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Finlay Carson MSP
Convener
Rural Affairs and Islands Committee

15 November 2023

Dear Finlay,

Thank you for your email of 7 November setting out the Committee's questions on the Quality Meat Scotland (Amendment) Order 2023. I have provided my responses below. I am also happy to be attending the RAI Committee at 09:00 on Wednesday 22 November to give evidence on the SSI.

Further information about the reasons for the proposed increase to the maximum levy and perceived need to "future-proof the QMS order for approximate a 10-year period".

The levy ceilings have not increased since 2008. QMS have flagged, for the first time since 2010, their intention to consult on an increase to the payable levy. Sufficient levy is necessary for QMS to carry out its functions for the benefit of the red meat sector in Scotland, including the marketing of Scotch Beef, Scotch Lamb, and Specially Selected Pork. Decisions ultimately rest with Ministers but should it prove necessary to raise the payable amounts, an increase in the ceiling is likely to be necessary since the levy ceiling for sheep is already at its maximumand the pig levy is very close to the maximum. Raising the ceilings by the amounts specified would mean that the SSI is likely to meet the needs of the sector for a number of years.

Whether the current maximum levies set out in the 2008 Order date from 2008 or have they been updated since the Order was first made? If they have been updated, please provide further information about when the maximum levies were updated and the increase made on each update.

The maximum levies in the QMS Order have not been changed since 2008.

The policy note indicates the levy for sheep has already been set at the maximum amount – at what point on the scale are the current levies for cattle and pigs.

At present the payable rate for cattle is £5.50 in total, within a ceiling of £7.00.
For pigs, the payable rate is currently £1.26 in total, within a ceiling of £1.35.

How the updated maximum levy figures was arrived at, noting they represent an approximate 100% increase.

The proposed new maximum rates were submitted by QMS, to the Scottish Government. QMS is currently undertaking a review of its strategy for the next five years, which includes assessing funding models to ensure their sustainability to deliver what industry needs, stating a wish to *remain fit for the future of Scotland's iconic Scotch brands, promotional work and market development.* The justification for the levy ceilings outlined the considerable inflation in costs faced by QMS in its day-to-day activities since the last raise in payable rates in 2010. The impact of a reduction in cow numbers and the increased movement of store cattle out of Scotland has also resulted in reduced income.

The recommended ceiling figures reflect QMS activities as a service to the agricultural industry and the inflation rate of goods and services used by agriculture – current figures adjusted until 2022-23 and then those figures projected.

As background, HCC and AHDB (covering Welsh and English levies) have already increased or are consulting on rises to payable rates.

What is the process for QMS to increase annual levy payments and whether it is required to consult with animal producers before seeking ministerial approval.

There is not a *legal* requirement for QMS to consult on any change to the payable levy. Ministerial approval *is* required, however, at the start of each financial year, regardless of whether there is a change to the payable rates. Ministers would expect QMS to engage fully with producers and processors before seeking approval for any proposed increase to the levy within the constraints of the ceilings in the Order.

How has QMS been involved in the process of drafting this Order?

While QMS have been instrumental in seeking new ceiling rates - and proposing those rates - for the Order, the drafting has been the responsibility of Government.

How the nine target organisations were chosen, who the two respondent organisations were and whether any additional attempts were made to consult with the seven target organisations who didn't respond.

The target organisations were chosen, in conjunction with QMS, because they represent the levy payers, i.e. producers and processors. The organisations are members of the QMS Red Meat Resilience group. The two organisations which responded were the National Farmers Union Scotland (NFUS), who represent producers and the Scottish Association of Meat Wholesalers, who represent processors. There was no follow-up with those who chose not to respond.

Noting that, although the Order would not change the current levy payments, it would enable a higher levy to be charged in the future which would impact on business, so further information about why it was felt an increase in the maximum levy would not have a financial effect on farming businesses and, therefore, a BRIA was not necessary.

The change to the QMS order does not change the current levy payments and as such, any impact assessment at this stage would be subject to assumptions. In giving approval for any proposed rates rise, I will require an analysis of stakeholder engagement and the impact on producers and processors.

I hope you find the information above helpfully.

Yours sincerely,

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