



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 4 December 2019

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE

34th Meeting 2019, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)

*John Finnie (Highlands and Islands) (Green)

*Jamie Greene (West Scotland) (Con)

*Emma Harper (South Scotland) (SNP)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rachel Hunter (Highlands and Islands Enterprise)

Professor Michael Keating (Royal Society of Edinburgh)

David Michie (Soil Association Scotland)

Sarah Millar (Quality Meat Scotland)

Nigel Miller (Farming for 1.5 Degrees)

Martin Morgan (Scottish Association of Meat Wholesalers)

Pete Ritchie (Scottish Environment LINK)

Vicki Swales (Scottish Environment LINK)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 4 December 2019

[The Convener opened the meeting at 09:03]

Agriculture (Retained EU Law and Data) (Scotland) Bill: Stage 1

The Convener (Edward Mountain): Good morning and welcome to the 34th meeting in 2019 of the Rural Economy and Connectivity Committee. I remind everyone to make sure that their mobile phones are on silent.

The first agenda item is the Agriculture (Retained EU Law and Data) (Scotland) Bill. Before we go into that agenda item, I invite members to declare interests. I declare that I have an interest in a farming partnership.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): Jointly with my wife, I have a very small registered agricultural holding, from which I derive no income.

Peter Chapman (North East Scotland) (Con): I declare an interest as a partner in a farming business.

The Convener: Thank you. This agenda item is our third and fourth evidence sessions on the bill. Today, we will take evidence from two panels. The committee will take evidence, first, from the rural policy interest and, secondly, from the supply chain interest.

I welcome the panellists: on behalf of Scottish Environment LINK, Pete Ritchie, executive director of Nourish Scotland, and Vicki Swales, head of land use policy at RSPB Scotland; Nigel Miller, co-chair of the farming for 1.5 degrees group; Professor Michael Keating, fellow of the Royal Society of Edinburgh; and Rachel Hunter, director of service delivery at Highlands and Islands Enterprise.

The first question is from John Finnie.

John Finnie (Highlands and Islands) (Green): Good morning, panel. My question, which is in three parts, is about the scope of the bill. Most people would understand the need to have a transition period between the two systems in this context. Do you support the idea of having a transition period for agricultural policy until 2024? Will you comment on the approach to such a transition period that was set out in the Scottish Government's consultation document "Stability

and Simplicity: proposals for a rural funding transition period"? Do you feel that the legislation reflects that approach?

The Convener: I am not sure which of the panellists might want to go first. If you all look away at the same time, I have a very simple policy: the last person to look away will be the one I ask to answer first. If you want to come straight in, please raise your hand and I will bring you in. I thought that Pete Ritchie had offered to begin, but it seems not. Perhaps Vicki Swales could start things off.

Vicki Swales (Scottish Environment LINK): Scottish Environment LINK sees the need for a transition period until 2024. It is clear that we need to change how we deal with agricultural policy in order better to secure the outcomes that our society is looking for. That is true irrespective of whether we remain part of the European Union—in which case, we might want to think about changes being made to the common agricultural policy—or we come out of the EU, in which case we will have to think about the greater scope that Scotland will have for deciding its own policy.

We feel that the imperatives of climate change and the nature emergency that we face mean that we need to get on and make changes very quickly, because the matter is urgent. The climate targets for 2030 are very ambitious and raise significant issues for the agriculture sector. Therefore, we would say yes to there being a transition period. However, we suggest that it should not be extended beyond 2024. If we have left the EU by that point, we should get on and commit to having a new policy in place.

The "Stability and Simplicity" consultation suggested that we would, in essence, continue with the CAP in such a transition period but would then have scope for making changes to it that would move us towards having something different in the long term. We do not know—because, collectively, Scotland, its stakeholders and the Scottish Parliament have not yet made such decisions—what that new future will look like and what our new policy will be. We have a stakeholder group that is focusing on that right now. That is helpful, but we need to get on and decide our direction of travel.

Although the consultation suggested that we will have scope for changing things in the short term, the problem is that the legislation does not specify what those changes might be—it leaves an open goal. The bill says that its purposes are the simplification and improvement of the CAP legislation, but, arguably, one person's definition of simplification and improvement might be another's nightmare. Therefore, we need to be clearer about why we want to change things and the direction of travel that we will take.

The Convener: I am sure that that will be picked up on later in the meeting.

I think that Nigel Miller wants to come in. [*Interruption.*] I say to all panel members that they should not worry about pushing any buttons to operate the microphones. That will all be done for you—even if there should come a point when I need to cut you off.

Nigel Miller (Farming for 1.5 Degrees): Having some level of stability over the next few years, when we are likely to be in a very uncertain economic climate, seems to make sense. Given the possible economic pressures on the agriculture industry, that will be important.

We try to create consensus in our group, but some members are looking for early changes that will move us towards our climate change targets. A step-by-step approach would be helpful for everyone. The devices that the consultation proposes, such as piloting innovative schemes, look quite useful. We would also like to see a focus on soil carbons and having new soil testing standards so that we can create a bank of information on carbon that can act as a baseline for future activity. There are also technical issues on genetics and waste management that could be piloted. Beyond that—perhaps not within the proposals, but in the existing CAP scheme—there is a greening element that is, frankly, pretty unpopular and appears to be badly focused as far as Scotland is concerned.

If we come out of the EU, there will be an opportunity to create a mitigation menu that fits with Scottish farm systems and allows land managers to draw down climate change measures, mitigation measures or efficiency measures that suit their system. If they scored to a high enough level, they would qualify for a Scottish greening payment that would actually be effective and fit the industry. In the present model, there is scope for change.

Rachel Hunter (Highlands and Islands Enterprise): HIE's view is that the "Stability and Simplicity" approach is a pragmatic one that enables the continuation of current policy and payments. As other members of the panel have alluded to, there is an opportunity to pilot new approaches, which is welcome, and communities and industry need to be involved.

Moving forward, we should use this period to think about what rural policy will look like in the future. HIE's view is that we should take thinking from the Organisation for Economic Co-operation and Development on best practice for rural development. We are looking at moving away from subsidising disadvantage to maximising opportunities and considering a triple bottom line

with regard to economic, social and environmental objectives. Shall I go on?

The Convener: No, that is fine. I have members who want to come in. I am looking at John Finnie to see whether he wants to develop the point further or whether I should bring in other members.

John Finnie: There will be opportunities to do so with some of the subsequent questions.

Peter Chapman: Both Vicki Swales and Nigel Miller mentioned the climate change targets. The one that worries me more than most is the target to reduce emissions by 75 per cent by 2030. If nothing really changes in agriculture until 2024, that leaves us six years, which, to me, is far too short a timescale to even consider getting to the target. Is the virtual standstill in support for agriculture until 2024 realistic, given the climate change target for 2030?

Pete Ritchie (Scottish Environment LINK): We very much agree with that point. The bill is a contingency bill—we do not know what is going to happen, so the bill will give powers. We have been using the analogy that it is a bit like going on a journey: you need to pack a toothbrush, and we are packing a toothbrush for the ministers so that they can be flexible in the future. We have also packed a spare shirt for the fruit and vegetables scheme and some clean underwear for the carcass classification, but we still do not have any idea where we are going.

Peter Chapman is absolutely right: we need to use the period from 2020 to 2024 to put some pilots in place, as Nigel Miller said, to try not only new technical measures but new ways of delivering money in terms of paying by results and using co-operative approaches to payments. We need to get all those schemes up and running and the new payments arrangement watertight by 2024. We do not have a minute to waste.

I take Rachel Hunter's point that we need to think about it, but we have been thinking about it for a number of years and we have not actually made any significant changes. We need to decisively move away from the current pattern to a pattern of support for agriculture that helps people to thrive and that also tackles the climate and nature emergency.

We need a sense of urgency here, whether or not we stay in the CAP, and I do not think that the bill has any sense of urgency.

Stewart Stevenson: I want to go back to Nigel Miller's comments and probe what he means about the things that we need to do and whether the CAP inhibits our ability to do them.

We know that the three-crop rule that the CAP sought to introduce was targeted at Mediterranean

issues, whereas northern European issues are fundamentally different. Is that the territory that you were referring to, or do you have other examples of things that would properly fall in the area of perhaps not simplification but certainly improvement? Are there any examples in your group's mind?

Nigel Miller: There is a whole list of measures that could improve the efficiency and the carbon impact of existing systems. The Republic of Ireland is looking at a mitigation menu, from which we have stolen some ideas. That portfolio of measures is calculated to reduce the carbon impact of Irish agriculture by 30 per cent. That may be optimistic, but it is a significant move.

09:15

The sorts of things that the Republic of Ireland thought about were precision farming techniques and soil and crop mapping so that inputs are used more accurately and less wastefully. Autosteer can reduce inputs by something like 8 per cent. We can look at waste management; fertiliser use; using protected forms of nitrogen rather than normal urea; introducing clover into swards; maintaining permanent pasture for seven years or more rather than breaking it up; avoiding any regeneration of permanent pasture with no-till techniques; sexed semen; and using trailing shoes and injection techniques for slurry, which can reduce emissions by between 40 and 60 per cent in spreading.

Farmers can select from a range of practical farming measures to sit alongside hedge and tree planting on farms, the use of break crops and the incorporation of carbon in the ground. All farmers can buy into and contribute to a whole series of measures.

Stewart Stevenson: That is helpful.

The Convener: I can confirm that a lot of farmers in Scotland already use the techniques that you have mentioned.

Nigel Miller: Absolutely, but not all do—some do not use them at all. That proposal should be seen alongside the view that we should carbon map all Scottish farms.

Professor Michael Keating (Royal Society of Edinburgh): I agree with my colleagues that we should make some progress in that area, but I will say a little about why that is proving to be difficult.

One issue is the question of Scotland's future relationship with the European Union—whether we are in it, aligned with it or whatever. Powers will be taken to align Scotland with EU regulations on certain things, which might include agriculture.

Another issue is funding. We know nothing whatever about the funding, but we know that the United Kingdom Government pledged to provide funding to the end of the previous parliamentary term. That was supposed to be 2022, but that date has now fallen aside, of course. The Bew report on funding is pending. We do not know what that report will say, but we know that the UK Parliament's Agriculture Bill proposes to end direct payments in England and Wales, which means that the overall funding will go.

There is also the discussion about frameworks in agriculture. We do not know quite where that is.

Those processes should be speeded up a little bit, so that we have some certainty in Scotland about what kind of policy leeway we have and what resources there will be.

The Convener: I know that Vicki Swales could add to that, but I think that Mike Rumbles has questions that might enable her to do so.

Mike Rumbles (North East Scotland) (LD): I am going to focus on the situation post-2024. The policy memorandum that accompanies the bill rightly says that the Government wants a new policy in place by that date and that the bill is not a policy bill but simply a transition bill to get us to post-2024.

Section 3 concerns me. It says:

"The Scottish Ministers may by regulations modify the main CAP legislation for the purpose of securing that the provisions of the legislation continue to operate"—

that is absolutely right—

"in relation to Scotland for one or more years beyond 2020."

What is the danger of leaving that ability to operate payments open ended? If the Government's intention is to have a new policy in place with a new bill, why did it write that? Do the witnesses see a danger?

Vicki Swales: I think that there is a danger. There is always a danger of things being kicked into the long grass and of our just continuing with a CAP-lite or CAP-modified version for many years to come. We would recommend a sunset clause, so that the bill refers to one or more years after 2020 and not the period beyond 2024. Subsequent legislation would then need to be introduced and would perhaps focus minds on the date for coming up with a new policy.

The Convener: Everyone else is looking down. Does Nigel Miller want to add to that?

Nigel Miller: Maybe it is unpolitic to remind members of this, but the problems of producing new administration and auditing software and computer systems are quite large, so radical changes in the system will be quite challenging for

the rural payments and inspections division and may be quite costly. Some flexibility on the date might be required in respect of that.

There is a real urgency to change. We will want to have good indicators of where we are going fairly quickly. Farming takes time to adapt, so we need to know now where we are going to be in two or three years' time. There is real pressure to know that.

In the current CAP framework, there are things that can be done in relation to greening in the context of compliance and cross-compliance. It may well be that pillar 2 plays a bigger role in driving the changes.

Mike Rumbles: My next question follows on from that. Section 2 says:

"The Scottish Ministers may by regulations modify the main CAP legislation".

I will ask the same question that I have put to other witnesses. What does modification of the main CAP legislation mean to you? Does it mean tinkering, as is implied, or could it mean making quite radical changes without the need to draft a new bill?

Nigel Miller: I have a view on that. No one could disagree that to improve and simplify things is good. However, in reality, we could spend an awful lot of time modifying and simplifying what we have got, rather than just designing a new programme. That is a real danger.

When we consider simplification, the main area to consider is how we audit the system—how RPID and the penalty system work—on the ground. We should create a more proportionate penalty system and a new culture to support farmers, perhaps using an official advisory service. The current system is not the problem; the issue is in creating a new culture in farming whereby sequestration and land management priorities are part of the farming portfolio, and RPID should play a really big role in facilitating and supporting that. We need to change the enforcement culture.

The Convener: I am going to bring in Pete Ritchie. Other members have questions on funding and how that is allocated, so a good line to follow would be the modification part of the question.

Pete Ritchie: I want to pick up on the idea that we cannot leave it to one person to decide whether something is an improvement. We have a historical scheme of funding for farming in Scotland that is not fit for purpose: most of the £500 million that we spend is deadweight in that there are no purposes for that spending and we have no means of telling whether we are spending it effectively. In contrast to all the other public

spending that is scrutinised by the Parliament, we do not know what we are doing with that money.

The bill should have a purposes clause that lists the purposes for which ministers may make grants. As Nigel Miller says, the purposes should be about supporting a change in culture and helping farmers to do different things. That should be explicit in the bill. It should not just be implicit in that someone can decide that something is an improvement. As Vicki Swales said, we could end up with CAP lite, having made a few tweaks to a scheme that is fundamentally not fit for purpose.

Vicki Swales: There is scope for regression. For all its flaws, there are important principles in the CAP, such as 30 per cent of the pillar 1 budget being for greening, cross-compliance—Nigel Miller has mentioned several instances of that—and, under pillar 2, having a rural development programme that includes an agri-environment scheme. Ministers recently announced that the agri-environment scheme is, in effect, being closed from next year. There is potential for some of the modifications that are made in the interim to be regressive, so it is important that we set the purpose, which is that we want the bill to be progressive, and that we prevent anyone from going back on the protections—particularly around environmental issues—that are already in the CAP.

The Convener: That leads us neatly on to Richard Lyle's question.

Richard Lyle (Uddingston and Bellshill) (SNP): I was struck by Pete Ritchie's comments. In the past three years, the phrase that has often been used is, "Let's take back control." If we want to take back control, let us forget CAP's pillar 1 and pillar 2 and move to a new system, called the food production scheme. Under that scheme, we would pay farmers to produce food. Farmers have been getting subsidies since well before I was born—and that is quite right.

Some people say that we cannot change the bill; some people say that we can. The bill gives Scottish ministers powers to modify the financial provision in CAP legislation to, for example, ensure that there is a legal basis for setting a maximum spend for agricultural support, amend how funds are spent, or cap how much money can be paid to an individual recipient. That latter aspect is worrying people—they are asking whether they will get the same amount that they get now. I do not think that they will. I think that we want to consider something new in order to spread the jam, so that everyone is paid based on food production and not because they have 10 acres of land, for example.

The Convener: Can I push you towards asking a question?

Richard Lyle: Should payments be made based on food production, rather than how they are made in the current system? We are lingering on pillar 1 and pillar 2. Can we not develop a new system that is fair to everybody and produces food for the benefit of Scotland?

The Convener: Who would like to kick off? Who is the slowest person to look away? Vicki Swales wants to speak—I am conscious that you are getting quite a lot of airtime at the moment. I am also keen to bring in Michael Keating and Rachel Hunter on some of these questions.

Vicki Swales: I do not think that the focus should be on food production per se. In fact, every reform of the CAP has been trying to move us away from a system that subsidises food production. Under World Trade Organization rules, we will not be able to do that; indeed, we cannot do that now.

It is also clear that, given the climate and nature emergencies, we need to refocus how we think about using this very large amount of public money to support farming. Please do not misconstrue what I am saying: I am not saying that farming is not about food production. Of course it is, but the issue is what we pay farmers for and what outcomes we are asking them to deliver.

Farmers produce market goods, such as food. They also produce a lot of other goods and services that are not rewarded by the market but which are incredibly important—I would argue that they underpin food production and its viability in terms of healthy soils, a stable climate, nature, pollinators and all those things. Therefore, we have to refocus how we think about how we spend money. However, the issue is about supporting farmers and land management in a way that delivers the broad suite of outcomes that we want.

Richard Lyle: Are we actually going to be paying farmers to make their fields greener?

Vicki Swales: I do not think that that is necessarily what we are talking about either, in terms of future policy.

Richard Lyle: Should we not be paying farmers to produce food?

Vicki Swales: Perhaps you can get that through the WTO and its subsidised food production rules. That would be very challenging. We are trying—and have had—to move away from that in the CAP.

Richard Lyle: I would be interested to hear Mr Ritchie's comments on my points.

The Convener: I have members stacking up like aeroplanes to ask supplementary questions.

I will bring in Michael Keating and Pete Ritchie, then Jamie Greene.

Professor Keating: As Vicki Swales has just said, the CAP has moved from production-linked payments—Scotland is the only place in the United Kingdom that retains some of those—towards payments on the basis of acreage. The idea is then to move away from that approach towards something else. The problem is agreeing what the broader goals should be.

In England, people are talking about public goods, but they never define what those mean, other than to say that they include environmental aspects. In Scotland, and maybe Wales, there might be a broader agenda. In those countries, it is about maintaining the population, fragile communities and remoteness. It is also about the concept of rural policies and rural communities, and the needs of Scotland and England might be different in those areas. I think that that is where the agenda is now.

Of course, there will be less money—I think that we will come on to that issue—so it will be important to get the priorities right. I cannot see that there will be a move back to production-linked support for farmers.

Pete Ritchie: Historically, we do not have a shortage of production in Scotland—we are a food exporter. The danger of any system of payments linked to food production, even if it was legal, is that it would generate huge amounts of perverse incentives for people to import soya from Brazil and Argentina in order to feed cows here to produce a glut of milk, when we already have milk. There is a danger that, even if we were allowed to go down that production road, it would not achieve the social, environmental and economic goals that we want to.

To pick up on Michael Keating's point, even if we stay in or align with the CAP, we can be much clearer about the purposes that we are supporting farmers to achieve. France is a good example. Through its agri-ecology law, it has made it very clear that it is supporting farmers to farm in an agri-ecological way, and the changes there in the past five years have been dramatic as a result of that clarity over what farmers will be funded to do.

09:30

Jamie Greene (West Scotland) (Con): I thank the convener for letting me come in at this point. I would like to bring the discussion back to the bill that is before us. For a number of years, we have been talking in this room with multiple stakeholders about the future direction of farming subsidies, and the conversation often seems to go round in circles. This is the only bill in front of us that deals with Brexit and the future of farming subsidies. It is either a technical bill that simply allows ministers to move in the transition period, a

bill that points in the direction of future farming subsidies, or a halfway house. It is unclear which of those options the bill is. What does the bill do and not do? What would you prefer it to do?

Rachel Hunter: From HIE's point of view, the rural economy is wider than just agriculture. As well as land-based businesses, there is a marine-based economy around our rural areas. Going back to my earlier point, I think that the bill needs to be broader and cover wider rural economic developments. It should take a more balanced approach across economic, social and environmental objectives. Professor Michael Keating talked about addressing demographic challenges, such as depopulation, in rural areas. We also need to lift productivity, add value to economic activities and generate high-value employment in rural areas.

Ultimately, we need to look at the opportunities in migrating to a climate-neutral economy. That should not be seen as a burden, because there are so many amazing opportunities in moving to net zero emissions for businesses and communities across the rural economy.

We should look at international best practice in rural economic thinking, including from the OECD's "Rural 3.0" report, as well as looking at the principles and recommendations that have been provided by the National Council of Rural Advisers. That will be very important in moving forward. I know that the bill is very much an agricultural bill, but HIE would like it to look at wider issues, not just at agriculture.

Vicki Swales: In a sense, we are hoping for a hybrid bill that points to the direction of travel in the future—without spelling out all the details, because work is still to be done—and which creates the powers that allow some of those changes to be made, in order to take us in that direction. At the moment, the bill simply creates powers to make changes, without setting out for what purpose we would want to make such changes and in what direction they would take us. None of that is spelled out. If it was possible to amend the bill to include more about the purpose, that would be helpful.

Jamie Greene: Is your preference that we should amend the bill to do that, or should the bill be followed by a more comprehensive and robust rural economy and agriculture bill?

Vicki Swales: Inevitably, a second bill will be required, which is why it is really important that we put a timeline on this bill, so that its powers do not continue to roll forward for five, six, seven or eight years.

The Convener: By "timeline", do you mean a time limit?

Vicki Swales: Yes—I am sorry.

Emma Harper (South Scotland) (SNP): I will pick up on Richard Lyle's point about food production. One thing that we need to look at in this process is land use, including peatland restoration, tree planting and putting sheep and trees together in the right places. For example, Sitka spruce are being planted in certain areas in the Borders. Perhaps a more considered approach should be taken. Should the bill incorporate a bolder approach to agri-environment schemes?

Nigel Miller: We would like to see a bolder approach. There is a section on data that looks at the food chain, but it does not look at the environment. There is work on land use and catchments from the Scottish Environment Protection Agency and there are habitat maps from Scottish Natural Heritage. However, most of that work is not complete and it is not tied together. We need a backdrop that focuses on types of trees and where they should and should not be. As Emma Harper said, a lot of Sitka spruce is being dumped in the Borders because it is near pulping plants. In the Highlands, a lot of deciduous trees are being planted. Those things are happening not because of habitats, the environment or landscaping, but for economic reasons.

If we are moving into an era in which agri-environment measures will be more important and there will be pressure on land for various purposes—forestry will be a key part of that, as will food production—we will need to have robust ways of directing that in order to make sure that public money supports the right developments in the right places. We will also need to look at multiple uses so that we open up our forestry support to things such as agroforestry, which locks farming and forestry together. Emma Harper's point is therefore well made and important.

The Convener: To clarify that, are you suggesting a move back to zoning based on local biodiversity action plans?

Nigel Miller: I do not know what we would want to call it, but the answer is basically yes. We should use them as a backdrop for decision making.

The Convener: Should we therefore go back to the plan that we had 10 years ago, which never came to anything?

Vicki Swales: There is a perfect link that we should make to the land use strategy and the commitments that have been made to establish regional partnerships and produce regional land use frameworks, which do all those things: they look more broadly at land use in the round and at all the outputs that we want land to provide. The strategic planning aspect is important for

progressing those things as it will help us to identify what we need land to deliver. The bill says that we must have regard to the land use strategy objectives and principles, and those frameworks would be a helpful connection to that broader agenda.

Pete Ritchie: There is a direct follow-on from the Climate Change (Emissions Reduction Targets) (Scotland) Bill, which the Parliament has just passed. It clearly sets out ideas about whole-farm planning and the integrated functions that farming can perform, including in agriforestry and agri-ecology. All those things are in the legislation, along with reasonable land use frameworks. The bill that we are discussing needs to refer back to the new climate change act and continue its work. At the moment, this is landing in a policy vacuum, whereas we have some policy on climate change that we have just agreed.

The Convener: Emma Harper has some other questions.

Emma Harper: We have already covered a lot of the environment implications of the bill.

The Convener: You indicated that you might want to ask about carcass classification.

Emma Harper: Yes. The bill gives the Scottish ministers powers to amend a number of elements of the EU common organisation of markets regulations, including marketing standards. I will not go into detail on carcass classification, because other members might want to ask you about that, but there are issues to do with EU food promotion and aid to fruit and vegetable producer organisations to protect against competition law. How do we support the farmers and fruit and vegetable producers to work together? There might even be issues with the dairy producer organisations. For example, we already have issues with milk pricing. How does the bill support and protect the fruit and veg growers and the dairy producers?

Nigel Miller: I will have a stab at answering that. We have failed on the issue of producer organisations. There is potential to bring producers together for development and to market their products. As we move into a situation in which the world is not in synchrony, that will get more important. All sorts of member states or states throughout the world will move at different paces on climate change. If we move ahead quickly on that, our producers will be operating to different standards, and probably to different welfare standards as well. Producer organisations—certainly for milk and the livestock sector—might be an umbrella that allows those differentiated standards to be demonstrated, quantified and marketed.

There are some real dangers here. We have talked about food and food production, which looks pretty robust at the moment. In reality, however, in this new world where we might be out of the EU, countries will be moving at different rates on climate change and there might be new international obligations and trade agreements, probably with cheap food coming in from the US, South America and Australia, so we will need to have mechanisms under which producers can market their products. Support for food production could well be an issue in that we will be high-cost producers and we will have to reduce emissions in various ways.

Carcass classification is not a sexy subject, but there are issues in that regard around efficiencies. Our present classification system does not necessarily produce carcasses that are ideal for the consumer and the retailer. The higher-cost grades of sheep do not fit with supermarket specifications. Reviewing that classification makes sense, and reviewing the classification of veal and young bulls is important if we are to have efficiency in our livestock systems and to produce a pathway for bull dairy calves to be fed. At the moment, we have real restrictions through the EU on how those products are marketed.

The Convener: Do you want to comment on that, Pete?

Pete Ritchie: No. Nigel Miller has covered it.

Emma Harper: When it comes to marketing standards and American trade deals, do our protected geographical indications for our beef, salmon and lamb remain protected under the bill?

Nigel Miller: I honestly do not know. I hope that they will remain protected. There is real concern in the industry that those PGIs will disappear or not be recognised.

Pete Ritchie: My understanding is that the bill cannot specifically protect them, although it brings retained EU law into Scots law. Michael Keating will probably know more than I do about the current state of negotiations under the common framework on PGIs between the UK and the Scottish Government.

The Convener: I am not sure whether you have passed the question with sloped shoulders to Michael Keating. I do not think that he wants to answer it.

Professor Keating: We do not know exactly what the state of play is regarding the framework discussions.

The Convener: We will move on with some questions from Jamie Greene.

Jamie Greene: I am going to cover common frameworks and the constitutional considerations

of devolved legislation with regard to future policy. There is clearly an acceptance that, where regulations are currently maintained at the EU level, the repatriation of those provisions to either Westminster or the devolved Parliaments once the UK has left the EU will be a matter for discussion and perhaps even disagreement among the various Governments. What will be the effect of that on our ability to introduce legislation here that is fit for purpose, given the potential context of disagreement on where the powers that currently lie with the EU should go to when they come back to this island?

Professor Keating: That discussion has pretty much terminated, because the UK Government has not taken back any powers, and I cannot see any sign that it intends to do so. It got its fingers burned when it tried to do that with the initial European Union (Withdrawal) Bill.

Framework discussions are going on, and the indications are that they will mostly be non-legislative, for practical reasons. There are detailed discussions on agriculture and other matters, and there is a separate discussion regarding what the UK internal market involves, which could include agriculture. Surprisingly, those discussions are going on in parallel rather than coming together, and it seems that no decisions have been made.

We then have the question that has just been raised, which is about what will happen if there are international trade deals, as that is clearly a reserved matter. What will happen if there are implications for agriculture, which is devolved? We do not know the answer. A further discussion is going on about the participation—"consultation" would probably be a better word—of the devolved Governments in international trade deals, including a future one with the EU as well as those with third countries. Again, we do not know where that is going.

09:45

There is then the big question of money. Lord Bew's report on agricultural funding is pending. Funding will be earmarked for agriculture, but we do not know how much detail there will be in that. It is really open. There are also questions about the WTO. In the Agriculture Bill, there is a power to determine how WTO rules will apply across the UK. The explanatory notes for that bill say that the UK Government is not too worried about what the Scottish Government is doing at the moment. However, that power is there.

I wish that I could give you a clear answer. All that I can say is that we thought that things would be clear by now but, as with so much concerning Brexit, we really do not know. That is why it is

important that the committee and other Scottish interests keep an eye on the discussions as they go along. We do not know where the decisions will be made or what the implications will be.

Jamie Greene: Previously, we have heard evidence that the bill gives the Scottish Government the power to decide which regulatory environment it wants to align with if it is faced with a choice between that of the UK and that of the EU. Other witnesses have said that that flexibility is helpful. However, might that create a divergence of regulatory alignment within the UK internal market? If so, would that pose an issue for the internal market?

Professor Keating: If the Scottish Government takes powers to monitor and shadow EU regulations on agriculture and other matters—that is clearly the intention, because those powers were in the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill, which has been abandoned—the question that immediately arises is how that will tie in with UK frameworks and what will happen if those frameworks are non-legislative. We just do not know how that is going to work out.

That is part of a bigger question about how far the UK will diverge from EU regulations. The bigger that divergence, the more of a problem there will be in the UK. My centre has been looking at that issue for three years. We thought that we would be able to tell you the answer to the question by now, but the fact is that we cannot.

The Convener: A few other members have questions on that, so I will bring them in now and I will then come back to Jamie Greene if he has a follow-up question.

Mike Rumbles: My question is for Professor Keating. There seems to be a little confusion here. As far as I understand it, the UK Agriculture Bill has fallen, and the bill that we are considering, which deals with the entirely devolved matter of agriculture, gives the power to take back to the Scottish Parliament and the Scottish Government everything that is currently under EU control in that regard. I do not think that a UK framework to help UK agriculture will be contained in legislation. If it happens—I hope that it does—there will have to be an agreement between the Administrations. Is my reading correct?

Professor Keating: That appears to be the case, although the European Union (Withdrawal) Act 2018 contains a power to take the powers back to Westminster, and there is the possibility of legislative frameworks, which would be subject to the Sewel convention. We do not know how that will work, but my reading of the situation is that there would probably be very few of those, if any, and that things will be done by agreement among

the Governments. That is certainly the intention of all the Governments at the moment. However, if there is a conflict, we do not know how it would be resolved.

Mike Rumbles: The bill gives the Scottish Government legislative authority to do what it wants to do in the agricultural field.

Professor Keating: That is the intention for the next couple of years, pending a new bill that would set out agricultural policy for Scotland, as we have talked about.

Stewart Stevenson: I have a question to which I want a really short answer, if possible. We have heard a few references to the WTO. I read recently that, under President Trump, the US is not nominating somebody to the WTO, which might make the whole thing inoperative. Have I picked that up wrongly? Professor Keating might know about that.

The Convener: I am not sure that that is within the scope of the bill.

Stewart Stevenson: It is not, which is why I asked for a brief answer.

Professor Keating: Mr Stevenson is correct.

Stewart Stevenson: So it is a problem.

Professor Keating: Yes.

Stewart Stevenson: The WTO might collapse.

Professor Keating: I doubt that it would collapse, but its operation would become more and more difficult. We should remember that the WTO is not a court, in any case.

Stewart Stevenson: That is all that I wanted to get on the record.

The Convener: I will stop that discussion there, because the WTO and whether it will be quorate or not is definitely not within the scope of the bill.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): My question is also about the WTO, which has been mentioned several times. Are the current WTO rules compatible with what we need to do on climate change or do they need to change?

Nigel Miller: I would say that they are not compatible.

Professor Keating: I have not thought that one through—I will leave it to Nigel.

Richard Lyle: We have been told that the power in section 3 is restricted to modifying the existing common agricultural policy legislation—that is, the CAP law that will become retained EU law if we leave the EU—and that it is not a power to completely rewrite the common agricultural policy. That means that there is immediately a

substantial restriction on the scope of the power. Do you agree with that view?

Professor Keating: It also allows for pilot projects and so on to prepare the way for a new agriculture policy. We do not know what the policy will be, but pilots and so on can be undertaken in order to test things out, pending the new policy.

Richard Lyle: We do not know what money we will get, what powers we will get or what will come from the UK Government—we just do not know those things. It is like the story that was mentioned earlier about taking your toothbrush when you go on a journey, but the problem is that we have no toothpaste.

Professor Keating: That is true, and that is why it would be difficult to have a bill that contained all of that. It is important that we have a discussion about the issues and that the Government makes a policy statement about where it wants to go with the bill.

Jamie Greene: That leads nicely to my final question. Given the diverse nature of the UK, even if a sum of money was in the public domain with information on how much will be available to each of the devolved nations for farming support, would it be the responsibility of the devolved nations to decide what that support should look like and what the rules should be for support being given?

Vicki Swales: It is devolved policy, so it is within the gift of the Scottish Government and the Scottish Parliament to determine how any such money should be spent and for what purposes. Under EU retained law, there are lots of controls and constraints around that, as we have discussed, and the bill creates powers to deviate and move away from that. As I understand it, it is essentially a Scottish decision.

Pete Ritchie: On a more general point, it seems to me that, right now, when people are finding a lot of money trees to shake, farming and land use measures have huge potential to deliver on our climate and nature emergency. They are the best hope that we have. The idea that we will end up with much less money is counterintuitive. We should be investing heavily in the transition to a climate and nature-friendly farming and land management system, because we can get a lot of traction in terms of climate change and biodiversity from doing that. We need to be bold about that. We need to set the direction of travel and say that that is where we want to go.

Angus MacDonald (Falkirk East) (SNP): The “Stability and Simplicity” consultation stated the need for rural policy to better take account of the needs of the environment. We touched on those issues earlier this morning. Will you expand on your thoughts on the environmental implications of the bill, including its ability to support Scotland’s

approach to tackling climate change and addressing environmental concerns? Is there anything that has not already been covered this morning on that subject that you think that we should have on the record?

The Convener: I do not think that that needs to be a 20-page document.

Vicki Swales: There is scope to improve some of the environmental or greening elements in the CAP. We need to think about the proportion of funding that is allocated to nature and climate-friendly farming. The greening policy has its faults, but it means that 30 per cent of the pillar 1 budget is spent on measures that should be delivering in terms of climate and biodiversity.

We could improve on that and think about the share of money going into such measures. We have talked today about improving advice, which there is scope to do.

We need to look at pillar 2. We are very concerned about the agri-environment climate scheme. As I said earlier, it has been closed to applications from next year, although people with contracts will have a one-year extension. That scheme is one of the main funds in the CAP that delivers on the environmental front. We are stopping that and there is no certainty as to what will happen in the 2021-24 transition period, so that needs to be looked at.

We have not really covered cross-compliance, although Nigel Miller mentioned it earlier. There is a sanction mechanism in the CAP relating to compliance with existing environmental, animal welfare and food safety legislation that protects the public interest. The simplification task force, which is largely made up of agricultural interests and representatives, has been looking, with the Government, at what simplifications could be made.

There have been discussions about reducing penalties, but I would argue that we should maintain that kind of sanction mechanism, not go back on it—that is a no-regression point. There are also ways that we could improve cross-compliance by ensuring that farmers understand what they should be doing by dint of regulation, which sets the baseline, and that everything else goes above and beyond that and takes us forward to deliver against our environmental objectives in a better way.

The Convener: Does Nigel Miller want to come in on that issue?

Nigel Miller: I have probably mapped out my vision on innovation, which is two stranded. One strand is about revolutionising greening with a menu system, which is based on the likelihood that we will be out of the EU. If we are not, we

probably have less wiggle room in the present structure. An immediate priority is to look at new environmental and sequestration measures that might come into pillar 2, and at how they might be funded. That will be important when we get to the next support system.

We want to move quickly on that development work and make sure that we have a more robust and deeper portfolio of measures to change our landscape and our carbon balance. I reiterate that we need to do that against the backdrop of something like regional land use maps, planning or some other mechanism. We need some sort of objective assessment of environment and habitat so that we do the right things in the right places.

Pete Ritchie: The idea of capping the largest payments and using some of that money to support pilot schemes has been floated. We would like to see that in the bill. As Peter Chapman said, if we wait until 2024 to make changes to the payment regime, we might see a cliff edge that is more problematic for businesses than the idea that those changes will come in over the next three years. We certainly need to allocate resources to the sort of ambitious pilots that Nigel Miller is talking about.

Colin Smyth (South Scotland) (Lab): I turn to consideration of the wider rural interest. There is a danger that we think that the bill is entirely about agricultural support, but support through the Scottish rural development programme includes schemes such as the LEADER programme and forestry grants. There is a lot more to support than just agriculture. To what extent do you think that the bill adequately provides for wider rural needs beyond agriculture?

Nigel Miller: I have no expertise on the LEADER programme; it is too difficult for me, so I will not comment on that. In forestry, there is real scope for reviewing how we plant trees. At the moment, money is allocated without regard to other priorities. SEPA comes up with flood mitigation strategies and looks at trees in riparian woodlands, but those programmes are not necessarily prioritised for grants. At the moment, we allocate money to planting for commercial reasons.

We really have to get away from that and look at appropriate planting, with the right planting in the right places, different planting designs and different densities of trees. We also need to look at the fringes, as the Irish are doing. We still see planting with high densities up to the margins. In larger plantings, maybe we should have light densities near the edges for biodiversity reasons, or even for agricultural reasons, in order to use that land.

We need to have multipurpose forestry as well as agroforestry, with new designs that are available being supported. In some ways, we need to ensure that the money is spread in a more strategic way, which might well involve having ring-fenced budgets for different types of forestry and maybe for forestry and agricultural holdings, in order to ensure that we have those levels of planting.

10:00

Vicki Swales: Both the bill and the policy memorandum that accompanies it are pretty silent on many aspects of pillar 2. There is reference to the less favoured area support scheme and to changes in that regard, but otherwise they say little about the intentions. If we were to remain part of the EU, we would need to think about producing a plan not just for pillar 2 and the rural development aspects but for the whole CAP. I understand that that is the direction that the reforms are taking. However, we do not really have a clear sense of what the Scottish Government's thinking is on the future of all those other schemes, including LEADER and the forestry and agri-environment schemes. The bill says nothing about that; it just creates powers to change those schemes if the Scottish Government decides to do so. The bill is not very helpful in that regard.

Rachel Hunter: We have spoken about the uncertainty in the wider environment for businesses and communities, but there is also uncertainty about where the pillar 2 programmes will sit in the future. I know that a consultation is running on post-Brexit regional funding and the shared prosperity fund, and I suppose that whether LEADER and other rural development programmes sit within that or within the bill is open to debate. My role in HIE is about service delivery and meeting the needs of clients and communities, and I believe that we should ensure that their needs are at the heart of that. We also need to ensure that there is no duplication and that there is alignment across all the programmes and other initiatives to support the rural economy, such as the work of the enterprise agencies and the regional deals that are emerging across Scotland.

Colin Smyth: The clock is ticking. For example, we are coming to the end of the LEADER programme, which will run out in months. The bill stresses stability until 2024, but we do not have until 2024 to replace LEADER. Likewise, the panel's view seems to be that we need to make changes in a host of areas a lot more quickly, rather than simply waiting until 2025, whether that is around forestry grants or other matters. Do we need the Government to set that out or can the

committee do something practical and amend the bill to ensure that we make the necessary changes much more quickly?

Professor Keating: Picking up on Rachel Hunter's point, I note that we have a proliferation of rather small-scale initiatives that scatter money around. We have the city deals, we will have the shared prosperity fund to replace the cohesion funds, we will probably have ring-fenced agricultural spending from Westminster and we have environmental policy, but those things do not all fit together. The danger is that we waste money, with things cutting across one another and inconsistent priorities coming from different levels. We need a more strategic take on all of this.

I am very worried, not just because things are coming from different bits of Government but because things are coming at different times. We have initiatives piled on one another and we are going to lose any sense of strategic priority.

Colin Smyth: Ultimately, we need to determine what should be in the bill. You mentioned many other issues that need to be determined through what we do in Parliament, but is there something in the bill that needs to be changed in order to allow us to get a bit more direction and clarity on those things?

Professor Keating: The bill is a symptom of the tendency to fix little bits and pieces, rather than bringing together the big picture to see how environment, agriculture and rural development fit together.

Pete Ritchie: We can do some of that work with a purposes clause. The EU sets out the purposes of the common agricultural policy and those are being revised. We need the bill to state the purposes for which ministers make grants. As Michael Keating said, powers within the bill should include tackling rural depopulation, decarbonising rural areas and even tackling rural poverty. We need to be very clear about why we are making such grants and how we will measure success.

We would argue that a minimum percentage of the grants for 2021-24 should be specifically allocated to the climate and nature emergency. That would not answer the detail of whether we have LEADER but would set out why we are making grants.

Peter Chapman: We have already agreed today that the "Stability and Simplicity" document, which sets out very little change between now and 2024, is too timid and lacks clarity. We have settled that point.

Does the bill enable the Scottish Government to support land managers in the transition period, for example through advice, training and other support to help the industry to move forward, even

in the context of the overarching stability and simplicity agenda? What other things can we do? Nigel Miller spoke about many of those issues earlier on.

Nigel Miller: Advice was a bit of a flagship in the previous CAP reform. That has been rolled out at several levels for agriculture. However, the real failure there is that we tend to hit the same people all the time and a large part of the sector is untouched. It has not been successful as a tool for driving change. We must look at that money in new ways.

Our first priority is to look at soil carbons and to change the soil analysis system so that we have a baseline for where agriculture is today. It appears from headline figures that we are in quite a good place, but we could be better. Unless we know what our baseline is, we cannot know how to improve on it.

A one-to-one advisory service that is linked to that would be very helpful in enabling farmers to understand the results and how to manage their situation. Maintaining and building up soil carbon may be a key way in which to access funding in the future. That is important.

An official advisory service was ditched in the previous CAP reform. If we are going to move to a new type of support system that considers efficiencies and multifunctional farming, we need an RPID that is light on its feet and can facilitate some of that change. I would like to see some of the money going into that.

We also want to look at funding for efficiency and sequestration on a one-to-one level, so that it is based on a whole-farm plan. That would mean that people could sit down and redesign their systems, perhaps looking at their land use pattern to see whether they could modify it to reach a better solution. I am proposing a totally different form of advisory service.

Peter Chapman: I am a big fan of monitor farms, for example, although they are not part of a one-to-one system such as Nigel Miller is proposing. However, the problem with them is that the guys who come are ones who are keen to learn and the people who really need the help are the ones who never turn up. A one-to-one system would obviously be better, but would it not be hugely expensive?

The Convener: I am sorry, but I am not sure that the bill goes down the route of monitor farms, although I appreciate that you may have views on that. I want to bring Vicki Swales in on the issue of advice.

Vicki Swales: I echo Nigel Miller's comments. Scottish Environment LINK is a central part of a new system and there is scope within the

transition period to improve the advisory services. There are already measures in the CAP.

The budget for advisory services has been cut in recent years, rather than increased. That is an issue that could be addressed.

We know from the work that RSPB Scotland does with farmers on greening, which has had a lot of criticism, that when farmers get good advice on how to use ecological focus areas, they can deliver some really great things for some of our species that are in trouble. It is absolutely fundamental.

There is also scope for co-operation and collaboration and doing things at landscape scale with farmers that could be part of pilots. Under EU rules, we could have had what was going to be called the environmental co-operation action fund—ECAAF. We made a mess of the proposals and the EU ruled it out, so it has not happened. We could go back and do something like that in the interim and it would also be helpful.

Peter Chapman: Does the bill have any implications for food safety and animal welfare issues that we need to think about?

Vicki Swales: That takes us to cross-compliance and the whole system of EU regulation on environment, food safety, animal welfare, and phytosanitary standards.

Cross-compliance was introduced as a sanction mechanism because compliance with those laws and regulations across Europe was not deemed to be adequate. One mechanism to deal with that was to tell farmers that they would face penalties if they did not comply with them and that an inspection system would be introduced. I am not saying that that system is perfect, but the principle is quite important. If ministers have the powers to change some of these systems, there will be some pressure to reduce things. The simplification task force has already been looking at penalties and inspections. Some of those things might be really helpful, such as not penalising someone whose cow has just lost an ear tag. It needs to be replaced, of course, but in the grand scheme of things, it is not the end of the world. However, there are other aspects of the legislation that need to be enforced, so we need to be careful not to let that system go backwards. We need to take it forward and improve on it.

SEPA, for example, has done a lot of catchment walking, particularly looking at breaches of the general binding rules where there is some crossover with cross-compliance. It has found out what the breach per kilometre is. Some of the breaches were relatively minor, and some were much more serious. SEPA had been taking a light-touch approach to penalties but now, as I understand it, it is reviewing that approach and

ramping it up because it has not seen compliance at the level that it needs to. We need to watch that.

Maureen Watt: When we had the bill team here, they suggested that they might want to make changes to the less favoured area support scheme, and they indicated that they are still working on a new areas of natural constraint approach. Is that change appropriate or are you expecting other changes to LFASS under the bill?

The Convener: Who wants to dive into this difficult area?

Nigel Miller: Given my previous role, it would be inappropriate for me to comment on LFASS. It is a key area and, given the current economic pressure on these sectors, it is absolutely crucial that the issue is resolved in some way.

Vicki Swales: I do not want to take up lots of air time, but we have been involved in discussions about LFASS for a number of years.

It is important to recognise that farmers who are farming in difficult circumstances on marginal land with some of our more uneconomic farming systems need support. We are not arguing against that. We have, however, always argued that LFASS is not delivering the best support to the farmers who most need it, and there is quite an overlap of those areas with some of our most important environmental areas—what we call our high nature value farming areas. All assessments of the scheme show that the money goes to the wrong places and that most of the funding from that £65 million pot—as it was until relatively recently—goes to the better-quality land in the LFA and not to the most disadvantaged land, because of the grazing categories and the weighting system.

The EU proposed making the change to an areas of natural constraint scheme, but that is still not the best way of supporting farmers and crofters in those areas. The situation is tricky if we are in a transition period. Do we move to something completely new, or do we think about how better to support farmers in those areas in the longer term and continue with a system that is imperfect but gets money to certain places? I am not sure that we have the answer to that question. However, there is a need to look at the system quickly and to take some decisions about how we best deliver the money to the places, farmers and crofters that most need support while ensuring that any approach ties in with the environmental and climate emergency issues that we face.

10:15

Maureen Watt: Have you been formally or informally consulted on potential changes to LFASS or any of the pilot schemes that are on the

go at the moment, and on what might or should happen? What consultation has there been with farming organisations?

The Convener: Vicki Swales can answer those questions. For the record, she was shaking her head.

Vicki Swales: The consultation has been partial and incomplete. On certain issues concerning some of the changes that the bill would potentially allow, the consultation of and engagement with the broad range of stakeholders that need to be engaged with have been pretty poor. On quite a number of fronts, the message is that the Scottish Government could do better and that discussions on what the changes should be must not take place behind closed doors or with only certain parties.

The Convener: Rachel Hunter is next. Does Nigel Miller want to come in? No—he is staying out of this matter.

Rachel Hunter: HIE works with clients in some of the most remote, rural and fragile areas in Scotland, and there can be cross-over into areas that are supported through the less favoured area support scheme. I return to my earlier point that, moving forward, we need to think about the wider opportunities in those areas. In 16 years at HIE, I have worked with a lot of businesses. The most transformational intervention that the public sector can make is to support collaboration, leadership, personal development and investment in human capital. We should think about entrepreneurship, how we can do things differently and what opportunities there are. It is about looking not just at the land but at the community and the place in the round, as well as at opportunities to support, develop and grow a particular community, croft or business.

Richard Lyle: I am interested in what Vicki Swales said. I come back to what I asked earlier: in order to improve matters, do we need to devise a system that takes in climate change, forestry, all types of farming and greening?

Vicki Swales: Broadly, yes.

Richard Lyle: That is fine.

Pete Ritchie: We need to be clear about what we count and measure when we are trying to work out whether any of these policies are effective. Until now, we have had a system of reporting back to the EU on what we are doing with the money and where it is going. If we leave the EU and implement our own policies and support mechanisms, we need to be much clearer about what we are spending the money on and what the performance indicators are. We need to know how well we are doing and, as Rachel Hunter says, how many farmers have had some kind of

continuing professional development in the past year. We do not have a lot of those numbers to hand, and we do not agree on what we are trying to measure or what counts as success. I am making a general point on measurement and monitoring.

I also want to comment on Maureen Watt's point on consultation. I am not saying that the Department for Environment, Food and Rural Affairs has been great at consulting, but there has been a much more open process of asking what it should pilot over the next couple of years and a lot of conversation about piloting. In contrast, the environmental organisations have not had a lot of contact from the Scottish Government to ask us what we think it should be piloting from 2021 to 2024, and time is marching on.

Nigel Miller: I support Richard Lyle's concisely put view on the need for a multifunctional support system for land use or farming that delivers across multiple objectives. However, it is worth remembering that income support is part of that approach. That is one of the reasons why the CAP was originally developed. Scottish statistics show that only 30 per cent of farms can make a profit without direct support. At the moment, hill sheep farmers are probably losing £3 a head on sheep, and the most recently published average income for them is £11,000.

Richard Lyle: We are losing farmers hand over fist, so we have to support them.

Nigel Miller: Yes, and that number may well increase over the next few years, so there is a real challenge in creating a future for farming.

Maureen Watt: I assume that you all welcome the women in agriculture task force, which is focusing on such things as leadership, CPD and new entrants. That is just a comment.

The Convener: That is definitely outside the scope of the bill.

Emma Harper: I will pick up on Pete Ritchie's point. In Scotland, 85 per cent of the land is eligible for LFASS, whereas the opposite is the case in England. We have pilot schemes that need to be hurried along, and we need to get on with that. Does the bill enable pilots of whatever schemes we choose to support the production environment for farmers in the worst areas? I know a tattie farmer in the Scottish Borders who is an LFASS farmer. How does that work? It may be a wee bit of a tangent, but we really need to get going with those schemes and pilots.

Pete Ritchie: I completely agree, and the bill enables ministers to get on with them. However, the bill does not direct ministers to get on with the schemes or explain what it is that ministers should get on with. Picking up Jamie Greene's point,

there is an opportunity for a hybrid bill that, at the very least, sets out a clear process for the 2021 to 2024 period.

John Finnie: The definition of "agricultural activity" that is used at the moment was set by the European Parliament. I will not read it out—I am sure that the panel is familiar with it. The bill gives the Scottish Government the power to amend that definition, but the bill team tell us that there are no plans to do so. What are your thoughts on that power? Do you feel that the definition should be changed? Is there scope for a broader or alternative definition?

Vicki Swales: That is worth looking at. The power to amend the definition is probably appropriate. There has been some contention around the definition in the context of trying to exclude certain people from claiming CAP payments who were not legitimate farmers and to tie the payments to agricultural activity as far as possible. However, as we have just discussed, pillar 2 of the CAP leaves open the ability for payments to be made to other land managers: it includes forestry, environmental and other payments that do not necessarily go only to farmers. Given the multifunctional land use in agriculture that we are looking for in the future, it will be important to think about who the beneficiaries are and who is eligible to make claims for payments. That goes back to the definition of what we mean by agriculture or related land use.

Nigel Miller: My position is not far away from Vicki Swales's. Trying to ensure that money is not siphoned off into land that is as good as abandoned was a contentious issue in the most recent CAP reform. There is still a real risk of that happening, so we need an even more robust definition of agricultural activity with a threshold in it so that people cannot ghost farm. Vicki Swales is also right in saying that, whether in agri-environment, special conservation areas or forestry, the payments would come out of that budget and someone who was not a farmer could draw them down. It would make perfect sense for people to do that, even if they were outwith eligibility for core agricultural support. That would facilitate the sort of multi-use countryside that we want to see.

Rachel Hunter: For a funding body, the list of agricultural product definitions can be quite restrictive. In HIE, we try to look at socioeconomic outcomes. We are sometimes presented with a good business case for an added-value food product, but, because it does not fit a criterion or list, it is knocked out of certain support schemes.

Going back to the general point that the panel is making, we need to focus on where we are going and what the outcomes and priorities are moving

forward, as opposed to having lists that define agricultural products. We need to look at the wider outcomes for our rural economy across Scotland.

Pete Ritchie: I agree with the earlier point. I do not think that narrowing down or changing the definition in the short term is what we need to do. We need to think about how we produce high-quality food while supporting nature and tackling climate change—that is our goal. As John Finnie said, we need a multipurpose scheme. The scheme already includes things such as the food processing marketing grant, which is not about primary production. We would also like to see more support for urban agriculture, which has big social outcomes as well as some environmental outcomes.

As we develop a bill for the next stage, we want to have a discussion about what we are trying to achieve with agriculture and food production in Scotland and what it is all for. We want the second bill to be as good as we can make it, but we are probably not in the right space to do that now. We need to get a good hybrid bill now and then spend time on the 2024 bill.

The Convener: I think that we have dealt with all the committee's questions, so I will ask a question to summarise the session, which has been very interesting.

We have talked about the need to deal with environmental issues and climate change, the need for food production and the need to encourage the shift of money from food production to the environment, although there will be some implications of our doing so—in fact, it may well increase the price of food. Am I right in thinking that you are saying that the bill gives a whole suite of options to the Government but you are concerned that the Government may use those options and not go to the next stage, which is to come up with an agricultural policy for Scotland? Should we, as a committee, be making sure that the bill is limited, so that we get on with coming up with that policy?

Professor Keating: That is a fair summary.

Nigel Miller: I certainly would not want the bill to stall progress in any way. The next stage will be absolutely crucial, but there are devices in the bill to do meaningful pilot work and make meaningful changes that could set us on the right trajectory, and those should not be ignored.

The bill should have an associated framework for change, by way of an annexe to the bill or a new document.

Vicki Swales: As Nigel Miller said, it is about making sure that we do not create powers for things to be done—either inadvertently or on

purpose—that take us backwards rather than forwards. We need to watch that as well.

The Convener: Pete Ritchie, do you want to add anything?

Pete Ritchie: I support the framework for change and having a process by which the Government reports back on progress over the next three years, so that we know that we are moving forwards.

Rachel Hunter: As I said at the beginning of this session, the bill is a pragmatic approach because it will provide some certainty for a period of time, but there are bigger fish to fry with regard to the macro rural economic development policy for Scotland. Generally, I agree with the rest of the panel.

The Convener: I thank the panel for coming along today and giving evidence. I will suspend the meeting briefly to allow them to depart.

10:28

Meeting suspended.

10:35

On resuming—

The Convener: I welcome our second panel of witnesses. Martin Morgan is the executive manager of the Scottish Association of Meat Wholesalers, David Michie is deputy director at the Soil Association Scotland, and Sarah Millar is head of industry development at Quality Meat Scotland. We have some questions for you.

John Finnie: Good morning, panel. My question, which I asked the previous panel, is in three parts. Do you support the need for a transition period for agricultural policy until 2024, do you have any comments on the approach that was taken by the Scottish Government in its “Stability and Simplicity” consultation, and do you feel that the bill reflects that approach?

The Convener: If witnesses were watching the start of the previous panel session, you will already know this. If you want to leap in and answer a question, please indicate that to me. If you all look the other way, the last person to look away will be the one who answers the question.

David Michie (Soil Association Scotland): We need a transition period because there are some big challenges ahead. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 commits us to emissions reduction of 75 per cent by 2030. We also know that farming is not very profitable and that there is a wildlife crisis. There are many issues. Farming needs a transition period because what is required is quite

a long game that involves planning. It will all take a while.

I welcome the transition, but it is very important that we know where we are transitioning to. It is also important that the transition has an end date; we can transition to 2024, but we need to go somewhere after that.

The “Stability and Simplicity” consultation analysis noted:

“multiple answers stressed the need to have a clear and coherent vision and strategy of what the end of the transition phase will look like in order to avoid using the transition as a means to stall decision making”.

We need the transition, but we need to know where we are going, so we should not be kicking the can down the road to 2030.

Martin Morgan (Scottish Association of Meat Wholesalers): I agree that we need a transition period and that we should have a plan for where we want to get to. We would have liked the Scottish Government to take a more ambitious approach in the bill to revamping the current rural development programme and the many schemes that sit within that, in order to reflect better what Scottish agriculture in its totality needs today.

John Finnie: I would also like to hear from Sarah Millar. I would particularly like to hear whether the bill reflects the approach of the “Stability and Simplicity” consultation.

Sarah Millar (Quality Meat Scotland): Like the rest of the panel, I support the need for a transition period. As David Michie said, farming is a long game: when we put a cow in calf it is two years or so until that calf enters the food-supply chain. Decision making does not happen overnight and we need to think long term.

The name of the consultation was “Stability and Simplicity”. The other major driver on farms that is often not talked about, and which is linked to that long-term game, is cash flow—the cash that comes into farmers’ bank accounts at certain points during the year, because they sell the majority of their lambs, calves and cereals at those times. Stability in that cash flow and certainty about receiving it gives farmers confidence and it gives lenders confidence in the farming industry. Legislation that would enable that would be hugely beneficial for the farming industry.

That said, I agree with what Martin Morgan and David Michie said about the need for a forward look post 2024. Plans to take that forward and to look at the longer-term challenges within it are afoot with the farming and food production future policy group.

Apart from that, the bill does what the consultation set out to do, which was to give

stability to farmers and to simplify some legislation that comes from Europe.

David Michie: I understand the importance of stability and simplicity, but farming in Scotland is quite fragile at the moment and we do not want fragile stability. We should use the transition period to build more resilience in the sector, and farmers should use it to achieve the outcomes that are needed, which includes producing food and a whole suite of other things.

I have the consultation summary in front of me. It says that

“Continuing with the old EU approach is mostly disfavoured”,

but the approach is a cut and paste of the old EU one. We cannot let the wheels come off the bus: we need to enable payments being made to farm businesses, because that is essential, but with the scope to simplify and improve, we should be able to move away from the current situation towards something else. The danger is that we do not know what the intention is, so we have to be clear about why we are simplifying and improving, and about what we are transitioning to.

Mike Rumbles: I will ask questions that are similar to those that I asked the previous panel. We know that the bill is enabling legislation, and that the intention is that it will cover the transition period until 2024. However, the wording in section 3 of the bill says that ministers may use regulations to

“modify the main CAP legislation ... in ... Scotland for one or more years beyond 2020”.

David Michie mentioned kicking the can down the road. The intention of the Government is to introduce a new bill by 2024, but it does not have to, according to that provision. What are your views on that?

David Michie: There needs to be an end date. When I finished agricultural college and went to work on the farm, production was decoupled from subsidy support and we completely changed our business: we got rid of all of the cattle and I had to get a job. Agriculture has not really changed since then—there has been stasis. The EU has been kicking the can down the road. There is a danger that the same thing will happen if it is said that farmers are having a hard time, that things are difficult and that there needs to be stability. What is being stabilised? Will that stability be fragile? How the industry can move forward needs to be thought about.

Sarah Millar: The pragmatic part of me says that we cannot kick the can down the road. However, we have seen legislative and political changes in Scotland and the United Kingdom over the past three years. The bill would give us

certainty that there is legislation in place that will prevent the wheels from coming off, should circumstances change again. That is my pragmatic view. As long as a new bill comes in 2024—I am confident that one will come—the bill is justified.

Martin Morgan: I take on board what David Michie has said. There has been a lack of change in farming and there is a need to modify that. There is a need to speed up the process of change. Adoption of new technologies and practices on the farm could make farming operations far more efficient than they are now. I think that I heard Nigel Miller say in the previous session that only about one third of farmers are making a profit without support—we need to up that number, big time.

We need primary production—if we do not have primary production then we do not have processing or an end product. Farming is primarily about food. Obviously, that has an environmental dimension that needs to be protected and enhanced. As I have said, we need the Scottish Government to be a little bit more ambitious in modifying what we have at the moment and then to put in place something even better in the next bill.

10:45

Sarah Millar: I agree with Martin Morgan. However, on whether the legislation should allow ministers to make that modification for one year or more, I think that that would give us flexibility.

Mike Rumbles: There is no question—the bill will give us flexibility. That is the whole point of it. We know that the Government's policy is to have in place a new policy by 2024, and it has set up a group to develop new food and farm policies. That group's report next June will, I hope, enable the minister to produce a new bespoke agricultural policy.

The bill is not to establish new policy: it is a transition bill. Some of us are concerned that, although it will give flexibility, the bill does not insist that the Government—by the way, after 2021, it could be any colour of Government—cannot say that it does not need to produce a new bill because it can operate using regulations. Are there any thoughts on that point?

David Michie: I completely agree that there needs to be a sunset clause—an end date. If Brexit is not done by then and another bill is needed or legislation needs to be amended, that would be fine, but it is very important that there is an end point.

Jamie Greene: I will follow on from Mike Rumbles's points. I am not sure how many of you

heard the previous evidence-taking session, but it was suggested that the committee could, by adding policy objectives, strengthen the bill by making it a hybrid bill that sits somewhere between a technical transition bill and a future long-term agriculture policy bill. Would that be wise, or would it be better to deal with matters in separate legislation—one bill to deal with the transition period, and a demand placed on the Government for a future long-term policy bill?

Sarah Millar: I understand why a hybrid bill would be welcome. In order to have a transition, we need to know what we are transitioning to, so I completely agree with that sentiment.

David Michie: I might be wrong, but my understanding is that the committee can simplify and improve the bill. I think that there is scope to change quite a lot, but we need to know what we are going to do to simplify and improve it.

At the moment, my idea of an improvement is probably quite different to Sarah Millar's idea of an improvement. It is clear that the legislation must take into account the wider policy outcomes that the Government wants to achieve, including the 75 per cent emissions reduction by 2030 in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.

To return to the point about kicking the can down the road, my concern is that we are at this level in terms of emissions in farming, and we need to be up here or here in 2030. There is a danger that the bill will just keep us on an even keel, which will leave farmers with a huge mountain to climb in the last few years leading up to that. The intention—where we are going—must allow simplifications and improvements to be made in the right way, so that we can do the right things.

Jamie Greene: For the benefit of the *Official Report*, you were pointing upwards when you said “here or here” in speaking about the improvements that have to be made.

David Michie: Yes—I am sorry about that. We want emissions reduction, but I like the analogy of farmers having a mountain to climb.

The Convener: We will move on. Peter Chapman has the next question.

Peter Chapman: My question is on the same subject. We are told that the intention is to make minor changes through the bill, and that long-term rural policy changes will be made via new primary legislation. Do the witnesses have any views or concerns about the extent of the policy changes that the Government might introduce using the secondary legislation powers in the bill? We have explored that a bit. Is there anything to add to what has been said?

Martin Morgan: Last week, I attended a stakeholder meeting with Government officials, which included the people who drafted the bill, and who have—I think—appeared before the committee. They alluded to development of proposals internally to revamp some schemes and to modify them in line with the powers. However, no detail whatever was given on what the changes might be. It was indicated that stakeholders will be informed in due course, but no timetable was provided. Obviously, we know the main group—the farming and food production future policy group—is due to report by the time of the Royal Highland Show next year, so there is a very small window of opportunity for stakeholder groups to offer meaningful comments on proposed modifications.

Peter Chapman: During the consultation on stability and simplification many comments were made about preparing for longer-term changes up to 2024. Where do you expect rural policy to be at the end of the transition period? What changes do you expect will have been introduced by then? Following on from what we were just speaking about, what should we do in the meantime to move the industry forward, up to the 2024 deadline, and to set the scene for going further?

The Convener: Martin Morgan suggested that farmers need to become profitable. Do you want to develop that?

Martin Morgan: Certainly. There are plenty tools that farmers can deploy to improve their operations. We see in Quality Meat Scotland's "Cattle and Sheep Enterprise Profitability in Scotland" that the top performers are much more adept and up to speed on technical aspects of their farming operations. That needs to be rolled out across the entire industry. Monitoring of key performance indicators has to be embedded in every farm, so that farmers adopt best practice and are innovative in taking what is happening in research studies into their farming enterprises in order to improve overall economic and environmental performance.

David Michie: I agree: the current CAP focuses a lot on advice; you can give people lots of advice but they do not have to take it. There should be work on capacity building—on enabling and empowering people to figure out their own solutions to problems and to make the transformational change that is required. It should not be about maintaining a fragile stability, but about building resilience within the sector.

We do not know what will happen with common frameworks, budget allocations and all those things, but whatever happens, we need to get folk ready for a world in which the current support is not there. They should know how to be profitable and how to use diagnostics. They should be

financially literate and know about minimising fixed costs and all the other things that good farmers should be doing.

It is also about increasing output, which does not necessarily have to be food: it can be carbon or clean water. There are wider ecosystem services and social value that our land can provide. There should be a move towards that, as well.

Sarah Millar: Profitability and communication within the supply chain are key, not just at farm level, but all the way through. Without actors within the supply chain—processors and so on—there will not be demand at the farm gate for what is produced. The big thing that we have been talking about quite a lot recently at QMS is communication within the supply chain and how, for example, the data revolution, and artificial intelligence in particular, could give farmers an evidence base on which to make informed decisions more quickly. In the livestock sector there is fragmentation between the store calf or store lamb producer and the finisher. Anything that we can do to get data and information back to the farm gate is beneficial—that is an area that is accelerating very fast. That could set us up to meet the challenges of the climate emergency and the wildlife crisis. Datasets on farms could be transformational. That is the key.

Maureen Watt: In our session with the previous panel we asked whether WTO rules are compatible with tackling climate change. Are the demands of supermarkets compatible with tackling climate change? They want fat content to be this or that, and they want the age of meat to be this or that. Might supermarket demands have to change in order to help to tackle climate change?

David Michie: There is definitely something to be done in that respect. There was a question for the previous panel about food production and whether we should be paying farmers to produce food. I think that the market should pay farmers fairly to produce food. All sorts of policy levers can be pulled to enable that, so that multiple retailers perhaps pay a better price or there are more co-operatives. There are ways of addressing the very asymmetric supply chain in Scotland and the UK.

The supermarkets could also do more on climate change. We need to think about how we support land and rural areas and what wider outcomes we get from that—outcomes for which there is, perhaps, no market at the moment. Where there is a market, such as for food, we should ensure that farmers are getting fair payment.

Martin Morgan: The supermarkets are often portrayed as the villains of the piece, but they just reflect what consumers demand. They pass that

demand back to their suppliers. It is really a question of educating the consumers, rather than the retailers.

Maureen Watt: You are surely not telling me that supermarkets cannot manipulate consumer demand.

Martin Morgan: I could not possibly comment on that.

Sarah Millar: I agree with Martin Morgan; in my experience, supermarkets reflect what consumers are looking for. On the connection between farms and what supermarkets do, we have not spoken about the fact that farmers in the beef sector are paid according to the EUROP grid, which is a grading mechanism. Legislation will enable us to change that. There is also reference to the potential for bringing in carcass grading for lamb.

Those factors are reflected in payments to farmers. If we can manipulate them, we can produce the products that will go to supermarkets and other routes to market and influence what people do on farms. There is, therefore, a mechanism and an opportunity to look at what to do next, which we definitely welcome.

The Convener: That is very annoying, Sarah. I wanted to ask about carcass grading later.

Sarah Millar: I read your mind.

The Convener: Because Sarah Millar has brought it up, I feel that now is the time to talk about carcass grading. She mentioned its importance, and farmers know how important it is to get an animal ready for slaughterers as quickly as possible and to get the right balance between fat and meat content. Martin Morgan mentioned the importance of supermarkets demanding what they need. If animals have more meat and less fat, that sometimes gives less flavour and requires a higher energy and protein mix, which affects the environment. Sarah Millar suggested that carcass grading needs to change. If the Government wants to do that, how can it make sure that the system works for everyone involved?

Sarah Millar: For me, it is a question of communication throughout the supply chain. QMS did a piece of work called the integrated measurement of eating quality, or IMEQ, project, which I think was completed in 2013. I am getting confirmation from Martin Morgan, because it was before my time. There is a huge amount of data out there. At the time, Scotland led the world in producing that but, since then, there has been a lot of movement in this area around the world in the past few years. Automation of algorithms and artificial intelligence have enabled other pieces of technology to come in that can make good use of that data.

It is a case of looking at other examples from around the world. Meat & Livestock Australia has developed an innovative model, Wales is currently going down the same route and, in Scotland, we probably did 70 per cent of the work years ago. We want to get to the metrics of what consumers want in terms of red meat proteins, and to find out what that approach has done for the climate and for eating quality, and whether it is resulting in a food product that consumers want to eat and driving demand from the sector.

It is a question of communicating with the supply chain so that we all take that forward step together, rather than of the system saying what is right for farmers, which might not be what is right for processors.

The Convener: Indeed. It is a knotty problem to get the right balance between what the end producer thinks is the best margin for them and what is best for the primary producer from the point of view of what is right for the animal, the environment and the time to slaughter. It is interesting that carcass classification is dealt with in the bill, but we will leave that there and move on to the next question.

11:00

Richard Lyle: I should maybe make a declaration of interests: I am not a farmer but I was a grocer, so I know about the problems that are faced in grocery shops.

Farming is about food production; I thank Martin Morgan, because he has restored my faith in that view. It is also about improving the environment by planting trees and going greener to alleviate climate change. The bill gives the Scottish ministers powers to modify the financial provision in the CAP legislation. Earlier, I talked about doing away with pillar 1 and pillar 2 and looking at the problem as a whole to see how we can resolve it and help farmers and so on.

The bill gives ministers a legal basis for setting the maximum spend on agricultural support; it also enables them to amend how funds are spent or to cap how much money can be paid to an individual recipient. Do you have any suggestions about how the financial provisions in the bill could be amended?

The Convener: Who wants to head off on that? Martin, you are definitely looking the other way.

Martin Morgan: Yes, I am.

The Convener: David Michie was the slowest to look away, so he can answer first.

David Michie: Are you asking about capping?

Richard Lyle: We have a system. Now that we are taking back control—I love that; I laugh every

time I say it—what are we going to do? Should we change the system? Should we keep it the same? Will the law allow us to change the system or will we still operate under the EU system? I want you to tell me what we should do.

David Michie: We definitely need to change, but it is very difficult to impose dramatic change in farming. There needs to be a transition, an end point and a clear set of directions.

Given that it is the stated intention of the Scottish Government not to leave the EU and, if we do leave the EU, to rejoin, we should not move too far away from the EU's common agricultural policy.

The bill enables the current CAP to continue, but it is important to keep an eye on the future CAP, which has subsidiarity built into it. As I understand it, each region or member state will have quite a bit of freedom and flexibility to do what they want, so we will be able to move in our own direction to an extent. There is also much more focus on the environment.

There are nine objectives in the future CAP. Climate change action, environmental care and preserving landscapes and biodiversity are biggies, and it will have higher ambition on environmental and climate action through preserving carbon-rich soils, obligatory nutrient management tools and crop rotation instead of diversification, which, under the EFA and the greening rules, was not perfect.

Richard Lyle: Basically, you are saying that we should make minimal amendments. Has the Government taken on board your views in any way? Have you had discussions with the Government?

David Michie: We can make amendments because of the subsidiarity that is built into the future CAP. If we rejoin the EU, that will allow people to do their own things.

In response to the second part of your question, the answer is yes. We made a written submission to the "Stability and Simplicity" consultation, but I cannot remember having specific conversations with ministers about the stability and simplicity period.

Martin Morgan: I agree that we need to continue the provision of support in the short term. We need a phased approach to a new support model that better incentivises farmers to do what is best for their enterprise and for the environment.

The totality of support is an issue for the Scottish Government as regards what it chooses to spend on all its various priorities, which, in addition to rural issues, include health, education and so on. I imagine that that is a debate for the Cabinet to have.

However, we cannot ignore the fact that farming in rural Scotland is an important part of the overall economy, and it needs an injection of public support to keep it going. We need to think about designing a new system that better delivers real value for money from the support that is directed to the agricultural sector.

The Convener: Richard, do you have any more questions on that?

Richard Lyle: I feel that the excellent witnesses have fully answered my questions.

The Convener: In that case, Angus MacDonald will ask the next question.

Angus MacDonald: Are you sure, convener?

The Convener: Hold on—the clerks tell me that I am mistaken. This is the second time that the clerks have had to pick me up for being wrong. Luckily, it does not happen often in a meeting. I think that I missed out Peter Chapman.

Peter Chapman: I rolled up my question in the previous exchange, so it has been answered.

The Convener: So I was indeed correct—I will accept apologies from the clerks later. The next question is from Angus MacDonald.

Angus MacDonald: I would like to ask about the provisions relating to the common organisation of the markets. Section 5 covers the modification of the CAP legislation on public intervention and private storage aid. It gives the Scottish ministers the power to modify that legislation, which would allow the Government to intervene to support agricultural producers in exceptional circumstances. Of course, we have recently had warnings of the possibility of a collapse in the sheep or lamb market in the event of a no-deal Brexit, which is still on the cards, so intervention might be required sooner than we think. There is therefore concern about those provisions ceasing in Scotland, particularly with regard to any potential volatility as a result of Brexit.

Do you have any thoughts on the provision in the bill that allows the Scottish ministers to modify the legislation on public intervention and private storage aid, including by making it cease to have effect?

Martin Morgan: It is an important tool to have at your disposal in circumstances in which you are required to exercise it. However, it should be exercised only in exceptional circumstances, when there is significant market failure. If we had left the EU at the end of October, the Scottish sheep trade would have been decimated. Fortunately, we did not, so that did not happen, but the threat to the industry is still there. That means that it is wise to have those powers.

Sarah Millar: The other element is that Scotland is part of the wider UK, and what happens in England, Wales and Northern Ireland in terms of private storage aid would impact on Scottish farmers. Therefore, I agree with Martin Morgan that we need to have that provision to enable the Government to intervene, should those circumstances occur—I hope that they do not, touch wood. We also need the ability to work with other parts of the UK to ensure that a Scottish farmer in Dumfries is not disadvantaged in relation to an English farmer just over the border.

The Convener: Before we move on, I have a general question. Do you think that the bill sufficiently covers food safety, animal welfare and environmental standards? Is there a danger that some issues will slip between the two jurisdictions when the bill comes into effect, or are you confident that the high standards that I hope we have at the moment in all those areas will be maintained?

Martin Morgan: In Scotland, we have regulatory frameworks that mirror EU provisions in relation to public health, animal health and so on. I do not think that the bill detracts from the efficiency of those controls, as they are currently applied.

The Convener: You are talking about the industry at the processor end. Are you confident that the producers will continue to meet the standards that the processors require?

Martin Morgan: Yes. These days, primary producers are regarded in law as food business operators, and they have certain legal requirements on them: they must present their stock in a state that is fit for slaughter, the animals must be clean and healthy and so on. If those requirements are not met, a raft of enforcement officials wait to take action. We have the pleasure of having them in our plants every day—which is not the case in other parts of the food supply chain, I might add. We in the red meat processing sector regard ourselves as being highly regulated.

The Convener: David Michie, are you happy with the position?

David Michie: I will talk about the environment. At farm level, there is perhaps a danger of things slipping through. I go back to the intent of the bill and the simplifications and improvements that could be made to get us to where we need to be. The simplification task force put forward some really sensible proposals about having more proportionate penalties when it comes to ear tags and decimal points in land parcel identification, but there is a risk that, if we reduce penalties or change aspects of cross-compliance, that might set a precedent for some of the important environmental cross-compliance that we have.

Whichever party is in power or whoever the minister is in 2021, 2022 or 2023 could use that precedent to reduce some of the environmental penalties.

Sarah Millar: I am looking at some of the detail in the bill and there is one provision that I would question. In section 9, “Marketing standards: agricultural sectors”, a number of different sectors are listed, but pig meat and sheep meat have not been included. The list of sectors is referred to in section 8(1)(a), which relates to the requirement to provide information. Going back to the issue of data and the ability to enforce and maintain standards, if we do not have information coming through because pig meat and sheep meat are not included in the list, that is a concern for us at Quality Meat Scotland, because we cover beef, lamb and pork. I picked up on that issue when I was going through the bill.

The Convener: That is useful, thank you. I am sure that we will follow up on that point. The next question is from Emma Harper.

Emma Harper: Section 6 is about the “Power to simplify or improve CAP legislation on aid for fruit and vegetable producer organisations”. Angus Growers Ltd responded to the “Stability and Simplicity” consultation as follows:

“The Fresh Fruit and Vegetable Scheme for horticultural Producer Organisations is a good model to encourage increased farm business involvement in the food chain; it could be extended to other enterprises.”

In its response, the Scottish Agricultural Organisations Association proposed that,

“in the transition period, a new grant scheme is designed, and tested on a pilot basis, which grant aids ‘innovation through collaboration’.”

Do the witnesses have any thoughts on the provisions in the bill that deal with simplifying and improving CAP legislation for fruit and vegetable producer organisations? In your view, what might simplifying and improving the scheme look like?

The Convener: David Michie nodded and then stopped nodding.

David Michie: I can definitely answer a bit of the question. I do not have the technical detail, but I think that, for producer organisations, collaboration and co-operation are incredibly important. I made a point about the price of food and the supply chain asymmetry that we have in Scotland, and there is something really valuable in having that collective power. That should be enabled where possible, as collaborative innovation is a really good thing.

I do not know the answer to the question about the technical changes that could be made to the bill.

The Convener: Sarah Millar also nodded.

Sarah Millar: I completely agree with David Michie. I think that producer organisations could definitely help with some of the challenges that we have seen in the red meat supply chain, and ensuring that the technical legislation is right in that regard is key. At the moment, I think that the legislation sits with DEFRA, although I could be totally wrong, as I am not well versed in that area—Martin Morgan may know more. However, I agree with any approach that increases collaboration and communication in the supply chain.

The Convener: Martin Morgan nodded as well.

Martin Morgan: We are also in favour of greater collaboration in supply chains, not only horizontally, but vertically. We would like assistance to be made available to support the links in the supply chain—feeding up from the primary producer to the processor, the manufacturer and the retailer—which would help to drive out inefficiencies.

Emma Harper: That brings me to a quick supplementary question, which is on the back of Maureen Watt's comments about supermarkets. We are talking about producers, processors and retailers. Milk is a loss leader, and it has been suggested to me that if we put 3p on a litre, one penny could go to the farmer, one penny to the producer and one penny to the supermarket. Right now, dairy farmers are really challenged by the volatility in the milk market. Forty-eight per cent of dairy farmers are in the south-west of Scotland. If we looked at taking a co-operative approach, could the bill help to support those farmers and stabilise the market?

11:15

Martin Morgan: Yes, it could. I am aware that, three or four years ago, the SAOS helped to set up a new producer group in the south-west, which has been a great success in improving things. Ordinary dairy farmers are doing what we have talked about already—sharing information and best practice, learning from one another and making their businesses more profitable. They are also able to negotiate with the dairy company from a position of strength, rather than individually. That has been a great success—we need to see more of it throughout Scotland.

The Convener: I will bring in David Michie to answer briefly, because it was quite a specific question.

David Michie: I am not sure, but perhaps the legislation in other EU countries is easier. In France, for example, there are incredibly powerful co-ops and the price of milk is much higher than it is here and much more stable—it does not have that volatility. France is part of the EU and the

CAP, so whether legislation is needed to do that is questionable.

Maureen Watt: I have a follow-up question. The Scottish Government has stated that the bill provides powers to revoke the EU food promotion scheme following EU exit because the Scottish Government can provide the same support via domestic means. What are your thoughts on the potential revocation of that scheme? Do you agree that the support can be provided by other means? That question is probably for QMS.

Sarah Millar: The nuance of the current situation is that only member states can apply to the EU food promotion scheme, so, as I understand it, Scotland cannot apply directly to the scheme at the moment. However, QMS, alongside other organisations, has previously benefited from those moneys. The Scottish Government has supported us over the past few years, particularly in relation to our marketing activities. For example, £200,000 was announced this year to supplement the hugely successful “Scotch Lamb, Naturally” campaign—I do not know whether anyone was in Glasgow on Saturday and saw samples being given to thousands of Argyle Street shoppers. The evidence suggests that support can be provided without that EU scheme.

The Convener: Perfect. Does Martin Morgan want to come in on that?

Martin Morgan: Yes. Support for promotion is obviously a good thing, particularly if you have a brand such as “Scotch” to promote and protect. It is a very competitive market out there, so anything that a business can do to raise its profile with the consumer is beneficial.

Jamie Greene: I was on the Isle of Cumbrae on Saturday. If I had known that they were giving away free lamb in Glasgow, I would have moved my street stall there.

I will ask about marketing standards. Sarah Millar alluded briefly to the absence of certain categories, but section 8 of the bill allows Scottish ministers to amend the marketing standards for products that are sold in Scotland. That needs to be considered in the context of the UK Agriculture Bill, which may or may not be re-presented when a new Government takes office. Do the witnesses have any concerns about, or comments on, the potential divergence between marketing standards in Scotland and those in the rest of the UK, if the Scottish Government chooses to align with EU standards rather than any divergent UK standards?

The Convener: That is probably for Martin Morgan or Sarah Millar. Who would like to go first?

Martin Morgan: It could be a double-edged sword. Marketing standards can become too

prescriptive and introduce extra costs for no real benefit. The other side of that coin is that they give uniformity, so businesses are matching up to the same standards as their competitors—they are competing on a level playing field.

Sarah Millar: On what the technical detail means in reality, I referred earlier to the ability to amend the EUROP grid and bring in specific carcase-grading specifications. In Scotland, we are looking to produce products that suit our Scottish consumers or for which we have identified that we have an export market.

The ability to not utilise genetically modified organism technology is implied in section 8(2)(f). Wherever anyone sits on the two sides of the debate on that, if there was divergence from the UK approach, that could cause issues for Scottish consumers. That goes back to the supply chain and looking at where inputs come in. For example, if a cattle farmer in Aberdeenshire bought in feed that included wheat that was grown south of the border, where a different policy or legislative base allowed GMO production, there could be a cost to the Scottish farmer. There needs to be a bit of thought about that specific issue and how those areas interact.

Jamie Greene: How much Scottish red meat is sold in Scotland versus the amount that is sold in the rest of the UK and Europe? Will you give us some context, as it is quite hard to picture how a policy misalignment would affect the market?

Martin Morgan: I do not have the statistics on that, but perhaps Sarah Millar does.

Sarah Millar: They are not in my brain at the moment, so I cannot give the committee an honest answer. I could come back to the committee on that, although it is not my specific area of expertise. From memory, I think that around 80 per cent of produce remains within the United Kingdom, but I could not say what the split is between—

The Convener: It would be helpful if you could let the clerks have those figures in due course.

Martin Morgan: More lamb than beef certainly goes to Europe. I think that around 30 per cent of our lamb output goes to mainland Europe and that 80-plus per cent of our beef stays within the UK market.

The Convener: Figures from Sarah Millar would be useful.

Jamie Greene: I asked that question to give us some context. We are looking at the powers that the bill confers on the Scottish ministers to go in a different direction or to align with standards that are different from those of the UK Government, and it would be helpful to know whether that would have an effect on the ability of Scottish red meat

producers to sell into the internal market, which seems to be the largest market currently.

Was the industry consulted on the provisions in that part of the bill? If not, how would you like to be consulted on the regulations if the Government wanted to make such changes?

Martin Morgan: We were asked to respond to the first consultation and we did so. Obviously, we have seen the bill, and we are involved in a variety of stakeholder groups that the Scottish Government has organised in which such issues are discussed. Those groups meet regularly. The level of Scottish Government engagement and consultation that we have experienced has been satisfactory.

Sarah Millar: I agree with Martin Morgan. QMS is a non-departmental public body, so we are at arm's length from the Government, but we have been involved in multiple stakeholder groups. We also work directly with ministers at times. The consultation has been adequate, and we will feed into the consultation that is live at the moment.

The Convener: Does David Michie want to add anything about the consultation stage?

David Michie: No.

Stewart Stevenson: I have a very small question. I want to put it on the record that we thought that section 8 sets minimum standards and that, because we as a country essentially produce products that compete on quality and not on price, minimum standards help the industry as a whole. In particular, I point to—as I have done elsewhere—the Immature Spirits (Restriction) Act 1915, which eliminated from the market whisky that was less than three years old and set an international understanding of our quality product. Is that section taking us in that general direction?

Martin Morgan: It certainly looks like it.

The Convener: I see the witnesses nodding.

John Finnie: I have a couple of questions, the first of which is for David Michie. Do the provisions on marketing standards—or any of the other provisions—have implications for organic production, processing and marketing?

David Michie: I do not know. All our organic standards are based on an EU regulation. I guess that it comes down to the trade agreement and the common framework arrangements. Things are just uncertain at the moment.

John Finnie: My second question is for the whole panel. What are the implications for consumers of the power that the bill would grant Scottish ministers to change marketing standards?

Sarah Millar: As Martin Morgan mentioned, there are regulations that specifically relate to food

safety, so I have no concerns about consumers in that regard. Given changes to carcase and market classifications in particular, the proposal gives us a greater ability to produce products that consumers value.

The Convener: I do not see any violent disagreement with that view. Colin Smyth will ask the next question.

Colin Smyth: Part 2 of the bill includes provisions on the collection and processing of agricultural data. Do the witnesses have any reflections on that part of the bill? Will it mean that the right data is collected? Is it future-proofed?

Martin Morgan: The objective is laudable, but what is going to be done with the data? What is the purpose of collecting it? What benefit will collecting it bring? Could it be shared with the wider industry so that people are able to pick up on best practice?

A key feature of the beef efficiency scheme, which is part of the current rural development programme, is the collection of data on DNA, genetics and so on. As far as I am aware, that data is currently being analysed, and the intention is to cascade it. Obviously, that would be a good thing, but it does not seem to be happening quickly.

David Michie: It is perhaps a question of getting the balance right. Data needs to be collected so that we know what is happening, but we do not want to overburden the industry. Thought must be given to the questions that you ask so that you can be sure that the information that you get will help to inform decision making in the right way.

Sarah Millar: I will mention something that I have already talked about—I apologise if I sound like a broken record. There is an issue with communication throughout the supply chain. QMS makes use of the statutory price reporting and puts that information out to the industry. It would be helpful if we were able to collect other market information, such as data relating to carcase weights and fat grades. If we had that information, we could work with organisations such as ScotEID, which is the Scottish farm data centre—that is a simplification of its role—to improve supply chain communication in a way that would be valuable to farmers and processors.

The bill provides for the provision of information to someone

“who may be a person other than the Scottish Ministers”.

I think that that makes that clear.

The Convener: “The Farm Management Handbook” is a useful guide to what the best and the worst are doing across Scotland. That seems to be a good way for farmers and producers to see

what is going on. Are such books a useful way forward, and would you promote them?

Sarah Millar: Absolutely. QMS provides enterprise costings every year. That involves providing datasets on different enterprises at different levels, which consultants and farmers can use as a benchmarking tool. I would like to see that become more of an automated process. You do not need to legislate for that information to be provided—we can work with individuals and organisations on that, as we already do. However, it would make things simpler, at a macro scale, if we could get some automation around those data pieces. We talk about automated benchmarking, which would enable us to compare farms of similar types, even if they are in different regions or locations—as we all know, no two farms, even if they are in the same area, will be the same. It would be useful to be able to compare apples with apples, and introducing the automation that I am talking about would enable that, as long as it was used in the correct way.

David Michie: Benchmarking is important, and it fits into enabling change. With regard to where we want to be at the end of 2024, we absolutely want to build resilience in the sector. There needs to be an improvement in financial literacy, and what we are discussing is a key part of that. We need to know where the industry is at the moment.

As an adviser, I used to collect enterprise costings for the QMS booklet. That was probably not the best way of doing things, and I think that there is probably something that we could do through the provision of data to get a good picture of where farmers are at the moment, which would help us to enable them to build in the resilience that they need in order to get to where we need to be. Benchmarking also includes environmental benchmarking. We should not think only about the economics; we must think about the wider context, too.

Martin Morgan: I am a city boy born and bred, so I really do not know much about farming. However, I am told that farmers are naturally inquisitive about what their neighbours are up to. Any tool that enables them to find out how they can get better is to be commended.

The Convener: I am sure that farmers are not competitive and would never try to outdo their neighbours. That might be a good point on which to draw this session to a close. I thank our witnesses for giving evidence. We will now move into private session to consider what we have heard today.

11:31

Meeting continued in private until 11:50.

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