



ORKNEY
ISLANDS COUNCIL

Orkney Economic Review 2012-13



At 385 metres - almost a quarter of a mile - the newly extended Hatston Pier is now Scotland's longest commercial deep-water berth.

Development and Infrastructure Services

Orkney Islands Council

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No. 26

This document aims to bring together and review the latest data available on the Orkney economy and statistics and information which might influence the economy. The majority of the statistics come from published sources, which are credited below each table.

Whilst it is the purpose to present up-to-date information, in a few cases, where current data was not available at the time of publication, more dated figures are shown.

Every care has been taken in the completion of this Review. However, the publisher cannot accept responsibility for any errors or omissions. It should be noted that small local sample sizes can lead to some rounding of figures, and that some figures previously published in this Review have been revised in light of the availability of updated statistics and research.

If you have any suggestions for subject areas which could be included in future Orkney Economic Reviews, please forward them to: economic.development@orkney.gov.uk.

[Please note: the Western Isles are referred to throughout as 'Eilean Siar'.]

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1 Population

Although Orkney's population natural growth rate (births minus deaths) remains negative, the gap has closed significantly and, if the recent overall trend continues, could soon contribute to population growth. Estimated net in-migration might be influenced by the difficult conditions prevailing in the UK economy and the availability in Orkney of relatively accessible and affordable housing.

Orkney Population Change 2000-2012

	Births	Deaths	Natural growth	Migration (net)	Population
2000	152	195	-43	-63	19,290
2002	164	211	-47	24	19,210
2004	171	217	-46	247	19,500
2006	213	231	-18	194	19,770
2008	214	225	-11	78	19,890
2010	197	213	-16	152	20,110
2012	201	216	-15	107	21,530

Source: General Register Office for Scotland (GROS)

NOTE: population and migration figures post 2001 Census are estimates: figures for 2000 to 2008 are 'as at' 30 June; figures for 2010 and 2012 are based on the calendar year. Only biennial figures are shown, so the trends do not tally with the changes in population.

Population information for Scotland's islands from the 2011 Census was released during August 2013.

	2001	2011	Population change 2001 to 2011	% change 2001 to 2011
Orkney	19,245	21,349	2,104	10.9
Shetland	21,988	23,167	1,179	5.3
Eilean Siar	26,502	27,684	1,182	4.5

The 2011 Census has identified changes to the Orkney demographic, as shown below.

Age	2001 Population	% of total 2001 area Population	2011 Population	% of total 2011 area Population	% change 2001 to 2011
5-14	2,600	13.4	2,200	10.3	-14.7
15-39	5,700	29.9	5,800	27.0	0.3
40-64	6,700	34.8	8,000	37.7	20.0
65+	3,200	16.7	4,200	19.8	31.1

These trends can be compared with those for Scotland as a whole.

Age	% change 2001 to 2011 Orkney	% change 2001 to 2011 Scotland
5-14	-14.7	-10.9
15-39	0.3	-1.8
40-64	20.0	14.4
65+	31.1	10.6

On 11 July 2013, a report in *The Scotsman* newspaper identified Orkney as 'best place for those looking for a job in Scotland', which may partly explain the increase in population aged 40-64.

The trend is towards an increasingly ageing population, a trend which is projected to continue. Predictions are highlighted in the following table.

Predicted Population Changes (%) 2008 to 2023

	All ages	Children 0 - 15	Working age*	Pensionable age*	Aged 75+
Scotland	5	2	4	14	45
Orkney	8	-1	4	26	73

* Pensionable age is assumed to be 65 for men, 60 for women until 2010; assumed that between 2010 and 2020 pensionable age for women increases to 65.

Source: GROS

An Orkney **Population and Migration** study was completed in April 2009 and the comprehensive report can be viewed at:

http://www.orkney.gov.uk/Files/Council/Publications/2009/Orkney_Population_Change_Study_April_09.pdf

2 Labour Market

Unemployment Rate (% Job-seekers) in Orkney 2004-2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
January	2.2	1.7	1.4	1.7	1.1	1.3	1.5	1.7	2.0
February	2.2	1.8	1.5	1.5	1.0	1.4	1.5	1.8	1.9
March	2.2	1.6	1.6	1.4	1.0	1.4	1.6	1.7	1.8
April	2.0	1.6	1.7	1.2	0.9	1.4	1.4	1.4	1.5
May	2.0	1.4	1.6	1.0	0.8	1.3	1.2	1.4	1.5
June	1.7	1.3	1.4	0.9	0.8	1.1	1.2	1.4	1.5
July	1.6	1.3	1.5	0.9	0.7	1.0	1.5	1.4	1.4
August	1.5	1.2	1.3	0.9	0.8	1.0	1.4	1.5	1.4
September	1.4	1.1	1.2	0.9	0.9	1.0	1.3	1.6	1.2
October	1.5	1.2	1.3	1.0	0.9	1.0	1.3	1.7	1.2
November	1.5	1.3	1.4	1.1	1.0	1.2	1.5	1.8	1.3
December	1.5	1.4	1.5	1.0	1.2	1.4	1.5	1.9	1.3
Average	1.8	1.4	1.5	1.1	0.9	1.2	1.4	1.6	1.5

Source: Office for National Statistics (ONS)

Note: These unemployment rates represent the proportion (%) of the resident population who are of working age and who are seeking employment.

Orkney's average unemployment rate rose in 2011 but fell slightly in 2012 and remains significantly lower than the Scotland and UK December 2012 levels of 3.8% and 3.7% respectively. However, as the following table illustrates, the trend over recent years was, until 2012, towards increasing numbers of job seekers. Whilst the figures for 2012 are, overall, more encouraging than those for 2011, that year saw a notable increase in those out of work for more than 12 months.

Claimant Count, Job Seeker Allowance (Jsa)

At December	2007	2008	2009	2010	2011	2012	Increase 2007-2012	
							number	per cent
All Job Seekers	117	144	169	205	260	176	59	50.4
By age of claimant								
Aged 18-24	20	45	45	65	80	60	40	200.0
Aged 25-49	55	65	95	85	115	75	20	36.4
Aged 50 and over	35	30	30	45	55	40	5	14.3
By duration of claim								
Up to 6 months	90	120	135	165	180	110	20	22.2
6 to 12 months	5	15	20	15	55	25	20	400.0
Over 12 months	15	10	15	15	25	45	30	200.0

Source: ONS

Notes: Totals may not always tally due to rounding and, owing to rounding, the apparent movements by age group and duration may therefore be distorted.

The age bracket displaying the largest increase in Orkney unemployment during the last six years is the 18-24 age-group, although there are indications that the situation is improving: in December 2011, the figure was 80 but by October 2013 this had reduced to 45.

However, the overall rate of increase in all job-seekers over the last five years, in percentage terms, is approximately half that of Scotland and much lower than in Great Britain (GB) as a whole.

JSA Claimants

	December 2007 (%)			December 2012 (%)			Increase over period (%)		
	Orkney	Scot'd	GB	Orkney	Scot'd	GB	Orkney	Scot'd	GB
Claimants %	0.9	2.0	2.0	1.3	3.8	3.7	44.4	90.0	85.0

Source: ONS

Note: Claimant % is a proportion of resident working age people (estimated).

In October 2013, the figures for Orkney and other Highlands and Islands local authority areas, Scotland and Great Britain were as follows.

JSA Claimants

October 2013 (%)							
	Orkney	Shetland	Eilean Siar	Highland	Argyll and Bute	Scotland	GB
Claimants %	1.1	0.7	2.6	1.8	2.7	3.2	3.0

Source: ONS

Note: Claimant % is a proportion of resident working age people (estimated).

3 Economic Activity

The percentage of the Orkney population who are ***economically active***, i.e. either in employment or actively seeking employment, tends to be consistently higher than both the Scotland and Great Britain averages.

Economically Active as % of (Estimated) Working Age Population (16 - 64)

Year	Orkney (%)	Scotland (%)	GB (%)
2006	81.8	77.8	76.7
2007	86.0	77.5	76.5
2008	83.7	77.4	76.7
2009	87.6	77.4	76.7
2010	81.5	77.0	76.2
2011	84.2	77.0	76.3
2012	85.9	76.9	76.9
Mean	84.4	77.3	76.6

Source: ONS

Orkney's active percentage is much more variable than the national statistics owing to the lower numbers involved but at its lowest is significantly above average.

Self-employment is also more prevalent in Orkney than in the rest of Great Britain.

Self-Employment – Regional Comparison

	Orkney		Scotland	GB
	Count	%	%	%
Self-employment at Dec 2010	1,700	11.9	7.4	9.1
Self-employment at Dec 2011	1,800	12.5	7.8	9.2
Self-employment at Dec 2012	1,800	11.7	8.1	9.6

Source: ONS

The following information from the 2011 Census was published in November 2013.

Economically Active People Aged 16 - 74 by Council Area, Scotland, 2011 (%)

2011	Employee: Part-time	Employee: Full-time	Self- employed	Un- employed	Full-time Student
Orkney	16.5	37.5	15.2	2.4	2.0
Shetland	17.4	47.6	9.0	2.0	2.0
Eilean Siar	15.2	39.4	10.1	4.2	1.8
Highland	15.2	39.5	11.0	4.0	1.9
Argyll and Bute	14.0	36.8	12.1	4.1	1.8
Scotland	13.3	39.6	7.5	4.8	3.7

Source: 2011 Census

Although the Census data is older than the most recent information provided by the Office for National Statistics, it is likely to be more reliable owing to the larger scale of survey involved, with the Census covering every household in the UK. For example, the 2011 Census (conducted on 27 March 2011) identified a higher proportion of people in Orkney who were self-employed (15.2%) than the Office of National Statistics did in December that year (12.5%).

However, changes in type of employment during 2011, coupled with Orkney's comparatively small working population, could easily account for this difference in the statistics. It should also be noted that the Office for National Statistics' data covers an age range of 16 to 64 years, whereas the 2011 Census covers from 16 to 74 years.

Workforce Qualifications

In terms of accredited skills and education at a higher level, figures suggest that the Orkney working-age population lags behind that of Scotland and that of the aggregated Great Britain labour pool.

Qualifications – People Aged 16 - 64, January to December 2012

	Orkney		Scotland	GB
	number	(%)	(%)	(%)
NVQ4 and above	3,200	26.5	38.5	34.4
NVQ3 and above	5,900	48.9	58.5	55.1
NVQ2 and above	9,100	74.6	73.1	71.8
NVQ1 and above	10,200	84.0	83.2	84.0
Other qualifications	1,000	7.9	6.1	6.3
No qualifications	1,000	8.1	10.7	9.7

Source: ONS

Notes: NVQ is known as SVQ in Scotland.

In vocational terms NVQ 4 indicates management skills; and in academic terms, NVQ 4 or above indicates HND, etc. or above (Scottish Credit and Qualifications Framework level 8 and above).

The following information from the 2011 Census was published in November 2013.

Highest Level of Qualification of People Aged 16 and Over by Council Area, Scotland, 2011 (%)

2011	No Qualifications	Census Level 1	Census Level 2	Census Level 3	Census Level 4
Orkney	28.2	22.5	14.7	8.1	26.5
Shetland	23.7	26.3	14.4	9.0	26.6
Eilean Siar	30.0	20.6	13.7	9.3	26.4
Highland	25.5	24.5	14.4	9.2	26.4
Argyll and Bute	24.7	22.8	14.8	8.8	28.9
Scotland	26.8	23.1	14.3	9.7	26.1

Source: 2011 Census

Notes: Census Level 1 qualifications are at a Standard Grade/SVQ 1 or 2 equivalency;
Census Level 2 qualifications are at a Higher Grade/SVQ 3 equivalency;
Census Level 3 qualifications are at a HNC/HND/SVQ 4 equivalency; and
Census Level 4 qualifications are at Degree/SVQ 5 and above.

It is unfortunate that the data sets used by the Office for National Statistics and the 2011 Census are not directly comparable, but the Census information indicates that Orkney is slightly above the Scottish average attainment in terms of the highest level qualifications (Degree/SVQ 5 and above). Again, the 2011 Census figures include information about those aged 65 and over, whereas those from the Office for National Statistics do not.

Working Hours

The following information from the 2011 Census was published in November 2013.

Hours worked per week by employed people aged 16 to 74 by Council area, Scotland, 2011 (%)

2011	15 hours or less	16 to 30 hours	31 to 37 hours	38 to 48 hours	49 to 59 hours	60 + hours
Orkney	8.8	22.0	18.7	33.1	6.7	10.8
Shetland	8.1	19.6	20.9	36.1	7.7	7.6
Eilean Siar	6.0	22.4	21.4	35.6	6.0	8.7
Highland	7.2	21.4	17.8	37.9	7.7	8.1
Argyll and Bute	7.2	21.0	18.5	37.0	8.0	8.3
Scotland	7.0	21.0	21.2	39.1	6.7	5.0

Source: 2011 Census

The proportion of working people in Orkney who work for 60 hours or more per week is the highest in Scotland, and is indicative of an economy which is so dependent on farming (Moray has the next highest rate at 9.7%, followed by Aberdeenshire at 9.4%).

Enterprises

Reliable and inclusive data on business churn is not available. However an enterprise birth and death rate is available in respect of what is termed 'Active Registered Enterprises', i.e. those which had either turnover or employment at any time during the reference period and were registered with Her Majesty's Revenue and Customs (HMRC) for VAT and/or PAYE.

Active Registered Enterprises – Orkney

Enterprise Births/deaths	2004	2005	2006	2007	2008	2009	2010	2011	Totals 2004-11
business births	75	90	60	65	55	65	50	70	530
business deaths	60	50	65	55	60	70	55	65	480

Source: ONS

At the date of publication, data in respect of 2012 was not still available, but in March 2013 the Committee of Scottish Bankers (CSB) reported 77 new business starts in Orkney during 2012 and CSB data is usually fairly indicative of HMRC numbers. The availability of new business start-up grant funding via Orkney Islands Council's Business Gateway service, which commenced in April 2011, has contributed to the higher business birth rates in 2011 and 2012, with 34 new businesses supported in the two year period to end March 2013.

The Scottish Government's 'Businesses in Scotland 2013' report provides a data set which offers a broader snapshot of Orkney's business base. This shows the estimated total enterprises, registered for VAT and/or PAYE, operating in Orkney at March 2013.

The estimated 1,505 enterprises operate in the following sectors (Standard Industrial Classification, 2007).

Active Orkney Enterprises, March 2013	Number *
Agriculture, forestry and fishing	690
Mining and quarrying	5
Manufacturing	50
Electricity, gas, steam and air conditioning supply	20
Water supply, sewerage, waste management and remediation activities	0
Construction	130
Wholesale and retail trade and Repair of motor vehicles	175
Transportation and storage	50
Accommodation and food services	85
Information and communication	15
Financial and insurance services	10
Real estate activities	10
Professional, scientific and technical activities	90
Administration and support services	70
Education	5
Human health and social work	30
Arts, entertainment and recreation	30
Other service activities	40
Total	1,505

* rounded to nearest 5

Source: Businesses in Scotland 2013

However, there is a substantial number of enterprises in Orkney which have no employees and are therefore not included.

Owing to the irregularity of reporting and the very small number of Orkney businesses sampled, the reporting of productivity (or Gross Value Added (GVA)) by government statistics agencies has traditionally been unreliable. Nevertheless, an indication of

trends and comparisons with other areas is provided by the Office for National Statistics, with the most recent data being in respect of 2011.

Regional Gross Value Added (GVA<1,2>) £ per head (at current basic prices)								
	1997	1999	2001	2003	2005	2007	2009	2011
UK	12,777	14,033	15,320	16,991	18,682	20,643	20,472	21,368
Scotland	12,177	13,125	14,179	15,798	17,557	19,653	19,789	20,571
H and I Region	9,023	10,143	11,135	12,653	14,040	15,755	15,833	16,893
C, S, RandC ¹	9,026	9,157	10,276	11,840	12,234	15,089	14,240	14,843
I, M, BandS ²	7,932	9,812	11,676	13,589	15,106	16,534	16,526	17,780
L, S, AandB ³	9,557	10,098	10,826	11,344	12,584	13,985	15,034	15,932
Eilean Siar	9,264	11,555	10,130	12,460	13,935	15,590	15,298	14,951
Orkney	11,507	11,126	10,445	11,315	14,253	15,509	16,664	16,482
Shetland	12,521	14,260	13,505	15,841	19,521	20,701	20,277	24,819
¹ Caithness, Sutherland, Ross and Cromarty								
² Inverness, Nairn and Moray, Badenoch and Strathspey								
³ Lochaber, Skye and Lochalsh, Arran, Cumbrae, Argyll and Bute								

Source: ONS

The drop in GVA in Orkney between 2009 and 2011 is most noticeable when considered in view of the 22.4% increase in productivity in Shetland over the same period, which is likely to be attributable, at least in part, to recent developments in the North Sea oil industry.

In terms of household income, the following table can provide an indication of changing household wealth between 1997 and 2011. Gross Disposable Household Income (GDHI) is money left after expenditure associated with income, for example: taxes and social contributions; property ownership; and provision for future pension income. It is calculated gross of any deductions for capital consumption.

Regional Gross Disposable Household Income (GDHI<1>) £ per head (at current basic prices)

	1997	1999	2001	2003	2005	2007	2009	2011
UK	9,743	10,541	11,762	12,653	13,426	14,305	15,109	16,034
Scotland	9,212	9,771	10,916	11,798	12,672	13,734	14,691	15,654
H and I Region	8,330	8,670	9,625	10,535	11,546	12,807	14,504	16,239
C, S, R and C ¹	9,044	9,865	10,570	11,658	12,373	13,335	14,842	16,049
I, M, BandS ²	8,140	8,590	9,372	10,164	11,273	12,792	14,204	16,530
L, S, A and B ³	7,985	7,759	9,212	10,264	11,358	12,423	14,424	15,460
Eilean Siar	8,522	8,688	9,472	10,481	11,157	11,726	13,561	15,084
Orkney	7,424	8,464	8,822	9,753	10,947	12,892	15,629	17,973
Shetland	9,067	8,834	10,641	10,967	12,257	13,772	16,081	17,933
¹ Caithness, Sutherland, Ross and Cromarty ² Inverness, Nairn and Moray, Badenoch and Strathspey ³ Lochaber, Skye and Lochalsh, Arran, Cumbrae, Argyll and Bute								

Source: ONS

Orkney is noticeable in having the highest GDHI figures in 2011 of those areas surveyed, slightly higher than Shetland, which had the highest figure in 2009.

There are fairly wide variations in the extent of increase in the various areas over the years with, it appears, Orkney's GDHI displaying increases well above the regional and national averages.

GDHI (£)	% increase	% increase	% increase
	1997-2011	2005-2011	2009-2011
UK	64.6	19.4	6.1
Scotland	69.9	23.5	6.5
H and I Region	94.9	40.6	12.0
C, S, RandC ¹	77.5	29.7	8.1
I, M, BandS ²	103.1	46.6	16.4
L, S, AandB ³	93.6	36.1	7.2
Eilean Siar	77.0	35.2	11.2
Orkney	142.1	64.2	15.0
Shetland	97.8	46.3	11.5
¹ Caithness, Sutherland, Ross and Cromarty ² Inverness, Nairn and Moray, Badenoch and Strathspey ³ Lochaber, Skye and Lochalsh, Arran, Cumbrae, Argyll and Bute			

Source: ONS

It is not possible to establish the reasons for this but Orkney and the wider Inverness/Moray area demonstrate the greatest increases and both have strong agricultural economies. Over the period 2007-2012, whilst livestock market prices were, overall, increasing, borrowing costs were reducing and stabilising.

Period averages	B of E base rate	Euro/£
2007	5.51	1.46
2008	4.68	1.26
2009	0.64	1.12
2010	0.50	1.17
2011	0.50	1.15
2012	0.50	1.23

During the same period, the construction sector in Orkney was, overall, also healthy, partly as a result of the Council's Schools Investment Programme. Nevertheless, the possible explanations are purely speculative and the income statistics also come with the usual health warning with regard to risk of error due to small sample sizes.

4 Agriculture

Livestock values returned at Orkney Auction Mart rose significantly during 2009 and cattle prices have since further increased.

Orkney Auction Mart Prices - Average Price, Pence Per Kg

		2005	2006	2007	2008	2009	2010	2011	2012
Cattle		p/kg	p/kg	p/kg	p/kg	p/kg	p/kg	p/kg	p/kg
<u>Steers</u>	May	135.14	128.01	137.70	147.92	190.16	193.24	190.67	210.11
	Mid Sept	110.29	136.16	121.50	160.00	175.55	162.66	185.89	185.89
<u>Heifers</u>	May	125.69	121.80	132.90	140.36	176.73	177.46	181.22	199.18
	Mid Sept	103.09	125.36	116.00	156.00	169.15	153.26	177.63	187.32
Lambs	Oct	87.63	98.21	72.00	109.10	137.00	144.84	165.95	136.90

Source: Orkney Auction Mart

Livestock Numbers

Following recovery in 2009 the dairy herd declined again in 2010 and 2011, although it increased again by over 100 (or 2.8%) in 2012.

Herd/Flock Size in Orkney

	2006	2007	2008	2009	2010	2011	2012
Dairy Cows	2,920	2,612	2,504	2,660	2,558	2,557	2,689
Other Dairy	928	1,044	1034	1,087	1,022	966	936
Total Dairy	3,848	3,656	3,538	3,747	3,580	3,523	3,625
Beef Cows	28,096	27,259	26,613	25,827	26,081	26,409	26,385
Other Beef cattle	29,652	29,308	28,145	28,023	27,153	28,032	27,289
Total Beef cattle	57,748	56,567	54,758	53,850	53,234	54,441	53,674
Other cattle	27,803	27,042	26,986	26,068	26,722	26,792	27,986
Total Cattle	89,399	87,265	85,282	83,665	83,536	84,756	85,285
Breeding Ewes	52,843	49,297	46,651	46,818	43,660	44,648	43,638
Other sheep for breeding	9,538	10,072	9,103	8,948	10,927	10,703	10,813
Other sheep	78,204	71,616	68,404	65,574	65,094	66,800	65,997
Total Sheep	148,826	133,634	127,977	121,370	119,681	122,151	120,448

Source: Scottish Government's Rural and Environment Research and Analysis Directorate (RERAD), agricultural census annually at June.

Livestock Shipments

The following table shows that livestock shipments through Orkney Islands Council (OIC) ports have increased significantly since 2007, with cattle shipments up by 45% over the period to 2012 and sheep movements up by 207% over the same period. However, as data for the privately-run St Margaret's Hope to Gills Bay ferry service is not published, total livestock shipments from Orkney cannot be accurately ascertained.

Livestock Shipments from Orkney (OIC Ports)

	Cattle	Sheep
1987	26,322	46,204
1997	18,936	54,791
1999	20,660	60,390
2000	20,362	55,777
2001	16,628	39,292
2002	15,784	27,625
2003	17,748	16,777
2004	17,133	13,416
2005	17,169	17,202
2006	17,789	13,085
2007	17,660	14,437
2008	19,250	30,342
2009	18,103	36,182
2010	17,754	31,133
2011	20,659	41,332
2012	25,601	44,332

Source: OIC Marine Services

Land Use

Following a slight increase in 2008, the total land area utilised by agriculture decreased significantly in 2009: the statistics agency believed that this may have been an anomaly caused by changes to data collection and reporting processes, and the subsequent recovery of the reported land use statistics to just above their 2007 levels would appear to bear this out.

Agricultural Land Use in Orkney (hectares)

Land Use	2005	2006	2007	2008	2009	2010	2011	2012
Cereals	4,061	4,069	4,240	4,470	4,828	4,460	4,570	4,394
Potatoes	55	42	36	34	34	32	33	38
Stockfeeding Crops	443	523	488	483	440	602	606	694
Other Crops	82	130	157			196	217	192
Set Aside	229	263	269	89				
Fruit and Horticulture						48		
Other Vegetables	11	12	12	15	17	10	15	14
Bare Fallow	221	231	250	258	205	277	275	277
Total crops, set aside and fallow	5,102	5,270	5,452	5,489	5,721	5,625	5,741	5,641
Grassland	49,266	49,287	49,245	49,562	50,114	49,971	50,298	50,857
Rough Grazing	36,525	36,745	36,063	38,451	27,239	27,245	30,548	32,620
Woodland	126	320	134	128	60	80	82	79
Other Land	1,344	1,310	1,175	1,331	596	798	1,038	1,006
Common Grazing*						2,198	2,277	2,278
Total Land	92,363	92,932	92,068	94,960	83,533	85,917	89,984	92,481

Source: RERAD

Note: Totals may not always tally due to changes in reporting methods. * - Not previously reported.

Milk Production

Milk production has fallen since 2009-10: two dairy farms withdrew from the market during 2010-11 resulting in the loss of almost 1 million litres of production. To date, the unused quota has not been taken up by the remaining producers.

90% of all Orkney milk production goes towards the manufacture of Orkney Cheddar, produced by the Orkney Cheese Company Ltd.

Orkney Milk Production (000's litres)

Year	Litres
2001-02	14,888
2002-03	14,984
2003-04	15,221
2004-05	15,160
2005-06	15,490
2006-07	15,334
2007-08	15,576
2008-09	15,724
2009-10	16,047
2010-11	15,166
2011-12	15,177
2012-13	14,605

Employment in Agriculture

Total employment in agriculture in 2012 decreased by 8.3% on 2011 figures but was higher than in 2010 and, with a total of 1,821 people having a direct economic interest in farming, the agriculture industry remains the most significant employer in Orkney outwith the public sector.

Agricultural Employment in Orkney

	2006	2007	2008	2009	2010	2011	2012
Full-time occupier	435	416	392	395	399	397	389
Part-time occupier > 50%	157	159	154	163	174	159	170
Part-time occupier < 50%	403	401	406	405	422	436	437
Total Occupiers	995	976	952	963	995	992	996
Full-time spouses	115	108	101	87	99	88	81
Part-time spouses > 50%	127	115	122	112	107	106	121
Part-time spouses < 50%	346	341	335	358	336	331	338
Total Spouses	588	564	558	557	542	525	540
F/t workers	264	254	238	238	169	253	158
P/t workers	169	153	145	154	102	157	124
Casual and seasonal workers	81	73	58	59	39	59	53
Total employees	514	480	441	451	258	469	285
Total Employment	2,097	2,020	1,951	1,971	1,795	1,986	1,821
Agricultural Holdings	1,967	1,969	1,993	1,998	2,002	2,006	2,012

Source: RERAD

The total number of agricultural holdings has continued its upward trend and this, when considered alongside other evident trends, reinforces the belief that the apparent drop in agricultural land is due to changes in statistical procedures, and that the land area associated with agriculture in Orkney remains relatively constant.

CAP Subsidies

The total of all subsidy payments received by Orkney farmers during recent years under the EU Common Agricultural Policy (CAP) support schemes is set out in the following table. Fluctuations may be due, in part, to currency exchange rate movements and changes in eligibility for dedicated schemes, although the significant reduction in the number of recipients in 2012 is notable.

CAP subsidy payments (excludes payments made in respect of Rural Priorities Contracts)

Orkney	Number of Recipients	Payments (£000s)
All schemes 2004-05	798	16,382
All schemes 2005-06	795	16,115
All schemes 2006-07	841	19,586
All schemes 2007-08	1,058	17,926
All schemes 2008-09	808	19,876
All schemes 2009*	792	20,172
All schemes 2010*	782	20,331
All schemes 2011*	755	20,309
All schemes 2012*	607	19,484

Note: * figures for calendar rather than financial year as previously reported.

Source: Scottish Government Rural Payments and Inspections Directorate

At just under £19.5 million in 2012, subsidies are critical to the viability of Orkney farming and the future success of Orkney agriculture may be dependent upon the continued entitlement to these payments at the current levels. However, a new CAP structure will shortly be introduced across the European Union and it would appear likely that direct support to Orkney farming via several of the major CAP schemes will decrease thereafter.

5 Fishing

The size and make-up of the fleet remained relatively unchanged between 2006 and 2011, although 2012 saw a reduction of 10 vessels.

Orkney Fishing Fleet

Vessels	2006	2007	2008	2009	2010	2011	2012
10 metres and under	111	115	109	110	105	109	102
>10 <15 metres	31	29	30	31	33	34	32
15 <18 metres	5	4	4	4	4	4	3
18 <25 metres	1	1	1	1	1	4	1
25 <35 metres	5	5	5	5	5	5	3
35 <50 metres	0	1	1	1	1	0	1
Total Vessels	153	155	150	152	149	152	142

Source: Marine Scotland Science

Comparisons with the fishing fleets in Shetland and Eilean Siar are made below.

Vessels at Dec 2012	Orkney	Shetland	Eilean Siar
10 metres and under	102	135	169
>10-12 metres	23	5	17
>12-15 metres	9	4	7
>15-24 metres	4	16	21
>24-40 metres	4	9	0
Over 40 metres	0	8	1
Total Vessels	142	177	215

Source: Marine Scotland Science

Employment

Regular employment in the Orkney fishing industry in 2012 was down by 9.6% on the previous year whilst partial employment rose by 3.5%.

Orkney Fishermen Employed

Year	Total	Regularly	Partially
2001	345	270	75
2002	329	243	86
2003	336	245	91
2004	343	305	38
2005	335	284	51
2006	342	288	54
2007	390	317	73
2008	330	287	43
2009	421	275	146
2010	409	277	132
2011	373	260	113
2012	354	235	119

Source: Marine Scotland Science

Note: Figures relate to those employed on vessels which submit landing declarations to Marine Scotland.

Alongwith reduction in fleet size, the volume and value of landings of demersal and pelagic fish fell considerably in 2012.

Pelagic/Demersal landings by Orkney Vessels

Year	Live Weight (Tonnes)	£ (000's)
2002	9,124	7,048
2003	4,596	4,287
2004	5,189	4,542
2005	6,061	5,937
2006	6,405	8,296
2007	6,356	8,863
2008	7,942	9,844
2009	7,829	9,913
2010	7,073	10,056
2011	6,870	9,220
2012	5,280	7,220

Source: Scottish Sea Fisheries Statistics

6 Shellfish

Shellfish species landed in Orkney since 2006, their live weight and values are as follows.

Quantity (tonnes)							
Species	2006	2007	2008	2009	2010	2011	2012
Edible crabs	1,576	1,909	1,688	1,830	2,215	2,561	2,291
Green crabs	157	128	125	136	135	162	143
Lobsters	108	110	120	146	138	143	127
Periwinkles	53	65	58	70	72	54	39
Scallops	130	115	145	150	236	286	316
Velvet crabs	800	878	837	909	838	640	453
Whelks	243	143	11	101	29	-	-
Other shellfish	12	25	7	8	9	30	61
Total	3,079	3,374	2,990	3,350	3,673	3,876	3,440

Value (£'000)							
Species	2006	2007	2008	2009	2010	2011	2012
Edible crabs	2,066	2,189	1,860	1,964	2,773	3,027	2,784
Green crabs	84	70	68	77	82	104	92
Lobsters	1,178	1,215	1,289	1,505	1,451	1,513	1,308
Periwinkles	65	178	72	82	153	109	89
Scallops	256	318	395	417	605	796	841
Velvet crabs	1,486	1,844	1,871	2,135	2,348	1,856	1,155
Whelks	130	80	6	53	15	-	-
Other shellfish	42	86	28	25	37	82	149
Total	5,306	5,980	5,589	6,259	7,464	7,487	6,481

Source: Scottish Sea Fisheries Statistics

7 Fish Farming

Salmon production soared in 2010, up by 51% on the previous year, but returned to just above 2009 levels in 2011. However, the 2012 salmon output soared again and was the highest over the period reviewed.

Salmon and Smolt Production in Orkney		
	Salmon (Tonnes)	Smolts (000's)
2002	6,565	681
2003	10,740	682
2004	6,600	754
2005	5,183	185
2006	3,724	95
2007	4,432	156
2008	5,716	190
2009	6,220	100
2010	9,388	118
2011	6,369	120
2012	11,694	130

Source: Marine Scotland Science

Employment levels in the industry fluctuate from year to year and no explanation is offered for this. The following table shows fish farming employment in Orkney as presented by the Scottish Government (Marine Scotland Science).

Fish Farming Employment in Orkney

	Salmon smolt production		Salmon on-growing	
	F/T	P/T	F/T	P/T
2001	4	6	75	15
2002	4	6	80	11
2003	7	7	121	15
2004	5	7	68	10
2005	2	6	47	4
2006	1	1	72	3
2007	2	0	41	7
2008	2	0	60	5
2009	2	0	47	2
2010	2	0	58	2
2011	2	0	69	0
2012	1	1	65	6

The above statistics are not however supported by figures reported by the trade body, the Scottish Salmon Producers Organisation (SSPO) who reported that direct employment by their members in Orkney increased from 56 in 2008 to 91 in 2011. It is not known why the two figures differ.

Shellfish Production

Marine Scotland reports show that there were 6 registered producers in Orkney in 2012 with total employment in the sector of 2 full-time plus 3 part-time/casual. However, only 2 sites were reported to be producing shellfish directly for the consumers' table, with the remainder described as 'no production or active on-growing, or fallow'.

8 Energy Production

Oil and Gas

The volume of crude oil leaving the Flotta Oil Terminal in 2012 was almost half of that shipped in 2010 and there were no shipments of propane gas. Foinaven oil has not been shipped via the Flotta terminal since 2008.

Annual Tonnages of Cargoes Loaded from the Flotta Oil Terminal

Year	Crude Oil	Foinaven	Propane Gas	Ethane Gas
1997	9,747,675	84,893	138,258	60,679
1998	10,210,855	2,896,555	104,607	21,633
1999	9,568,002	3,574,343	98,612	14,322
2000	8,378,325	3,738,240	75,736	0
2001	6,824,998	3,775,666	63,471	0
2002	6,380,383	5,280,691	39,650	0
2003	5,329,571	4,071,672	19,740	0
2004	5,070,327	3,479,831	18,026	0
2005	4,358,243	3,021,819	12,001	0
2006	3,255,055	2,799,784	3,026	0
2007	3,361,090	2,528,446	4,198	0
2008	3,296,136	50,053	24,194	0
2009	2,983,466	0	18,863	0
2010	2,950,405	0	17,120	0
2011	2,053,598	0	12,284	0
2012	1,453,846	0	0	0

Source: OIC Marine Services

Following the high of 2009, there was a steady reduction in the number of ship-to-ship (STS) transfers in Scapa Flow, culminating in there being no such activity in 2012.

Ship to ship operations

Year	STS transfers	Oil tonnage	LNG tonnage
2002	11	926,399	0
2003	4	575,184	0
2004	15	2,660,841	0
2005	17	1,746,715	0
2006	8	993,759	0
2007	7	930,136	56,827
2008	10	582,097	0
2009	27	2,599,461	0
2010	17	941,629	8,128
2011	5	282,708	0
2012	0	0	0

Source: OIC Marine Services

Note: LNG – Liquefied Natural Gas.

Wind Energy

The number of operational commercial-scale wind turbines in Orkney continues to grow with 29 turbines generating up to 40.3 megawatts (MW) by the end of 2012. At that time a further 21 commercial-scale wind turbines had obtained planning permission but had not been constructed.

Operational Grid Connected Wind Turbines in Orkney, December 2012 (0.5MW and above)

Location	No. of Turbines	MW Capacity
Burgar Hill	7	15.05
Sanday	4	8.00
Stronsay	3	2.70
Burray	1	0.90
Dounby	1	0.85
Gallo Hill, Westray	1	0.90
Flotta	1	2.00
Hammars Hill	5	4.50
Crowness	1	0.9
Shapinsay	1	0.9
Rousay	1	0.9
Deerness	1	0.9
Eday	1	0.9
Hoy	1	0.9
Totals	29	40.3

Source: OIC

Marine Energy

In March 2010 The Crown Estate announced the names of the successful bidders for the lease of commercial wave and tidal generation sites in the Pentland Firth and Orkney waters. Seabed leases were awarded to developers to install 1050MW of marine generated power at eight sites in Orkney waters with a further 150MW at two sites on the northern coastline of the Scottish mainland.

Occupancy levels have increased at the European Marine Energy Centre (EMEC) test sites at Billia Croo and Fall of Warness and nursery sites for testing prototype technologies during the earlier stages of development have been introduced in the more benign wave and tidal areas of Scapa Flow and Shapinsay Sound respectively.

Since 2009, there has been investment of more than £20M in marine renewable energy infrastructure projects in Orkney by the Council and its funding partners, the European Regional Development Fund and the Scottish Government. The Council's Three Ports Strategy comprises:-

1. a major redevelopment of the quayside and hinterland at Lyness;
2. construction of a new pier and shoreside facilities at Copland's Dock, Stromness;
and

3. a 160-metre extension to Hatston Pier in Kirkwall, creating - at 385 metres - Scotland's longest commercial deep-water berth (as shown on the cover of this Review).

9 Transport

Traffic on Stromness - Scrabster Route (NorthLink Ferries)

Year	Passengers	Accompanied Cars	Commercial Vehicles and Trailers
2000	157,466	46,976	6,916
2001	127,798	37,522	7,791
2002	113,021	33,432	8,961
2003	136,530	40,415	8,648
2004	141,550	41,248	7,128
2005	143,730	42,782	6,699
2006	147,099	43,835	5,956
2007	154,979	45,542	5,860
2008	144,000	44,177	7,230
2009	150,288	45,075	7,485
2010	141,431	41,502	6,440
2011	137,955	40,036	6,245
2012	138,546	40,227	5,892

Source: OIC Marine Services

The upward trend in passenger and accompanied car numbers on the Stromness-Scrabster route since 2002 came to a halt in 2008 and the recovery in 2009 has not been sustained.

Pentland Ferries does not publish the traffic statistics for its St Margaret's Hope to Gills Bay service.

Although there was a slight reduction in passenger and accompanied cars on the Shetland-Kirkwall-Aberdeen route in 2012, commercial vehicles and cargo significantly increased by 31.8% and 46.4% respectively on the 2011 figures.

Traffic on Shetland - Kirkwall - Aberdeen Route (NorthLink Ferries)

Year	Passengers	Accompanied Cars	Commercial Vehicles and Trailers	Cargo (Tonnes)
2003	41,802	6,578	3,660	15,997
2004	50,892	7,317	3,783	27,991
2005	54,634	8,082	4,571	35,499
2006	53,442	8,199	4,691	40,454
2007	50,506	7,772	4,613	37,560
2008	48,081	7,458	4,111	34,665
2009	51,250	7,803	4,084	42,429
2010	51,507	7,878	4,036	38,497
2011	52,804	7,938	5,064	52,257
2012	51,070	7,562	6,674	76,525

Source: OIC Marine Services

Visiting Liners

Year	No. of Liners	Total Passengers
2000	55	14,906
2001	52	15,970
2002	53	16,687
2003	62	21,162
2004	56	22,916
2005	75	30,708
2006	47	20,345
2007	67	29,180
2008	73	29,199
2009	61	26,978
2010	70	25,440
2011	61	29,875
2012	77	41,563

Source: OIC Marine Services

The increase in passengers of 11,688 in 2012 represents a 39% increase.

Kirkwall Airport Traffic

Period	Passengers			Aircraft Movements
	Total	Terminal	Transit	
2003/04	113,675	104,578	9,097	13,531
2004/05	114,594	103,897	10,697	13,476
2005/06	118,019	105,394	12,625	13,427
2006/07	137,769	124,294	13,475	15,177
2007/08	149,924	135,289	14,635	15,676
2008/09	150,476	137,057	13,419	15,963
2009/10	153,256	140,210	13,046	15,686
2010/11	158,705	No longer available		14,338
2011/12	158,616	No longer available		14,004
2012/13	164,228	No longer available		14,122

Source: Highlands and Islands Airports Limited (HIAL), Annual Reports

The increase in passengers of 5,612 in 2012/13 represents a 3.5% increase.

Orkney's Internal Ferry Routes

The total levels of passenger numbers on the internal ferry routes increased again in 2012, by 1.8%, and have reached their highest level over the period reviewed in the table below.

Vehicle movements in 2012, although slightly down on the number carried in both 2010 and 2011, remain higher than the average for the eight years covered (84,113).

Single journeys – year ended March

Passengers	2005	2006	2007	2008	2009	2010	2011	2012
N. Ronaldsay	754	485	767	448	599	561	627	537
P. Westray	588	542	627	561	437	387	410	422
Westray	43,273	42,123	42,658	40,588	42,043	43,382	45,804	44,789
Sanday	27,051	27,559	30,138	29,291	29,961	28,682	30,010	29,940
Stronsay	17,165	17,035	17,812	17,354	18,816	18,589	19,688	18,931
Eday	8,724	9,175	9,617	9,483	10,292	10,434	10,314	10,027
Shapinsay	64,317	64,512	64,038	65,504	65,211	69,904	64,206	66,972
Rousay	55,813	51,189	51,645	52,067	48,777	53,518	49,696	50,775
Egilsay	3,224	3,400	3,824	3,763	3,291	3,830	4,757	4,388
Wyre	2,623	2,542	3,101	3,094	2,987	3,204	4,385	3,229
Lyness	67,733	64,664	64,025	64,597	65,250	64,920	67,717	70,338
Flotta	10,443	10,068	10,752	10,414	10,906	11,066	11,042	11,314
Graemsay	5,347	5,161	5,488	4,790	5,428	5,885	5,920	6,980
N. Hoy	15,022	13,374	13,408	13,587	15,026	15,178	17,204	19,176
Total	322,077	311,829	317,900	315,541	319,024	329,540	331,780	337,818
Vehicles	2005	2006	2007	2008	2009	2010	2011	2012
Westray	13,409	13,699	13,195	12,244	12,660	13,384	14,062	14,037
Sanday	9,023	9,804	10,412	9,817	10,482	10,978	11,189	11,225
Stronsay	5,980	5,900	5,643	5,288	5,988	5,897	6,272	6,046
Eday	2,900	3,483	3,580	3,672	3,748	3,568	3,753	3,548
Shapinsay	10,793	11,146	10,956	10,962	11,551	12,425	12,265	12,114
Rousay/Eg/Wyre	15,857	15,392	15,417	15,530	15,086	16,574	15,604	15,897
Lyness/Flotta	24,627	23,113	23,312	23,170	23,186	24,590	24,492	23,959
Total	82,589	82,537	82,515	80,683	82,701	87,416	87,637	86,826

10 Housing

During the third quarter of 2013, house prices in Orkney were 10.1% lower than during the corresponding period twelve months earlier. This decrease was in contrast to rises elsewhere, particularly in Shetland.

Average Residential Property Prices

	Jul-Sept 2013	Jul-Sept 2012	Annual Change	Apr-Jun 2013	Quarterly Change
	£	£	%	£	%
Orkney	125,155	139,227	-10.1	128,694	-2.8
Shetland	137,655	109,945	25.3	116,466	18.2
Eilean Siar	99,325	96,616	2.8	98,499	0.8
Highland	153,909	153,533	0.2	155,216	-0.8
Scotland	161,748	159,330	1.5	153,124	5.6

Source: Registers of Scotland

In terms of the total numbers of sales completed over the same period, as shown below, the property market in Orkney has been more vibrant than it was in 2012: the comparatively small numbers involved in Orkney can however lead to significant percentage changes.

Number of Residential Sales

	Jul-Sept 2013	Jul-Sept 2012	Annual Change	Apr-Jun 2013	Quarterly Change
			%		%
Orkney	77	61	26.2	62	24.2
Shetland	94	83	13.3	81	16.0
Eilean Siar	59	61	-3.3	61	-3.3
Highland	1,079	818	31.9	792	36.2
Scotland	24,274	19,813	22.5	19,910	21.9

Source: Registers of Scotland

A more reliable indicator of trends might be had by comparing only sales of detached residential property (the most popular type in Orkney), but the annual and quarterly changes detailed below for Orkney are much the same as those for average residential property sales shown above. The 2013 Orkney figure is still well below that of the corresponding period in 2009 when the average reached £170,450.

Detached Residential Property - Average Sale Price

	Jul-Sept 2013	Jul-Sept 2012	Annual Change	Apr-Jun 2013	Quarterly Change
	£	£	%	£	%
Orkney	149,959	167,583	-10.5	154,227	-2.8
Shetland	161,020	128,723	25.1	129,354	24.5
Eilean Siar	111,071	101,465	9.5	117,139	-5.2
Highland	196,713	205,118	-4.1	191,631	2.7
Scotland	234,125	237,418	-1.4	229,177	2.2

Source: Registers of Scotland

New Housing

A total of 1,485 new houses, or approximately 13.5% of the total Orkney housing stock, have been completed during the past nine years, with the total number of completed private developments approximately double that of the social housing agencies.

Housing Starts and Completions in Orkney

Calendar Year	Starts			Total	Completions			Total
	Private	OHAL*	OIC	Started	Private	OHAL	OIC	Completed
2004	190	44	0	234	51	19	0	70
2005	90	19	0	109	64	53	0	117
2006	121	29	0	150	78	50	0	128
2007	206	81	0	287	131	0	0	131
2008	151	50	1	202	150	58	1	209
2009	94	58	0	152	151	60	0	211
2010	70	43	1	114	102	19	0	121
2011	96	52	48	196	160	84	14	258
2012	77	23	41	141	117	62	61	240
Totals	1,095	399	91	1,585	1,004	405	76	1,485

OHAL: Orkney Housing Association Limited

OHAL 'Starts' = Approvals

Source: Scottish Government

11 Weather

As an archipelago so dependent on economic activity related to agriculture, fishing and tourism, the weather in Orkney can be very influential both in terms of productivity and reputation.

Temperature

	Mean MAXIMUM Temp (°C)			Mean MINIMUM Temp (°C)		
	2012	12 Yr Av	50 Yr Av	2012	12 Yr Av	50 Yr Av
Jan	6.9	6.7	5.5	1.7	1.7	2.0
Feb	8.0	6.7	5.6	3.2	1.4	1.6
Mar	10.7	8.2	7.0	4.7	2.4	2.3
Apr	9.1	10.6	9.0	2.5	3.9	3.3
May	12.5	13.0	11.4	4.0	5.5	5.5
Jun	13.3	14.8	13.7	6.6	8.0	7.8
Jul	15.3	16.5	15.2	9.2	10.0	9.7
Aug	16.9	16.4	15.4	10.3	10.1	9.9
Sep	13.4	14.7	13.6	8.6	8.8	8.6
Oct	10.6	11.8	11.2	4.3	6.3	6.9
Nov	8.5	8.9	8.0	2.8	3.8	4.3
Dec	5.8	6.8	6.1	0.7	1.5	2.7
Average	10.9	11.3	10.1	4.9	5.3	5.4

Sources: 2012 data: Loch of Hundland climate station
 12 year average, period 2000 – 2012: Loch of Hundland climate station
 50 year average includes Kirkwall Airport data for 1952-1999

As data from the Meteorological Office (taken at Kirkwall Airport) is no longer available, 2012 data and the 12-year averages are provided from the Loch of Hundland climate station, privately operated by Mr Keith Johnson.

Rainfall and sunshine hours

	RAIN (mm)			SUN (hrs)		
	2012	12 Yr Av	50 Yr Av	2012	12 Yr Av	50 Yr Av
Jan	149.2	114.4	110.5	33.7	33.0	29.3
Feb	87.2	89.1	76.6	42.7	63.0	60.3
Mar	45.0	80.9	82.4	97.5	106.4	94.3
Apr	87.0	60.9	57.3	133.2	151.0	141.7
May	64.3	53.3	49.3	253.9	211.6	172.4
Jun	53.0	48.4	48.5	156.0	158.7	157.5
Jul	37.7	58.2	55.8	101.0	134.6	135.9
Aug	86.6	69.7	73.3	107.9	129.1	129.0
Sep	130.5	85.9	96.5	101.5	99.6	104.1
Oct	108	128.3	109.8	89.5	81.3	73.8
Nov	106.2	123.6	120.6	41.1	39.5	37.6
Dec	171.7	103.2	117.4	21.0	24.8	21.9
Totals	1,126.4	1,015.9	998.0	1,179.0	1,232.6	1,157.8

Sources: 2012 data: Loch of Hundland climate station
12 year average, period 2000 – 2012: Loch of Hundland climate station
50 year average includes Kirkwall Airport data for 1952-1999