

21 April 2023

Rural Affairs and Islands Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Members,

I write following the request for additional information on the concerns that NFU Scotland has about the potential future divergence in agriculture policy between Scotland, the other nations of the UK, and with the EU. This follows the oral evidence of 22 March.

Future Funding

NFU Scotland is calling for a multi-annual, ring-fenced funding commitment for agriculture from both the UK and Scottish governments. Ambiguity regarding funding post 2024 is causing great concern for our sector. Food security and production are such key issues and uncertainty surrounding future funding is severely undermining farm business confidence – as evidenced by our intentions survey of members undertaken at the turn of this year.

Funding from the UK Government is committed until the next general election. Without government investment, the vast majority of farmers in Scotland would find it impossible to generate sufficient funds to reinvest and maintain their viability and competitiveness. Any reduction in funding would negatively impact consumers, food production and rural communities. It would also significantly undermine Scotland's aspirations to grow the food and drinks sector, as the major plank of green economic growth, whilst sustainably tackling climate change, nature restoration and rural depopulation.

The funding question of the UK Government and its allocation by the Scottish Government are critical to the future prosperity of Scottish agriculture and all the policy aspirations that are reliant on active farming and crofting.

Agricultural policy in both Scotland and England is undergoing significant changes. It is clear that divergence in policy direction and approach will continue going forward.

Currently, the Scottish Government receives a percentage of funding from the UK Treasury, linked to funding for agriculture south of the border, equivalent to about 17 per cent of the overall budget provided by the UK Treasury across the UK in lieu of the funding once received via the Common Agricultural Policy.

However, it is not clear how agriculture policy divergence in Scotland and England will impact the financial settlement for agriculture going forward. What will significant changes in approach by either government mean with regard to the allocation of funding? How will the different approaches to delivering the different ambitions be considered by the UK Treasury?

It is important that the UK Treasury and the Scottish Government commit to multi-annual and ring-fenced funding and agree how the future allocation of funding will reflect the different approaches being taken so as not to negatively impact our sector which is the lynchpin of rural communities and economies in Scotland.

Internal Market Act

NFU Scotland has concerns in relation to the UK Internal Market Act and its possible impact on competitiveness.

One recent example of divergence is gene editing which can be used to produce crops and livestock which can have characteristics that will benefit animal welfare, public health, the environment, and farmers.

The UK Government recently passed the Genetic Technology (Precision Breeding) Act 2023. The Scottish Government does not support gene editing at this time so farmers in Scotland will not be able to use gene editing technology and innovation.

The UK Internal Market Act establishes two market access principles to protect the flow of goods and services in the UK's internal market: the principle of mutual recognition and the principle of non-discrimination. The Act means that the market access principles apply even where divergence may have been agreed therefore gene edited produce can be sold throughout the whole UK.

In addition to the positive impact on climate change, gene editing should also result in lower input use and potentially in lower business costs and improved profit margins. Therefore, farmers in Scotland will be at a competitive disadvantage. NFU Scotland supports gene editing and is encouraging the Scottish Government to enable farmers in Scotland to use this technology.

Policy Divergence

Given that Scotland's agricultural profile is markedly different from the rest of the UK, it is important that Scotland can decide on agricultural policy priorities to suit Scotland's unique farming and crofting landscape, and the sectors and businesses it comprises.

We understand that UK Government Ministers have the power to disapply the market access principles set out in the Act, where the UK Government has agreed with one or more of the devolved governments that divergence is acceptable through the Common Framework process. While we acknowledge that all four parties have agreed a process for considering exclusions, it is still unclear how this would work in practice.

The UK Internal Market Act has primacy over the Common Frameworks, which are 'not intended to be legally binding or enforceable'. NFU Scotland is concerned that Common Frameworks do not clearly set out measures for assessing whether divergence will be acceptable or not. The precise decision criteria and relative weightings to be applied in the case of policy divergences are not specified.

Consequently, it is not clear what would trigger a disagreement or a dispute, nor how evidence and analysis would be used to seek a resolution. For example, it is not stated in the Agricultural Support Framework what would constitute sufficient market distortion or competitive inequalities to cause concern and trigger a response by the structures and processes set out in the Framework. Similarly, it is not clear how effects are to be measured in terms of data to be used and over what time-period.

I hope you find this additional information of value. If you require further insight or explanation, please do not hesitate to get in touch.

Yours sincerely,

Jonnie Hall
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NFU Scotland