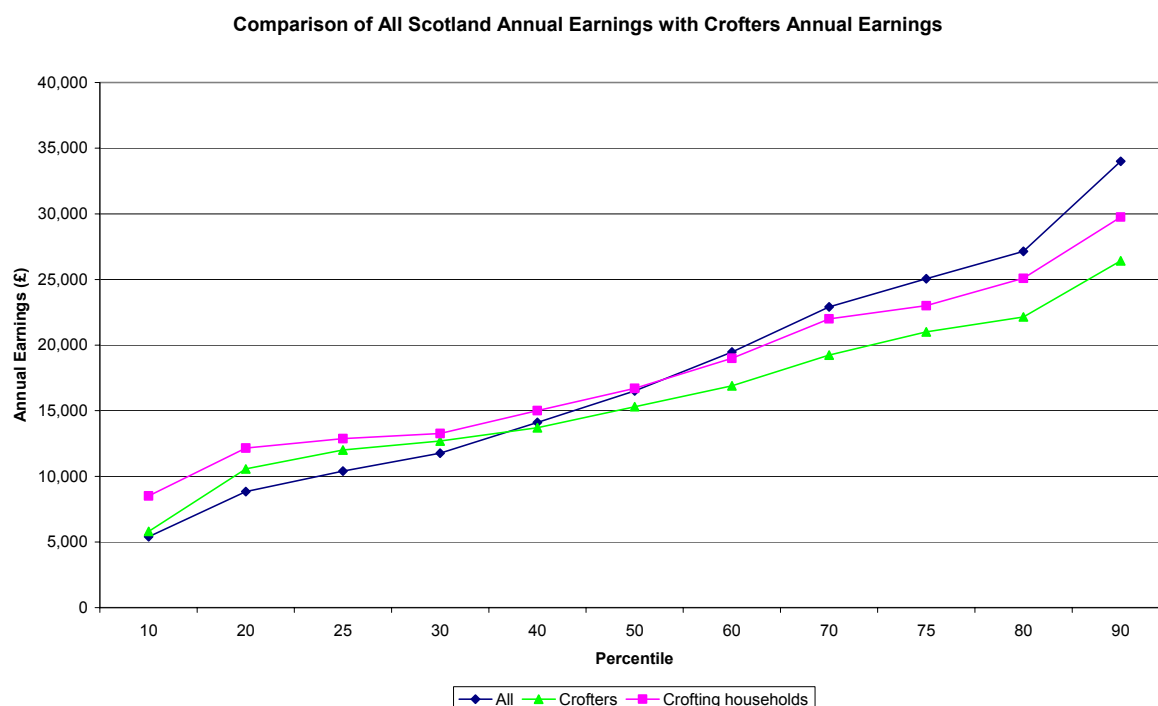
8. Chart 1 above shows that the majority of crofters (54%) earn between £10,001 and £20,000. 29% of crofters earn between £10,001 and £15,000 and 25% earn between £15,001 and £20,000.
9. When spouses incomes are included, the majority (51%) of households still earn between £10,001 and £20,000 but fewer earn less than this. See Chart 2 below.

### Chart 2



10. Chart 3 shows the result when crofters incomes and crofting households incomes are converted into percentile terms and compared with incomes across Scotland:

**Chart 3**



11. Chart 3 above shows that annual earned income of employees across Scotland is significantly higher than that for crofters. The median pay across Scotland in 2003 was £16,509 whereas the median pay of crofters between 2001-2004 was just £15,308. When looking at the lowest income earners, crofters fare similar or better than Scotland as a whole. The average income of the 40% of crofters, who were the least well-off, exceeded that of the equivalent group of earners in Scotland as a whole. However, divergences appear after this point and the gap increases as incomes increase.

### Conclusions

12. There are many problems making comparisons between the income of crofters and that of incomes across Scotland as a whole due to the scant and incomplete data on crofters incomes. The crofting data, unlike the Scottish data for employees, are likely to include some people who have retired and are not working. This will have the effect of biasing the crofting figures downwards in any comparison.
13. Subject to reservations about the data the analysis above appears to show:
- Crofters incomes are relatively low compared to incomes in the whole of Scotland.
  - Crofters' incomes increase by 14% if their spouses incomes are included. Of the crofters analysed, 14% have spouses earning incomes.
  - Over half (51%) of crofting households earn between £10,001-£20,000, with 21% earning between £20,001-£30,000, 15% under £10,000 and 9% over £30,000.
  - Average incomes for crofting households tend to be below those of all Scottish households when looking at the percentiles.

ASD  
SEERAD  
4<sup>th</sup> August 2006