



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 18 September 2019

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
25th 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:

Archie Gibson (Agrico UK)
Jonnie Hall (NFU Scotland)
Dr Carmen Hubbard (Newcastle University)
Eleanor Kay (Scottish Land & Estates)
David Michie (Scottish Environment LINK)
Sarah Millar (Quality Meat Scotland)
Steven Thomson (Scotland's Rural College)
James Withers (Scotland Food & Drink)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 18 September 2019

[The Convener opened the meeting at 10:20]

European Union (Withdrawal) Act 2018

Animal Health and Genetically Modified Organisms (Amendment) (EU Exit) Regulations 2019 (SI 2019/1229)

The Convener (Edward Mountain): Good morning, everyone, and welcome to the committee's 25th meeting in 2019. I am sorry for the slightly late start, which was due to a technical issue. I ask members and others who are present to make sure that their mobile phones are on silent.

The first agenda item is consideration of a United Kingdom statutory instrument that has been laid under the European Union (Withdrawal) Act 2018. We have received a consent notification and accompanying correspondence in relation to the instrument. Given that the Scottish Government has already consented to the instrument being made, the committee can now only consider retrospectively whether it is content that consent was given. We might want to respond to the Scottish Government to that effect or to take alternative action. The committee may also wish to ask the Scottish Government about the new UK replacement for the trade control and export system, as our paper suggests.

Before I invite comments—I believe that members might have a couple—as the instrument relates to agriculture, I must refer members to my entry in the register of interests, which states that I am a member of an agricultural partnership. That is also relevant to the second item on the agenda.

Peter Chapman (North East Scotland) (Con): Likewise, I need to declare that I am a member of a farming partnership in the north-east of Scotland.

The Convener: Thank you. Do members have any comments?

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I have a registered agricultural holding of miniscule size: it is 4 acres.

I want to make one comment, which I will preface by saying that I support what is being

done here. At the end of the day, I have no issues; what is being done is the right thing to do. I am not criticising, either, the way in which the Government has dealt with the matter at ministerial level, but I note that in her letter to us, the date of which I cannot quite read—it was written in August, anyway—Mairi Gougeon said:

“Please note, we are yet to have sight of the final SI and it is not available in the public domain at this stage.”

That is a pretty uncomfortable position to be in. Although the officials of the two Governments were working together and seeing drafts of the instrument and were saying to the minister, “It’s going to be okay,” the minister found herself having to comment on an instrument that she was unable to see, the contents of which she was therefore unable to guarantee. I want to put on record the fact that that is a pretty uncomfortable position to be in, even if everybody is good-hearted in their intentions and is trying to do the right thing. I am not recommending that that should lead to our taking any particular action; I regard it as sufficient to have put that point on the record.

Jamie Greene (West Scotland) (Con): As was mentioned in the conversation that we had before we went into public session, in general, it is not satisfactory protocol for the committee to be asked to note something for which consent has already been given. However, I note the extraordinary circumstances in which the instrument was presented to us and to the Scottish Government, and I appreciate the correspondence between the two Governments on the matter.

Given that there might be further instruments of this nature before 31 October, I ask that the committee stresses on all parties that it is preferential for it to be given adequate notice to review such instruments in advance of ministerial authorisation or approval being given, rather than after the fact.

The Convener: The point that Stewart Stevenson made has been duly noted on the record. I think that it would be right for the committee to say that it would appreciate seeing such instruments before consent is given, although it understands that there might be circumstances in which that is not possible.

Those two points having been made, does the committee agree to write to the Scottish Government to confirm that it is content that consent has been given?

Members indicated agreement.

Implications of Brexit (Agriculture)

10:25

The Convener: Item 2 is evidence from a range of interested organisations and individuals on the implications of Brexit for the agriculture sector. As this is the first of two round-table discussions—the second one will be on fishing—I would like to do things slightly differently from the way we normally do them, by asking individuals to introduce themselves as we go round the table.

I will start by saying that I am a regional member of the Scottish Parliament for the Highlands and Islands.

Archie Gibson (Agrico UK): I am the executive director of Agrico UK Ltd, which is a subsidiary of a Dutch-owned co-operative. We specialise in the introduction of new potato varieties and multiplying seed potatoes. We are based near Forfar. I was one of Fergus Ewing's agriculture champions—I specialised in food and drink. I was also on the National Council of Rural Advisers.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): I am the MSP for Aberdeen South and North Kincardine.

Eleanor Kay (Scottish Land & Estates): I am the agriculture and forestry policy adviser for Scottish Land & Estates.

Angus MacDonald (Falkirk East) (SNP): I am the MSP for Falkirk East.

David Michie (Scottish Environment LINK): I am deputy director at Soil Association Scotland.

Colin Smyth (South Scotland) (Lab): I am an MSP for South Scotland.

Jamie Greene: I am an MSP for the West Scotland region.

James Withers (Scotland Food & Drink): I am chief executive of Scotland Food & Drink, which is the industry development body that is tasked with growing the food and drink sector in Scotland. We are a membership body, too—about 460 companies and organisations across the food and drink sector are members of our organisation.

Stewart Stevenson: I am the MSP for Banffshire and Buchan Coast.

Richard Lyle (Uddingston and Bellshill) (SNP): I am the MSP for Uddingston and Bellshill.

Steven Thomson (Scotland's Rural College): I am from Scotland's Rural College. I also act as a key lead for communities and business for the strategic research programme that is delivered

through the Scottish Environment, Food and Agriculture Research Institutes Gateway.

John Finnie (Highlands and Islands) (Green): I am an MSP for the Highlands and Islands.

Jonnie Hall (NFU Scotland): I am director of policy with NFU Scotland.

Emma Harper (South Scotland) (SNP): I am an MSP for the South Scotland region.

Dr Carmen Hubbard (Newcastle University): I am from Newcastle University.

Mike Rumbles (North East Scotland) (LD): I am one of the MSPs for the north-east of Scotland.

Sarah Millar (Quality Meat Scotland): I am the head of industry development at Quality Meat Scotland, which is the red meat levy organisation in Scotland. Our strategy is to help to deliver a sustainable, professional, resilient and—most importantly—profitable red meat industry to contribute to the £30 billion by 2030 target that has been set by Scotland Food & Drink. We are a non-departmental public body, so we are restricted in what we can talk about when it comes to policy, but we can identify in detail challenges and can recognise solutions that will help to meet those.

Peter Chapman: I am an MSP for the North East region.

The Convener: Thank you. I will explain how things will work. Committee members will introduce various themes. If you would like to comment, try to catch my eye. Once you have caught my eye and I bring you in, do not worry about pressing any buttons on the consoles. That will all be done remotely, as it were. When you are speaking, do not look away so that you cannot catch my eye again, because I will have to signal vigorously with my pen that you are coming to the end of your time so that I can get others in. It is really important that everyone gets a chance to speak. If you look at me, I will be able to bring in the next person. I also ask you to keep your contributions as focused as possible—we have about two hours—as that means that everyone will have a chance to contribute.

Emma Harper will lead off on the first theme.

10:30

Emma Harper: Good morning, everybody. My question does not have a big long preamble. Basically, I am interested in what the Cabinet Secretary for the Rural Economy stated on 16 May. He said:

"There would have been severe disruption to our supply chains, the imposition of punitive tariffs, the loss of markets and the introduction of complex and costly non-tariff

barriers, including the requirement for export health certificates.”—[*Official Report*, 16 May 2019; c 50.]

How involved are you and your organisations in the Scottish and UK Governments’ preparations for Brexit?

The Convener: If all the witnesses look away, the danger is that I will just nominate somebody and they will not be ready.

Jonnie Hall: Can I just clarify that we are talking about Fergus Ewing’s comments in relation to a no-deal outcome and what the implications of that might be for Scottish agriculture?

Emma Harper: Yes.

Jonnie Hall: We share some of the significant concerns about a no-deal situation, which is more of a probability than the possibility that it was in the past. As we approached the 29 March deadline, the UK Government’s no-deal preparations included various pieces of work on tariff schedules and so-called preparedness, none of which filled us with any confidence. Those measures would have afforded some protection for more vulnerable sectors, especially the sheep meat sector, but what we would describe as the asymmetric approach to those tariffs would have exposed other sections of Scottish agriculture.

Our biggest concern about a no-deal exit is that nothing has changed. We passed the exit days of 29 March and 12 April, and we now face an exit day of 31 October. Setting aside all the politics, the threat of a no-deal exit remains absolutely clear. We are very clear in our assertion that a no-deal crash out of the European Union would be highly damaging. The UK Government has often referred to it as a “bumpy road”, but I think that it would be highly damaging to certain sections of Scottish agriculture. That threat continues to undermine confidence in the industry.

James Withers: I echo Jonnie Hall’s comments. My interest is in having a strong, resilient agriculture sector, which is the foundation of much of our £15 billion food and drink sector. We have been heavily involved in Brexit preparations—we have been involved in UK Government and Scottish Government-led groups. I echo the cabinet secretary’s concerns. I think that the industry is resilient, adaptable and talented enough to navigate its way through a Brexit deal, whatever form that might take, but a no-deal exit could have a disastrous impact, particularly on our sheep sector. My own view is that it would have the same economic impact as the foot-and-mouth outbreak in 2001, in terms of our main export markets closing.

A lot of planning work is being done. A particular challenge is the fact that it turns out that there is something worse than a no-deal exit at the end of

March, and that is a no-deal exit at the end of October. We cannot ask companies to stockpile ingredients as we head into the Christmas build-up. There are seasonality issues in relation to the sheep sector as well, so an end-of-October no-deal exit would be even worse than the scenario that we faced back at the start of March.

I am keen to state that we cannot plan our way out of the impacts of a no-deal Brexit, even though we can mitigate some of them. I flag up export health certificates as an example. We issue about 15,000 of those certificates a year across Scotland. In a no-deal scenario, we will suddenly need them for trade with the EU. Frankly, in a deal scenario, we will probably also need them for trade with the EU. It is estimated that more than 100,000 certificates might need to be issued. I do not believe that the current system can cope. It will fall down on 1 November if we require export health certificates, which means that even if we can get through disruption at ports, our ability to get products such as seafood and, crucially, animal-derived products to the continent will be massively compromised. The impact of that could send some smaller manufacturers under.

Steven Thomson: I want to pick up on Jonnie Hall’s point about the Department for Environment, Food and Rural Affairs and Treasury tariff schedule and whether it gives support to the sheep meat sector. I would say that it probably does not because of the tariff-rate quota that we already have, which is significant. New Zealand is not fulfilling its quota at the moment. The tariffs that have been implemented do not matter for the sheep meat sector at the moment because that tariff-rate quota, if it is utilised, will continue to see sheep meat flowing into the sector.

On the tariffs, it is important that we acknowledge that DEFRA and the Treasury had an incredibly challenging role to play in trying to make sure that there will not be significant consumer price inflation, at the same time as trying to make sure that vulnerable sectors are supported. That is why the beef schedule—in particular, the 230,000 tonnes of tariff-rate quota—will enable beef to come into the country to make sure that there is not significant consumer price inflation. The dairy farmers could have had support, but they have not been given that in the tariff schedule, because we are a huge net importer of dairy products.

We must also acknowledge—it is interesting that we always focus on agriculture—that there will be a significant knock-on effect on the wider rural economy; I am talking about agri-supply chains. Some of the work that we have been doing in the strategic research programme shows just how linked the rural economy is to the land-based

sector. We must remember that the impact goes way beyond agriculture.

The Convener: Stewart Stevenson can come in briefly, and then I will go to Archie Gibson.

Stewart Stevenson: I have a narrow supplementary question based on what James Withers said about export health certificates. I understand that those certificates will be one of six pieces of paper that will be required for food exports, compared to one at the moment. I wonder whether colleagues round the table have talked to councils about that, given that it is trading standards departments that issue those certificates. I have talked to Aberdeenshire Council about the issue, and it told me that it simply will not have sufficient resources to give a speedy response, particularly where live exports of seafood and so on are concerned. I wonder whether the other councils in Scotland are in a similar position. I am in no way criticising Aberdeenshire Council—those are just the facts as they have been explained to me.

The Convener: We will maybe come back to that. I am going to go to Archie Gibson, and then Sarah Millar and one or two other people want to come in, so we will see if the answer comes out in that.

Archie Gibson: To try to answer the earlier question, I will focus on plant health aspects. I appreciate that the animal export health certificate issue is extremely pressing but, for the Scottish seed potato industry, 100,000 tonnes of potatoes are exported annually to different countries, and most particularly to Egypt. Some work has been done by Science and Advice for Scottish Agriculture, in conjunction with the Food and Environment Research Agency, with the Egyptian authorities to publish what is called an order. The order would indicate that the Egyptians are willing to take Scottish seed this season at the end of October but, as James Withers alluded to, the October deadline is challenging because most exports go out before Christmas and into the early part of the new year. As it stands, unless we have a transition arrangement, there will be no clear mechanism for seeds to be exported to countries where the deal has been negotiated by the EU but affects us as an individual member state.

SASA takes the lead within the UK when it comes to plant health passports and phytosanitary regulations, but it has to do that through the appropriate channels in DEFRA. I have written to SASA and to the Scottish Government policy people to ask exactly what the label will look like. For example, just to give you a tiny detail, the plant passport label on each and every consignment of seed leaving the UK has a big “EC” on it so that it is clear that it is under European regulations, with which UK regulations

are harmonised. If we have a no-deal exit and no transition and an official who has not been properly briefed, whether on the Canary islands under Spanish jurisdiction or in Morocco or Egypt, says, “The UK can’t export with an ‘EC’ label because it is no longer a member,” the danger is that the stuff perishes on the quay.

That could be very damaging to Scottish industry and to our reputation, so it is an area of concern that the committee will want to be aware of.

Sarah Millar: I want to reiterate the comments that Jonnie Hall and James Withers made about the danger of a no-deal exit to the Scottish livestock sector. There is a particular danger for the sheep sector, but there are also concerns for the beef and pig sectors. In the sheep sector, we are in the middle of our prime sale season just now. There could not have been a worse time to have a no-deal exit, as James Withers alluded to. More importantly, this is the time when the tups will be going out for next year’s mating season for next year’s crop of lambs, so any decision or indecision now will not only impact on farm finances this year; the impact could go on for many years to come. A no-deal exit will have long-term implications as well as short-term ones.

As an organisation, we take the possibility of a no-deal exit very seriously. We have been involved with the Scottish and UK Governments in resilience group planning, but we need information coming through so that we can reiterate it back to the farming community and our wider stakeholders.

Dr Hubbard: I am on exactly the same wavelength as Sarah Millar. When we talk about implications, we need to differentiate between the short-term implications and the medium and long-term ones, because they will be very different. It is true that the uncertainty means that we cannot say exactly what will happen. The original question was about a no-deal exit, but even in the case of an agreement with the European Union, there will still be some transaction cost at the border. We will get a deal but, even if we get a free trade deal, it will not be the same as we have currently, under which we can just trade freely.

I agree absolutely with Archie Gibson on labelling. That will be a very short-term implication that will have an immediate impact.

The Convener: Peter Chapman wants in, and after that I will go back to Jonnie Hall, who is probably itching to answer Stewart Stevenson’s question on documents—somebody is going to have to answer it. I will then come back to Emma Harper to see if she has a follow-up question before we move on to the next theme.

Jonnie Hall: To be honest, I was not going to answer that.

The Convener: Well, you are now.

Peter Chapman: I have a follow-up to Archie Gibson's point about the seed tattie situation. Obviously, we recognise how serious the paperwork and the labelling situation is. Do you have any feeling or idea that that is likely to be sorted by the end of October? What negotiations are going on and how well down the road are you to sorting out the issue?

Archie Gibson: As I mentioned—although I did not complete the story—I wrote to SASA and the Scottish Government policy people, and I have had a verbal indication back from someone whom I know and trust at SASA. Two labels have been produced: one with “UK” on it and one with “GB” on it. Apparently, the “GB” one is the favoured one, but it will be used only when we know whether we have a transition, in which case we will probably carry on with “EC” labels, or a no-deal exit, in which case we will move to “GB” labels. The draft labels have been designed and will be printed by SASA and, I presume, sanctioned by DEFRA. However, unless and until we get it in writing, we do not know whether the change would be promulgated and communicated via the EU to individual representatives.

Jonnie Hall: I will extend the discussion a wee bit and take us away from tariffs and certification issues and things like that. Obviously, the UK and Scottish Governments are involved in discussions around mitigation measures for particular sectors. Again, I go back to the sheep-meat sector. Offering a temporary form of assistance to that sector, which would be significant to the interests of the Scottish sheep sector, is not straightforward either because, although financial assistance may be found from the UK Government across the UK, it will be important that that is done in the right way and in a way that protects Scotland's interests.

10:45

There are two avenues of approach. We could introduce something called a variable premium, which would essentially prop up the market, or we could introduce something like a ewe premium, which would be a direct support to the primary producer. My real concern about that is that we end up with a differentiated approach across the UK, which might have a distorting effect on the internal UK market as well. The position gets more and more complicated.

The Convener: Emma Harper wants to come in. James Withers wants in also, so maybe he will be able to help with your question, Emma.

Emma Harper: There is obviously a lot of uncertainty and insecurity and people are worried. However, in the summer, we heard that 75 per cent of farmers had not done any preparation for a no-deal exit, so how resilient is the Scottish food industry and what needs to happen to support rural businesses and the rural economy?

The Convener: I will bring in a couple of people and then, because we have quite a lot of other themes, we will probably move on. James Withers can come in and then I will bring in Eleanor Kay, because she has not had a chance yet.

James Withers: I will offer a brief answer to Stewart Stevenson's question, as I understand it. A disproportionate amount of the certification burden falls on a small number of local authorities. The burden is not proportionate to the amount of food and drink trade that is done in a particular region; it is about the shape of the businesses because, whether a business is exporting a 5kg box or a 5 tonne container, both require that document and form. For Argyll and Bute Council, Highland Council and Shetland Islands Council, which, from memory, account for about 40 per cent of all the certificates issued and which are areas with comparatively smaller businesses, the burden of certification is much greater. The sheer number of certificates that they have to issue is huge. A disproportionate burden falls on a small number of local authorities, and the challenge is that we cannot just throw money at the problem. Even if we ring-fenced £1 million to hire X number of environmental health officers, my understanding is that they are just not there to be hired.

Emma Harper asked how resilient the sector is. My comment would be that it is not resilient enough. If you were a sheep farmer asking that question, I honestly do not know what I would say about how to prepare for a no-deal exit. In the longer term, the absolute trick for Scotland is to sell a broader range of products to a broader range of markets. We sell two thirds of all our food exports to Europe, which is why Brexit is so scary. The situation is improving because, only five years ago, the figure was 80 per cent. The value of trade with Europe is increasing, but our overall reliance is dropping because we are selling faster elsewhere. We need a broader range of markets, but that takes years. It is happening and there is great investment from Government and industry in markets elsewhere in North America, the middle east and the far east, but it takes years to build up that spread of markets. The whisky industry has done it, but that has taken a century.

Eleanor Kay: We know that the industry can adapt when thrown into challenging situations, but we also know from the extreme weather payments that we have needed that we cannot adapt as quickly as we need to and that we are not as

resilient as we should be. Perhaps because the majority of producers do not export and do not have that direct market, there is a disconnect and we are not sure what we should be doing. We know that we should probably be doing something, but there is no incentive or immediate need to change our practice, which is possibly why 75 per cent have not made any changes. The producers know that they need to make changes, but they are just not sure what those changes are.

To make those changes, we need knowledge and better understanding of the market at primary producer level. We also need investment to be able to mitigate and make the most of the new markets that we have. There will be a change of policy, and we need to start having the discussion about that now.

The Convener: Just as I thought we were getting to the logical place to move on, a whole lot more hands have gone up. I will bring in David Michie, because he has not had a chance to speak.

David Michie: I want to talk about the implications of a no-deal exit for UK organically certified produce. In the case of a no-deal exit, the UK will be a third country and organic certification will not be recognised in the EU. The control bodies in the UK have submitted applications for recognition to the EU, but that is a political rather than a legal position, so there is absolutely no idea of timescale and when the decision will be made. According to DEFRA, there have been some trade deals with Australia, Canada, Israel, New Zealand and the USA. However, we understand that some of those are temporary in nature and some cannot be confirmed or come into effect immediately. In other words, a no-deal exit would be pretty catastrophic for organic certification in the UK.

Sarah Millar: On resilience, which Eleanor Kay talked about, over the past three and a half years, QMS has been running the monitor farms Scotland programme. We have nine monitor farms across the country, from Shetland down to the Borders and into Dumfries and Galloway. More than 6,000 farmers have engaged in that programme over the three and a half years and have looked at how they can make their businesses more resilient. However, as Eleanor Kay said, we need more knowledge exchange. We need such programmes to enable farmers and take them on the journey that inevitably everyone will have to go on as we transition to new trading and policy arrangements. The uncertainty will not go away. A big part of dealing with that will be providing wraparound support to take farmers with us to the new world that we see ourselves in.

Steven Thomson: Some of our research for the Scottish Government has shown that quite a lot of farmers are not prepared or do not think that Brexit

will have a significant impact on their businesses. That is not unique to farming, because we have been doing rural business surveys as well, and we are finding pretty much an identical pattern in the wider rural business base as we find for the farming base with regards to whether businesses think that Brexit will have negative or positive consequences for them. Younger businesspeople and farmers tend to believe that the disruption that Brexit will create will create market opportunities, whereas older people are the most negative towards Brexit, which is probably because they do not want to have to make changes to their business in their later years. There is an awful lot of uncertainty.

To be fair, if I was farming just now, I would be uncertain as well, because farmers are making decisions based on pulling numbers out of thin air because there is no real direction. There are things that people can do to be prepared for different scenarios, so that, if X, Y or Z happens, they know what is coming and can make changes to their businesses. However, we know that businesses are not investing just now because they are in an uncertain period.

John Finnie: I am enjoying the input so far. There has been a lot of reference to the sector, but significant reference has also been made to farming. Could I ask our participants to have some regard in their responses to the crofting communities, because they have a number of unique features that are worthy of commentary?

The Convener: That is an important point to carry through to the rest of the discussion.

I know that there are people around the table who will feel aggrieved that I am not bringing them in on that theme. I apologise, but I am trying to manage the process to give everyone a chance. Angus MacDonald will now introduce the second theme.

Angus MacDonald: Good morning again to the panel. I will look at the workforce challenges. We are well aware that our agricultural sector relies heavily on seasonal non-UK workers, particularly from central and eastern Europe, to meet the labour demand. We also know from a recent Scottish Parliament information centre briefing that, even prior to the 2016 referendum on exiting the EU, the veterinary profession—to take one example—was facing challenges in recruiting and retaining staff and, clearly, Brexit, with its associated impact in Scotland, has the potential to add further uncertainty for EU nationals. Could the panel give the committee a sense of the impact that uncertainty around Brexit is having on the workforce in the agri-food sector?

Steven Thomson: Some of the work that we did for the Scottish Government last year was on

seasonal migrant workers, and we have had a follow-up survey this year to see what is happening. When you get words such as “business critical” coming back in the feedback, that is quite worrying. The story that we are getting is that it was more challenging to get the workers who came this year. People had to use recruitment agencies more. The big challenge is that nobody is certain whether those workers are coming back next year. Normally, 60 to 70 per cent of seasonal workers come back year on year. This year, employers are getting no indication that those workers are coming back, so there is a huge risk to them in their business planning for next year and the year after.

We tend to forget the other sectors of agriculture such as the dairy sector, which uses more permanent workers from the EU. Again, that is a worry. Will they continue to come? They come in five or six-year cycles, and there is feedback again that there are issues there. There are also the haulage and red meat processing sectors. It is a scary fact that we are heavily reliant on the EU workforce, so continued access to it is vital.

The Convener: I understand exactly what you are saying. Could you quantify how much of that, if any, is down to the value of the pound? Are lower wages being achieved now than before because the pound is worth less, so when workers take their wages home they are not worth so much? Is that an issue?

Steven Thomson: Yes, that is a reported issue. In the SPICe blog that I did for Parliament last year, I developed the argument that migrant workers have basically taken a 25 per cent cut in the past three years. It is not so different to what it was six or seven years ago, but those workers that came here three or four years ago have definitely seen a big hit. The other thing is that there are very low unemployment levels in Romania and Bulgaria, where a lot of seasonal workers are sourced; even youth unemployment has fallen considerably there. There are a whole host of factors, particularly the fact that seasonal workers are moving into areas such as Germany and Sweden, which may be closer to home and where there is less uncertainty.

The Convener: Thank you. I read the SPICe briefing that you prepared.

Archie Gibson: Earlier in the summer, I was invited by the House of Commons Scottish Affairs Select Committee to give evidence on migrant labour, which I did in conjunction with James Porter of Angus Soft Fruits. The potato sector and the soft fruit sector are mutually supportive; obviously fruit season happens before the potato season and the people used to go from one to the other. There are two agencies that have been set up—they are both based in the south of England—

to deliver 2,500 places with a £30,000 salary threshold.

The overwhelming evidence from everybody contributing on this subject was that that is completely inadequate. It is estimated that around 87,000 seasonal agricultural workers are required to bring crops in across the whole country. In the soft fruit industry in Angus alone around 14,000 people are required. Those people naturally flowed into the potato harvest and other activity, such as storage and grading throughout the winter months. It worked for the migrants and it worked for the businesses. If those people whom Steven Thomson has identified simply do not come because of improving economic activity and opportunities in their home countries and the devaluation of sterling, it will be very challenging.

I should say at this stage that only in some sectors—and, frankly, not soft fruit or potatoes—are there robotic or technological solutions at this time, so it is not a question of simply investing, perhaps with some support, which the unsupported sector would welcome, in getting a machine to do it for you. There are mechanically harvested blackcurrants for Ribena for industrial customers, but that is a slightly different thing. Handpicked fruit has to be handpicked.

Jonnie Hall: I echo the points that Steven Thomson and Archie Gibson have just made. We have always taken the view that the issue of immigration and Brexit—the people issue—is hugely challenging for Scottish agriculture. We have to be very careful about how we cut it. It is not simply a matter of seasonal availability; it is not just about numbers. As has been identified, it is about seasonal and permanent employment. It is about on-farm and off-farm employment in the processing sectors, in haulage and in all the distribution networks. It is also about the issues around skilled and what we would call competent labour.

11:00

That then introduces Archie Gibson's point about the seasonal agricultural workers scheme pilot that is being run and the salary thresholds and numbers for that being totally inappropriate to the agricultural sector. We have made lots of representations to the Home Office and the Migration Advisory Committee to say that those need to be reviewed. There is further consultation going ahead, but there still remain significant shortfalls in what will be required in order for Scottish agriculture to function effectively. When I say Scottish agriculture, I embrace in that the whole food and drink sector.

I also endorse what Steven Thomson said about the economic prospects in the rest of the EU. We

are not talking about EU labour any more; we are talking about non-UK labour, because I think that Scotland and the UK will definitely have to broaden our horizons to a non-EU workforce from further afield, from Ukraine for example. We need a mobile and able labour force to effectively harness what we do in Scotland.

Jamie Greene: This is a very interesting subject. There are obviously certain things that the Government can control, such as its visa structures, but clearly there are other things that it cannot. We have talked about the currency fluctuations that have the potential to devalue the take-home revenue, as well as the economic situation in the countries where we are currently recruiting. Is it the case that, as countries that are closer to home develop and become more economically advanced, we are seeking a workforce from countries further away, such as Turkey or Ukraine? Then, when those markets do well, are we looking further, to south-east Asia, Africa and other parts of the world? Even if the visa system was perfect, which clearly many people think it is not, is that a long-term solution to the issue of how we resource these manual jobs? What is industry doing to plan for the future to ensure that we have people to pick the fruit and do the work that we need them to do and that we are not simply reliant on this type of migrant model?

The Convener: There are people queueing up to come in. I am going to go to Sarah Millar, although I noticed Carmen Hubbard nodding there, so I will bring her in relatively shortly.

Sarah Millar: A couple of themes came out there. One issue that we have in the red meat sector, which has already been highlighted, is our abattoir staff. We have plants that are running undercapacity due to the lack of workforce. This is a serious issue that is hitting now and it is not one that is still to come. It is impacting now. There are implications further down the chain. If plants are not operating at capacity, that means that there can occasionally be bottlenecks and waiting lists, which means that livestock that are ready to be slaughtered have to wait, which means that they can go out of specification and the high-quality end product is not as good as it could be. There are implications that do not just end in the processing sector. Again, as both Steven Thomson and Jonnie Hall and others have said, the £30,000 threshold is irrelevant to our abattoir staff. That is a challenge for that sector.

On some of the other themes, and particularly Jamie Greene's question about what businesses are doing, we have a challenge in the processing sector. On farm as well, it has been recognised for a long time that we have fewer young people coming through. QMS, alongside others in the room, has been looking at how we can work with

the next generation. We have gone into schools, universities and colleges and highlighted what career opportunities are available, not just in farming but in the wider food and drink supply chain. We have looked at some of the different skill sets that can be applied to show it as the vibrant, flourishing part of the economy that it is. There is a piece of work to do to attract our own into the sector, but there are significant challenges on the ground.

The Convener: One sees quite a lot in the press about the difficulties of finding full-time labour to work on farms, especially in livestock industries. A lot of people are happy to drive tractors and work crops but are not prepared for the exceptionally hard work that is livestock production. Maybe that could be borne in mind.

Dr Hubbard: I agree with everything that has been said. I think again that we have to differentiate between unskilled and skilled. Others have pointed out the importance of skills and permanent labour in food processing and in the abattoirs. The vets are all coming from other countries, so if those people disappear across the supply chain, we will all probably feel some implications in the short and long term.

As I might have said to the committee before, I ran a project at Newcastle University in which we looked at the implications of Brexit using different trade scenarios. The report is quite long—it has 150 pages that nobody will read it, but it has an executive summary. Looking at the figures, we modelled free-trade agreements, World Trade Organization rules and unilateral trade liberalisation. Unfortunately we could not model the labour implications as such, but we did a sensitivity analysis and we came up with some figures. We took only the unskilled labour force in the post-Brexit period and we modelled it between 2017 and 2026. If the unskilled labour force is reduced, for example, by 10 per cent, we estimate a reduction in UK agricultural output of about 3 per cent. If the unskilled labour force is reduced by 30 per cent, UK agricultural output will decline by between 11 and 12 per cent. Those are quite important figures, reflecting the dependence of the agricultural sector and the food supply on labour coming from outside.

On what will happen in the future, it might be a little tricky not to rely on immigrants. We do not have the answer now. However, the UK population, in particular in Scotland, is ageing. That might be a problem in the future, so how that will be sorted out with our own people is a different question.

Emma Harper: I have quick supplementary question, which is maybe for Steven Thomson, on dairy workers, who are not seasonal. I have raised this in the chamber as well. Is there any research

specifically on how many EU citizens are working on our dairy farms, 48 per cent of which are in the south-west. Those workers' partners are working in care homes and in the care sector, and their weans are in our rural primary schools. A no deal would mean the immediate stopping of free movement of people. Do we know how many people we are talking about?

Steven Thomson: The reality is that we do not know what the permanent numbers are. When we were doing the survey work, I got anecdotal evidence from some dairy farmers in the south-west that they have 14 or 15 workers all from the EU who are potentially looking to relocate, depending on the outcome of Brexit, so we do not know.

Eleanor Kay: I echo Jonnie Hall's and Sarah Millar's points, but I add that the issue is not necessarily just in dairy and agriculture and the wider supply chain. There is also an issue in forestry. As we keep pushing more forestry on farms, we are struggling with forestry workers too. Also, given that families have come over, there is the knock-on effect on the service industry and tourism, which are so ingrained in the rural sector. It is not just one sector that is affected; it is all of us.

Essentially, we need to have a system or an approach that attracts the best and shows that we have skills, knowledge and experience and that it is worth coming to Scotland for that. Also, there is an effect on agricultural research and finding the right academics for that. It is so far reaching that we need to be pulling in a pool of resource from the whole world, not just the EU.

Angus MacDonald: Can you give us a sense of how the make-up of the workforce has changed since the referendum in 2016? Is a higher percentage of UK nationals filling posts, or are jobs remaining unfilled?

James Withers: I have seen a change in sentiment, rather than in the make-up of the workforce. There has been less interest in coming to the UK and Scotland because of uncertainty, because of the message about immigration that drove the Brexit debate and because of factors including devaluation of the pound and the upturn of economies in eastern Europe. They have been key, as has what the future visa system might be, how the EU settlement scheme has changed, and the alteration of that scheme in its short lifetime and the uncertainty that that has caused.

I do not think there has been a huge change in the structure of the sector: there is not much scope for that because of the relatively high level of employment and low population growth in some areas where the industry is most prominent, such

as the more peripheral and fragile areas of rural Scotland.

I will add what I think is an important point. We often talk about the non-UK EU workforce in the context of people picking fruit and low-skilled jobs. However, across the food and drink industry, and particularly in our processing agribusinesses, people from the EU are involved throughout the businesses. They are running teams, they are at the boardroom table and some of them are managing significant operations. Some of those people have come in at entry-level jobs, while others have been recruited into the more senior roles. That workforce is an issue right through the supply chain. It is not just that there is a gap in the night shift on the factory floor so we must reluctantly go to Poland to hire. Those people are integral to the whole agriculture employment structure in Scotland.

Steven Thomson: I would reiterate that point. Work that we have just done shows that of the permanent workforce in fruit and veg and horticultural operations, the vast majority are from the EU. We are talking about very large agribusiness operations. If you look at the output of the horticulture and potato sector, you will see that it is very big and is controlled by very few businesses.

Jamie Greene's point was valid: the model is such that we have to keep pushing further and further afield to get workers. That is not unique to Great Britain or Scotland. It has happened in America, Australia and other countries. That brings its own dynamics. Language becomes a barrier in respect of health and safety notifications and so on when the workforce is from multiple places. We have heard that when many different groups were working in the 2000 to 2005 period, that led to some interesting cultural dynamics on farms.

These are issues that we will have at some stage to overcome. Perhaps we will have to accept that consumers will have to pay more in order to allow us to pay the workforce more. All the workers are on at least the minimum wage, and some earn quite a lot through their piece rates, which enable them to earn £16 or £17 an hour. There is an interesting dynamic.

Archie Gibson: I will comment on something that Eleanor Kay touched on, which is academic support for our sector—for the rural economy in the broadest sense and, not least, for agriculture. We are very blessed in Scotland: we have the James Hutton Institute, SRUC, the Rowett institute, and the Moredun Research Institute on the livestock side of things. The SEFARI—Scottish environment, food and agriculture research institutes—banner, which Steven Thomson is very much involved with, is a hugely important asset,

so I urge the committee to recognise that in the broadest terms and to ensure that funding for those organisations is kept going.

11:15

My second point is on Angus MacDonald's question about whether we are doing a better job at bringing in long-term UK residents and local people to our industry. I think that the answer is that businesses should be trying to do that. The sector needs to work harder to sell people the benefits of employment in the rural economy. There is still work to be done on that: there is no doubt that we are, and will be for a long time to come, very dependent on people coming from outside the UK. There are huge issues with that, on which Steve Thomson touched, and to which Jamie Greene alluded. We have to make people feel welcome and we have to provide them with housing, a living wage—not the minimum wage—training and so on. Thank you.

The Convener: Again, unfortunately I have not been able to get around everyone who wanted to come in, but we are going to move on to theme 3. Stewart Stevenson will lead on that.

Stewart Stevenson: We have already developed some of what I would have asked about, so I will try to narrow down the focus of my questions. I will just dump the whole of what I want to cover in one go, in asking about the implications for standards of food and feed in Scotland.

Eleanor Kay and Archie Gibson talked about academics, Sarah Millar and Carmen Hubbard talked about abattoirs and Steven Thomson talked about health and safety standards. What will we do about replacing the European Food Safety Authority, and about access to the EU Reference Laboratory for GMO Food and Feed, the European network of genetically modified organism laboratories and other EU reference laboratories?

A thing that has not been covered in relation to abattoirs, and which I understand is a problem, is the huge number of foreign vets in them. I am told that they will need to recertify, and that that process appears to be considerably behind any meaningful timetable. That is the whole of my questioning, convener, so I hope that we can make focused and rapid progress to the themes.

The Convener: I do not know—you seem to have swamped the witnesses. There are no hands up and everyone is looking in different directions. I said that that would be dangerous. James Withers—off you go. *[Laughter.]*

James Withers: Thank you, I think.

On the first question, I have no idea how we would replace the expertise and structures that

exist in Europe. Although obviously we have the Food Standards Agency in England and Wales, and Food Standards Scotland. If we are going to trade with Europe, which will be essential, there can and should be no unpicking of food quality and safety standards. We will need to meet European standards on food safety, environmental protection, animal welfare and so on. We will have to have a completely new relationship with the likes of the EFSA and others, as a third country, in the same way that China would if it wanted to work with Europe. We will need to maintain such structures. From a “brand Scotland” point of view, we should be continually striving to increase protections around our food and farming industry.

On vets and abattoirs, I think that the matter is probably being well covered. Sarah Millar referenced it earlier.

It will be important, as we go into wider trade deals, that we do not use them to lower our standards, and that we do not invite America into our market by allowing food to come in that is of a standard that we would not allow to be produced in our own country. It is important that we do not take an opportunity to unpick the regulatory framework. To some extent, the industry is never a fan of regulation: people round this table will frequently complain about levels of regulation, but the reality is that regulation underpins our brand. We do not want to gold plate regulation, but we want to maintain our world class standards of food protection.

Jonnie Hall: I start by 100 per cent endorsing what James Withers has just said. If we allow any erosion or dilution of our standards, we will be shooting ourselves in both feet, big style. We are not a “stack it high, sell it low” commodity-driven agricultural economy: far from it. We must maintain our integrity throughout everything that we do—environmental standards, animal health and welfare and so on.

That is obviously very much to do with the outward-facing issues in respect of trade deals and who we deal with in the future in the EU and elsewhere. It is, from the Scottish perspective, also very important how we deal with such things internally in the UK market. We are still concerned about how we will get commonly agreed regulatory frameworks and how they will be governed across the UK so that there are not significant variations in approach among the Administrations, which would impact on all sorts of aspects of agriculture and food within the UK.

As things currently stand, we are governed by the EU regulations that have been transposed into UK and Scots law. If we start to see any wriggle room in respect of regulations that are applied across the UK, we will be in very dangerous territory in terms of protecting the integrity of the

internal UK market. We already know that there are tensions between the policy perspectives of the various Administrations: for example, I will throw genetic modification into the mix. How will those tensions be squared? How will we govern our environmental standards? How will we govern our animal health and welfare standards across the UK? We hate the European Commission for all the reasons that James Withers identified, but it acts as judge, jury and executioner in many ways, therefore we know the game we have to play. If we end up playing on a slightly uneven playing field or with a different set of rules, we will be in for bit of a bumpy ride.

Dr Hubbard: I will add to what James Withers said about standards and regulations. I do not think that we will end up reducing quality standards. How would that happen? Would farmers be told, “Okay—produce whatever you want”, and that they could have their own system and their own way of acting, when we have our welfare code? I do not foresee production of lower-quality products happening.

My point is that in terms of standards we are work very well. I think that most of the relevant EU laws and regulations have already been imported into UK laws and regulations: it is my understanding that probably 90 per cent have been transposed into UK regulations.

My other point is that if we are to deal with other countries we will have to respect their standards and regulations. China has very different regulations in terms of its imports from the EU and the UK. Everybody will face challenges because we will have to respect the regulations and standards of each of the countries that we deal. In my opinion, that will complicate things.

The Convener: Can I clarify that you think that farmers will not want to drop the standards, but will want to keep them up?

Dr Hubbard: Yes.

Stewart Stevenson: I will to nudge the other witnesses. I am not asking only about standards, but about the infrastructure that helps us to develop and support them. At present, much of that infrastructure lies in the EC. Clearly we will need to have our own shared infrastructure across the UK, as Jonnie Hall rightly said.

Archie Gibson: To try to answer the question about infrastructure, I will give the example of the plant health centre of expertise, which is chaired by the James Hutton Institute. It is relatively young; it was formed 18 months ago. It brings in expertise from across the country—it includes retained experts from the University of Warwick, the University of Leicester and others—and covers everything on the plant health side of things. It is interesting that it helps to underwrite the protected

status that Scotland has within the EU, and which is recognised globally, in high soil health.

This goes to the heart of what James Withers was talking about, what Jonnie Hall alluded to and what Steven Thomson commented on—looking after our national asset, which is our land. We are a verdant country. We grow some great grass and we have animals that can thrive on it. We have farmers with expertise who are not going to compromise—exactly as Carmen Hubbard suggested, I imagine—on standards, so I am more optimistic about that.

The plant health centre of expertise needs to become a long-term established part of our infrastructure, along with the SEFARI organisations. It has the ability to do some horizon scanning, whether it is on the oak processionary moth, the bronze birch borer beetle or any of a myriad of blights, fungi and bacteria that can compromise what we do in Scotland. We have a limited palette of what we can grow and rear. We have to protect what we have because there is demand for it out there, both in established markets and in potential new markets.

Eleanor Kay: I want to go back to the point about an internal common framework. We completely agree that we need a common framework in order to prevent internal market distortion. We are slightly concerned that we have had very little detail following publication early last year of the principles on what the common framework discussions would involve. It is important to highlight that “flexibility” is often the watchword when we come to common frameworks discussions—flexibility can exist within common frameworks. The common agricultural policy is a common framework and we know that there are many ways in which it can be interpreted and delivered. An overarching policy would give us consistency and allow us to tailor policy for our domestic situation. There is a lot that we can do within a framework.

The Convener: It appears that Sarah Millar will have the last word on this theme.

Sarah Millar: Quality Meat Scotland has in many respects pioneered farm assurance in the world. We say that food standards would not slip, but in some ways they already have. That is not on the livestock side: a working example from the arable sector is the ban on a neonicotinoid chemical that protects oilseed rape, in particular, from the cabbage stem flea beetle. The impact on-farm has been that in many parts of the UK oilseed rape is now not a viable crop, but we can still import oilseed rape that has been grown using neonicotinoids in competition with our own farmers. That is an example that exists that I think it is useful to highlight to the committee. If there are such examples in other areas, the implication

is that we will bring in food and products that are grown elsewhere to lower standards, which will not enable and supporting our own industry. That is when things get dangerous.

The Convener: Peter Chapman will kick off on theme 4.

Peter Chapman: I welcome the panel. My question is about supply chains. We have already discussed supply chains and exporting quite a bit, so I want to focus a bit more on the internal market.

We have already heard that there is a dichotomy among farmers and that younger farmers see opportunities with Brexit. Therefore, let us look a wee bit positively at it.

We know that the rest of the UK is the best market for Scottish agriculture and Scottish food and drink, and that we have a huge home market that we do not fill. We supply only about 60 per cent of what we eat in this country, so there is a huge market here. Basically, we are importers of everything, apart from sheep meat.

How well prepared is the Scottish industry for a rise in demand for home-produced products? Let us focus on some of the positives. There is a huge home market that we do not fill. Can you see a way to grow our industry and focus more on what we eat in our own country?

The Convener: That is a difficult question. Who would like to answer it? Again, you are all looking away from me. Somebody should try to help me.

James Withers: Putting aside the Brexit negativity that my colleagues in the industry have shared in the room, I have completely bought into a long-term opportunity for farming, fishing, food and drink in Scotland. There is a huge opportunity in both the home market and overseas.

11:30

The home market absolutely dominates some key sectors in our industry. Roughly 90 per cent of beef will be sold in the UK, and 75 per cent of our sheep meat and 90 per cent of our dairy products are sold in the UK. The UK dominates the profile of a lot of the agricultural sectors that are represented around this table.

The strongest and most resilient sectors that I have seen are those that have a good spread of markets overseas as well as at home—I point to the whisky sector and our salmon industry. We have a massive imbalance in the home market versus the overseas market in respect of dairy and red meat in particular.

That is not to say that there are not more opportunities within Scotland. There is growing demand for food tourism, and we can do way

better in Scotland at showcasing our own products on our own doorstep to our own population and to those who are visiting. However, there cannot be an either/or.

Up until the past 10 years, it was all about the home market and not about exports. The fear of the cliff edge of our biggest export market closing is significant. The reality is that there is no domestic home for 25 per cent of our sheep meat if we cannot sell it into the European Union. I believe that we could build more demand, but that takes time, and that certainly cannot be done in the next 40 days—or even if the Brexit deadline moves to the end of January. I would not dispute that there are home market opportunities, but we are already hugely reliant on the home market in an incredibly competitive retail environment.

Peter Chapman: I accept what you say about sheep meat, which I mentioned in my question. We know that sheep meat is a difficult problem but, that aside, we are net importers of virtually everything else, so there is an opportunity for our industry to focus more on supplying our home market, which is, I would argue, our best and most profitable market now anyway.

James Withers: I agree. There is some import substitution, but we should not aspire to some parts of that. Let us consider our dairy sector. A value cheddar line that Tesco or another retailer will sell will probably come from Ireland and will probably be sold for £1,800 or £2,000 a tonne. I am not sure that that is my aspiration for the right product line for Scotland. We need to go for premium and higher value than that. Countries that can do mass volumes cheaper should go for some of the opportunities in the UK, but that should not always be the opportunity for Scotland. I do not disagree that there are home market opportunities, but I do not necessarily aspire for Scotland to fill some market opportunities that are being filled by our competitors elsewhere, because I do not think that we can compete on price or that we should aspire to do so.

Jonnie Hall: I will follow up on James Withers's last comment. I agree: I do not think that we can compete on price. Peter Chapman's point about the internal market relates to the previous point about standards. We have to bear in mind that the standards to which we operate come at a cost. If we open up our market to all sorts of free trade deals that allow us to suck in imports of all sorts of things of a lower standard and therefore a lower price, we will simply export our responsibilities. We need to be very careful about that.

I agree with Peter Chapman in that Scotland's market is, by and large—to be glib about it—probably the M25 and inside it, given the disposable incomes and populations there. We need to take those opportunities, but I reiterate

what James Withers said. Let us go for the premium, based on provenance, and sell our food as high quality with a story behind it about how we produce it. That goes back to the standards issue. We cannot separate those two things at all. It is very important that we get the whole governance of standards so that it is absolutely clear that, when the consumer buys a Scottish product—this incorporates labelling issues and all sorts of things—they know exactly what they are getting and are prepared to pay the price for it, whether that is strawberries and raspberries from Angus, or beef from Galloway or wherever it might be.

Steven Thomson: I endorse what Jonnie Hall and James Withers have said. On the comparative advantage or disadvantage that our farmers have, we have a huge area of unproductive land and challenging farmland and a very good beef sector in Orkney, which is very peripheral and has additional transport costs. Those things mean that we struggle to compete on prices. When people look at world beef prices, they say, “We’re not that far different from Australia, America or Argentina.” However, people in those countries take most of their profit from the price, whereas we often rely on support payments for the profit. Therefore, we have to be really careful about how we position things.

We also have to remember the fifth quarter and carcase balancing. Carcase balancing is an important aspect. For those of you who do not know about that, in Britain we tend to be a bit fussy about what we eat. We eat lots of legs of lamb, but we often do not eat the other parts of lamb, so they are exported. We import lots of legs of lamb, and carcase balancing is vital. At the beef summit, we heard the processors say that the reduced world demand for the fifth quarter and hides is affecting their profitability.

We live in a world of integrated global supply chains for agri-food products. It is not just about the output side of things; it is also about inputs. We have to remember that quite a lot of the inputs into the agricultural sector are imported, which means that exchange rates have significant effects, too. We sometimes need to look at import substitution and how we farm and do things differently. It is not always just about the output; it is about how we farm and utilise the inputs more effectively.

Emma Harper: I want to pick up on the point about standards and promoting provenance. You might need to correct me on this, but I think that, in America, the acceptable white cell count in milk products is higher. That is an indication of the treatment of mastitis. Milking coos with mastitis is painful for them, and that means antibiotics. The acceptable level of white cells in produce in America is higher than it is in this country, and that

will affect the provenance if we bring in milk produce in free trade agreements with the United States and we compare cell count levels, for instance. Is that a concern?

The Convener: That is a very specific question on a very specific issue. I want to broaden the discussion out but, if somebody wants to come back briefly on that, I am happy for them to do so. I am sorry, Emma, but that was quite a specific question.

Emma Harper: I know that it was, but it does not have to be answered today.

Dr Hubbard: Under the World Trade Organization, trade and standards are related in animal welfare, and we will not be able to argue about them. If we make a trade agreement with the US, we will not be able to say, “No, you cannot bring this,” with no evidence that it will harm us or the animals. Mastitis is very bad for cows, but it does not affect the end product. From a standards point of view, if we are not able to scientifically prove that imports will harm us, we will not be able to stop any to our country. We cannot even stop the chicken chlorinated in America. That is done to try to stop salmonella, but that is not an animal welfare issue, and we cannot say, “No, this is not really right,” if we have not proved that it will harm us. That is my understanding of standards if there is no scientific evidence to prove that we or the animal will be harmed.

The Convener: I want to avoid the issue of chlorine-treated chicken, because it seems to be misunderstood. I do not really want to get involved in that.

Eleanor Kay: It all boils down to whether there is high-value commodity production or premium high-quality production. From looking at the industry, it is quite clear that our potential is in, or the biggest returns are from, our premium high-quality production. It is about the provenance and improving consumer understanding of where the food comes from and its quality because it was produced in Scotland. It is also about looking at the environmental aspect and the fact that the land is managed. People come to Scotland to see that land because of the agricultural production.

There is a lot that we could do to increase our production without necessarily moving towards commodities. It is about looking at productivity and efficiency, supply chain integration, buyer power and co-operatives. There is a lot that we can do to generally improve the business baseline of agriculture, but that will require investment, knowledge exchange and a policy change, because we will not have the protection of the common agricultural policy or a basic payment level. We might have that, but it might not be for the same thing. It is about getting the industry

ready for a changing market. Whether that is a domestic or an international market, businesses will need to change. That is entirely possible, but it will not be immediate.

Jamie Greene: We are talking about very different industries: dairy, beef, sheep, the salmon market and so on. Do you have any insight into what those markets are doing to improve domestic uptake of their products and perhaps look into behavioural change? I will give you an example. Last night when I was in the supermarket, there were three fruit options in front of me: a Scotland-sourced one, one from the south of England and one from overseas. The overseas option was the cheapest, the one from England was mid-price and the Scottish one was the most expensive. Of course, I bought the Scottish product to support the industry, but consumers are faced with that choice.

Given everything that is going on, I wonder whether we might be able to shift consumer behaviour to support our local markets more. As others have pointed out, that might include paying farmers a fair price for products.

Archie Gibson: To touch on the supply chain side, the bit that has possibly not been mentioned—I echo what everybody has said so far—is transport. There is a notion within the UK internal market that if you are not central, you are cost plus, so you are not competitive. I would say that for your part of the world, the whole of the Moray coast, the Black Isle and every crofting community, we are up against it every time on transport costs. To help with welfare and all the rest of it, that is why facilities such as abattoirs—whether they are mobile or supported in some other way—should be as local as possible.

It is easier and, I would suggest, more economically sustainable to add value to a product that is travelling, having been through that elementary primary process, than it is when you are trying to do live transport. That observation is about livestock, and of course hauliers are very specialist in that area; they have to be for welfare reasons and other things.

For agri-produce, exporting or moving vegetables generally requires a refrigerated truck. Exporting them requires a refrigerated reefer. We have some limited plug-in points at Grangemouth and Airdrie. Some work has been done on that, which is welcome, but I would say that it is not enough.

Accessing containers for Scottish producers of primary produce is tricky. Containers have to be booked and quite often, if other world events are going on, the containers are just not available. In the worst-case scenario, producers have to use what they describe as a dry box, which means that

the product can go off while it is in transit. That has been the experience of many over the years.

In terms of import substitution, there are opportunities, but I return to the point that I made earlier: there is a limited suite of crops that we can do. Sarah Millar hit the point about oilseed rape right on the head.

I think that the industry is positive. I picked up on Steven Thomson's point about the younger generation—those people want to explore and to be a bit more entrepreneurial and a bit more experimental. However, there will need to be a lighter touch to the agricultural policy in Scotland—and not maybe more of the same—in order to support and encourage that.

Overall, I think that supply chains are pretty good for the UK, but they are not without their frailties.

The Convener: A few other people want to come in. I wondered whether Peter Chapman had a general question that would allow others to come in, too.

11:45

Peter Chapman: I agree with what has been said. We do not want to go down the lower standards route. We do not want to be selling on price. However, there is an issue, and Eleanor Kay hit the nail right on the head. As an industry we can become more productive and more efficient and we can tackle those parts of the supply chain that we are not supplying at the moment. That is where the younger generation sees the opportunities and recognises that we need to become better at what we do.

All across the UK and Scotland, farmers can prepare for Brexit by becoming better at what they do themselves and getting their own industry and their own business into the best shape possible. That is what they can do, because the wider political stuff is way beyond all of us—even those of us who are sitting here. On a practical basis, that is what the ordinary farmer can do right now.

The Convener: Four people want to contribute, so I ask for their points to be as brief as possible.

Sarah Millar: My point is on some of the internal home market promotions. Quality Meat Scotland does a lot of active marketing. We have just come to the end of our meat with integrity campaign, which I hope that everyone around the table has seen. The campaign looked to accentuate the qualities of the Scotch brands for our Scotch lamb, Scotch beef and specially selected pork: high welfare, born, reared and slaughtered in Scotland. The campaign was aimed across the whole of the UK, as well as Scotland. It tried to tie together some of the things that we

have been discussing today about standards and provenance.

Jamie Greene mentioned consumers, and the label is what it is all about, front, right and centre. It is trying to tie all that together so that our shoppers and consumers have confidence in the food products they are buying and so that they know the standards they are buying into.

David Michie: For many reasons, the bulk of the population cannot buy and cook good Scottish food; perhaps they cannot afford it, they are not educated about it or they do not even have a cooker to cook it. It is really important that public procurement is harnessed to provide food that is good for all: good for the rural economy, good for the environment and good for people's health. It can also help to normalise good Scottish food within schools, hospitals and other areas in the public sector.

Dr Hubbard: In response to Peter Chapman, I echo what Archie Gibson and James Withers said. There is a question about 100 per cent self-sufficiency. The UK, and Scotland in particular, does not have a comparative advantage when it comes to agriculture. We do not have, and we will never be able to produce, 100 per cent, so we should focus on quality products that bring a premium. We can produce anything that we want in this country, but we would produce it a cost; we can produce dragon fruit in greenhouses, if we want to.

I return to the points that were made by Jamie Greene and David Michie. You probably bought the Scottish product for your own reasons, but also because you could afford to buy it. If we look at all the research that has been done on consumers, although citizens will say, "We have very high ethical and moral values and we are willing to pay a lot for animal welfare" that is not what happens when they go to the shops. If they have a choice, they choose on price. Price should reflect quality, but that does not always happen.

Jonnie Hall: I add a word of caution on trade deals. We have talked about standards in trade deals, agri-food and all the rest of it. Let us remind ourselves that we do not do free trade deals or agreements exclusively about food and food products; they will be part of a bigger free trade agreement. History tells us that food and agricultural issues are usually sticky; they are usually controversial. Over years and decades, it is inherent that countries have dug in about protecting their own agriculture and food sectors and I think that that will be a problem.

Whoever you are negotiating with on a free trade deal of any sort, you must always remember that they want to know what is in it for them. Agriculture and food are very important, but at the

end of the day they are dwarfed by other things that might be in those deals. We must be very careful about how we negotiate such deals, and it will certainly not be easy.

On the promotion of Scottish agricultural products, I agree with a lot of things that have been said. We can do far more public procurement on our own terms. Let us look closer to home. Labelling issues, promotion and education around food are clearly important.

I agree with Carmen Hubbard's point that fundamentally price is king in an awful lot of the consumer choices that are made. We must try to overcome that. If choice is made purely on price, we will get knocked out of the park far too often so we must get that promotional work done. Public procurement is key and I am glad that the Scottish Government recognised that in the programme for government.

The Convener: The next theme will be led by the deputy convener, Maureen Watt.

Maureen Watt: Good morning, everyone. We move on to policy development, shared frameworks, funding and future wider policy.

The Institute for Government stated:

"Most of the 41 environment, agriculture and fisheries policy areas which have been devolved but which to date have been dealt with by the EU will require some kind of four-nation agreement after Brexit. In approaching these agreements, the UK Government will need to balance its own desire for a robust, UK-wide statutory underpinning, with the political and constitutional realities of devolution in the UK."

I will lump together all my questions. Do you have a sense of how intergovernmental machinery is working on the development of shared frameworks on environment and agriculture? What involvement have your organisations had in shaping those frameworks, and what do you see as the main challenges in finalising the frameworks?

Jonnie Hall: I think that I have already touched on this particular issue, so when I touch on it again you can probably guess that it remains an outstanding concern. I still think that we need a significant amount of clarity about how frameworks will be governed once we are operating as a separate entity from the EU. We have the EU institutions and the regulations that are transposed into UK and Scottish law. Over the past two or three years, there has clearly been an awful lot of interaction between the devolved Administrations via the likes of the joint ministerial committee. We would hope that, as a consequence, some form of working relationship can come forward to avoid some of the concerns that I have already expressed about having different levels or different operating standards across different parts of an

internal UK market. I am yet to be convinced that that is the case.

We try to engage with the UK Government and the Scottish Government on this, but an awful lot is still continuing behind closed doors. Much will revolve around what happens on 31 October, or another date thereafter. An awful lot will be transferred as EU retained law and will just roll over for some time to come. I still think that there are question marks around the governance of the EU retained laws. Will that be a UK function or will the devolved Administrations be involved?

I guess that we are straying somewhat into constitutional matters, but these issues have to be addressed in practical terms because there are differences in policy and policy approach—quite rightly so—to reflect the different requirements of the devolved countries. That is why agricultural policy is devolved. However, we need to operate within a UK-wide regulatory framework. In my opinion, that mismatch is still to be resolved.

Eleanor Kay: I echo Jonnie Hall's points completely. I think that we both have the same concerns, in that while we were all quite positive about these conversations when they started, they seemed to stall somewhat and have only recently restarted. Time being lost because the parties continue to disagree about powers and lack of detail does not help the industry and does not help us move forward; it certainly does not provide any stability or certainty for our businesses.

We need to know what is intended in terms of Scotland's ability to disagree or deviate from agreed common frameworks. The very fact that we keep having discussions around whether Governments will talk to each other or how much they agree with each other does not bode well. The conversations need to happen and we need to make progress. The discussions are all behind closed doors and we are not getting a great deal of feedback from them.

Archie Gibson: As Jonnie Hall mentioned, obviously there is devolved responsibility for agriculture in Scotland, but at plant health level responsibility is UK-wide. I think that there is a lot going on behind the scenes—Jonnie Hall used an expression like that—and I suggest that it needs to come more to the front.

I will touch on the example of soil health, which is fundamental to the long term, around potato cyst nematodes. We are losing agricultural land for a higher-value crop, which is our seed potato industry, to nematodes. There are solutions, but despite repeated efforts to get the Scottish Government policy unit to do something about it, it has been sitting on its hands. I have been invited to a meeting tomorrow by SASA to see what has been going on behind the scenes. The committee

might want to request an update on that periodically, because the availability of nematode-free land is fundamental to the future of our agriculture and one of our more important export sectors.

Maureen Watt: I am not sure that the conversations are taking place, because there is no lead on them from the UK Government. Although there is willingness to talk at the JMC, our negotiators there say that they are tearing their hair out because the UK Government does not really know what it is doing.

I think that Jonnie Hall might be contradicting himself, because throughout the conversation this morning we have talked about the provenance of Scottish food and the need to keep provenance to maintain market edge. However, anything that we hear from the UK Government suggests that it is more likely to go to the US model than the EU model. I would have thought that we would want to keep the EU standards that we already have. If there is diversity within the UK, it will not be because Scotland wants to change from high levels of provenance and food standards, but because another nation wants to move.

Jonnie Hall: I do not think that I have contradicted myself in the slightest. Our concern is that we have two fundamental markets that we have to operate in. There is the domestic UK internal market—as we have already discussed, that is significantly important to Scottish agriculture—and then whatever other opportunities there are beyond the UK.

We must value and safeguard our standards, and we cannot afford to be undercut in any way or we will start to lose the USP to which James Withers referred. I expressed my concern about the fact that there is no apparent agreement at UK level across the devolved Administrations about how standards will be governed. As a stakeholder, that causes me significant concern because our industry is under threat by those potentials that you identified. We have to take up that issue with the UK Government, but we also have to ensure that the Scottish Government is taking up that challenge, too. From where I am sitting, I am not getting much from either Government.

Maureen Watt: I think that you need to speak to Geoff Ogle about last week's meeting; he will tell you what it is like.

The Convener: When the committee looked at the Forestry and Land Management (Scotland) Bill, we looked at how forestry responsibilities would be split up between the various parts of the UK. There was a will to sort that, and it worked pretty well when different parts of the UK took on different responsibilities. Is that what you are

suggesting, Jonnie, or are you suggesting more centralised control?

12:00

Jonnie Hall: Our view would be that you need something independent of Government to operate as, if you like, the auditor and enforcer of standards. We have that for many other things and I think that we need something like that at the UK level to ensure that we are operating to the same rules on a level playing field.

Delivery of agricultural policy is a different matter. That is where you need devolved flexibility to afford the different agricultures of the UK the opportunity to deliver support in the required ways.

Steven Thomson: Two and a half years ago, we had a seminar on Brexit and I mentioned that the EU infrastructure needs to be replicated somehow, with an oversight body to govern and come up with rules and so on. We are still no closer to that and we have no idea what is coming down the track. Who is going to have oversight of what is permissible to be used in agriculture, such as pesticides and plant protection products—all the kinds of things that are fundamental to the operation of UK agriculture?

As Jonnie Hall said, there is a slightly different discussion to be had about the policy level, in terms of the levers and the funding that farmers receive. We still need to play within a certain framework of rules, but we need the flexibility to deliver much more locally. Of course, that is what the EU is trying to do just now. In terms of policy, it is already evolving its CAP, and we should not lose sight of that.

The Convener: We are going to move on to the final theme, which will be led by Mike Rumbles.

Mike Rumbles: I want to look to the future and focus on developing policy for farming and food production in Scotland. Eight months ago in the Scottish Parliament, we passed a motion that called on the Scottish Government to

“convene a group consisting of producer, consumer and environmental organisations to inform and recommend a new bespoke policy on farming and food production for Scotland”.

Four of our guests are from organisations that are on the group that was formed by the Scottish Government after the Parliament called for it eight months ago. How are we doing?

The Convener: Who would you like to start on that, Mike?

Mike Rumbles: I would like Jonnie to have a go first.

Jonnie Hall: I ask the convener to ask Sarah Millar to speak, because she sits on the group. I do not.

The Convener: We will go to Sarah Millar to start with.

Jonnie Hall: As long as you come back to me, convener.

The Convener: That is called dodging. You could well be a good politician.

Sarah Millar: The group was formally announced at the Royal Highland Show this year. I sit on that, along with representatives of other organisations. We had our first meeting about a month ago and we will have another next week. The plan is to publish a report at next year’s Royal Highland Show, so the work referred to in that motion is well underway.

In the programme for government, we saw the announcement of the rural payments bill, which, as I understand it, is to take us through until 2024. The new agricultural policy will be formulated as a result of the discussions of the group. That is my understanding of the direction of travel and timescales. The work of the national council of rural advisers—of which I was also a member, alongside Archie Gibson and others here—and the agriculture champions is also being built into our work. That is the state of play.

Jonnie Hall: Sarah Millar said very much what I would say in response to Mike Rumbles’ question on how the process is going. It has started, but there is still obviously a long way to go.

The more important reference points are in the Scottish Government’s “Stability and Simplicity” document, which clearly maps out the process from now to 2024, which Sarah just referred to. The programme for government announced a rural payments bill that will do the stabilisation bit, which basically means that, in terms of making payments, the wheels will not come off. We are still waiting for something that will enable the Scottish ministers to make Scottish decisions about Scottish agricultural policy thereafter, to implement the things that I hope Sarah Millar and the rest of the group will recommend.

Our biggest concern is about timescales. We are almost in 2020, and 2024 is four years down the line. The big date in my mind—you might think that I am crackers for saying this—is 2030. You might ask, “Why is he on about 2030?” There are two things—I am going to look at James Withers. The first reason is that the ambition 2030 strategy says that we are going to grow Scotland’s food and drink sector from £14.5 billion to £30 billion in that timeframe.

The other, which has not been mentioned at all today and is massively challenging for the

agricultural sector, is climate change. We now have legislation passed by this Parliament that says that Scotland will meet climate change targets of net zero by 2045. It also says that it will have met a 70 per cent emissions reduction target by 2030, which is a decade away. If we were to look back over the last decade and ask how much Scottish agriculture has changed, I would say, "Not enough—in any direction." We have a decade to make significant changes in everything that we do.

Those two things are equally challenging, and, arguably, they might be contradictory. They could pull us into a more productive and more driven area, or they might be pull us away from production and more into how we manage our land in the face of climate change.

The industry cannot achieve both those things operating under the current CAP regime. We need new tools in the toolbox, which is why we need the new policy group to come forward with a new approach for Scottish agriculture to deliver on the agenda it is being asked to undertake. I think that we can do it, but it will have to be about shifting payments away from an area-based system to an action-based system that drives productivity, innovation and resource efficiency, creates resilience and does all the other things that we have talked about.

If we sit on our hands until 2024, we will not give ourselves the chance to deliver what we want to deliver by 2030. The industry is ready and willing, but it must be given the tools to get on with the job. We cannot ask the industry to deliver what Scotland requires and then not give it the tools to do so.

The Convener: I am going to bring in Eleanor Kay, because your organisation published a document that is looking at 2050, not 2030.

Eleanor Kay: On Monday we launched "#Route2050—A direction of travel for Scottish land management to 2050", of which all committee members have a copy and which is also available on our website. It details not just an immediate short-term plan, but a long-term vision for where we think that we can go and how we might get there. It is the starting point; it is not the final document. The idea is that we will build on it and develop more detail on what individual policies might be needed.

We completely agree that the programme for government details key activities that are promising, provided that they are delivered. They are, of course, linked to climate change, and Sarah-Jane Laing, our executive director, fed into the climate emergency response group that a lot of those points came from. We are very grateful

that we have been able to feed into those sorts of things.

It is clear that agriculture cannot be viewed on its own. We have to look at the whole rural economy and the climate, environment and biodiversity aspects. We have sustainable development goals in our forestry strategy, for example. There is so much stuff that needs to be considered as we move forward, but we cannot wait to start moving forward. We know that things need to start changing. We know that we need to look more at efficiency and productivity. There are policy changes that can be made now, before we reach the end of the transition period. We also need to know what we will be working towards at the end of the transition period. "Stability and Simplicity" is a great document. What we need is clarity on what lies beyond that and the direction of travel. The industry is willing and nearly ready, but we need activity.

Jamie Greene: Following on from that, I commend "#Route2050" as an interesting read. I notice that the executive director of Scottish Land & Estates said that, after

"being tied to the Common Agricultural Policy",

we have been presented with an opportunity to move forward. Building on that theme, I think that what is entirely unclear, both at UK and Scottish levels, is the direction of travel for subsidies—what is being subsidised and what farmers are being subsidised to do. When we have asked the Cabinet Secretary for the Rural Economy in this room what the direction of travel is on policy, we have often got the answer, "I have not been told how much money we will have to play with to develop that policy." Others have argued, "Surely you are developing the policy that will then say how much money you need to implement that policy."

Do panel members have any views or ideas on the direction of travel for the future of subsidies for farmers? What might a better model look like post-CAP? Does what is happening present an opportunity at all?

David Michie: I will pick up on something that Jonnie Hall said as well as what Jamie Greene said. A climate emergency has been declared, and we have very little time to respond to it. Scotland's agriculture is responsible for a significant proportion of our greenhouse gas emissions, so the status quo is not an option; something has to change and change quickly. The First Minister also said that tackling biodiversity loss is as important as the challenge on climate change, so we must not lose sight of that.

The agriculture champions document said:

"future policies must be guided by real evidence about what the public values".

The Scottish Parliament ran a citizens jury on land management and the natural environment, and there were citizens forums on attitudes to agriculture, the environment and rural priorities. After deliberation, the largest proportion of people wanted payments to be made that are for the benefit of the environment.

Dr Hubbard: As an economist, I think that we have to think what the objectives are of any policy that we are trying to achieve. Somebody mentioned policy measures; in order to have policy measures, you first need to define the policy objectives very clearly, and I do not think that any country is doing that at the moment. What are the policies for, how will they be implemented, how much money will be allocated to them and for whom will the money be allocated? Those things are not clear. I do not understand what policy objectives we are trying to achieve. If you have too many policy objectives, you will need a lot of measures and things will get complicated.

What has been missing in the discussion so far is the balance between food and the environment. There is a lot of pressure from the non-governmental organisations in relation to the environment and climate change, which I am not against, but somehow the balance is very much on that side and we have forgotten that agriculture is about producing food. People are eating beef, rather than cows sitting out nicely in the fields making us happy when we go and walk there. That is the other point.

As an agricultural economist, I am not a supporter of subsidies. However, if there are to be subsidies, let us think who we will give them to and why. We know that those with large farms and a lot of land benefited the most from the CAP, and those who were smaller never really got the benefit. As an agricultural economist, I would like to think that we will change the minds of farmers and everybody else in thinking about public subsidies. We need to think how we can work together to make an efficient system. We talk about efficiency in the Scottish industry, but how can we make the farming industry in Scotland more efficient and more productive when 60 per cent of farms make a loss without subsidies?

12:15

The Convener: Food for thought maybe.

Colin Smyth: What I take from “#Route2050”, “Steps to Change” from the NFUS, the work of Scottish Environment LINK and what has been said by just about everybody around the table today is that there is a desperate need for an awful lot more detail on the future direction and that the pace of change needs to speed up considerably. Since the parliamentary motion eight months ago,

there has been one meeting of the group that was set up to give that level of detail and direction to the Government. Forgive me if I am bit nervous but, frankly, we are not meeting what people around the table are demanding in terms of the detail and change.

What physically needs to happen to deliver what just about every stakeholder is telling politicians across Scotland needs to happen; what is the blockage to making that happen; and what fundamentally needs to change and change quickly to make it happen?

Archie Gibson: I will try to address some of the issues that Mike Rumbles raised in his question. There is a wealth of good work being done—David Michie touched on this—through the agriculture champions, the NCRA, the citizens forum on land use and so on. It is a question of bringing those together, which I guess it is the new group’s remit to do. I notice that there are gaps in its complexion around vegetable production, for example. We could do a lot more of that in Scotland, not only to be self-sufficient but to add value in export. I hope that that element will not be lost in its work.

To pick up from what David Michie said about farm emissions, the agriculture champions group felt quite strongly that the way in which emissions are currently measured does not reflect the positive benefit that the green and verdant land that is Scotland delivers back, which our farmers do extremely well. There needs to be more scientific thought on and a review of what is measured and how it is assessed relative to emissions. We know from Ms Cunningham’s ambition to 2050 that we are looking to get to zero emissions. That will be challenging for Scotland, but we are a green country, so if we get the measurement bit right, we can probably achieve a more balanced result in the interests of our society and our farming community.

James Withers: Earlier, Peter Chapman rightly appealed for us to think about opportunity. In my view, an opportunity arises out of Brexit to create a new and different type of agricultural and rural support framework that is fit for Scotland, with as much ability for Scotland to develop the policy that is right for Scotland. Having the powers here to do that would be hugely beneficial, given the history of how policy has developed so far.

Jonnie Hall quite rightly raises the point that we are trying to grow the food and drink industry in a climate emergency. Do those things contradict each other? Some would say that they do, but I have never seen a better policy fit between responding to a climate emergency and growing farming and the food and drink industry in Scotland. There is a world debate on how we produce food sustainability, particularly protein

and red meat, which has had some criticism recently. This is the place potentially to do it.

The advantage of the agricultural support framework at the moment is that it is a massive lever on behaviour on farms and through the supply chain. What behaviour do we want to see on farms? It is about striving for improvement and greater productivity, adoption of technology and involvement in co-operation. That support framework also supports the rest of the supply chain. We hand out large grants to manufacturers across Scotland; what kind of businesses do we want to support with those grants? They should be about UK and international sales. Those manufacturers should have a collaborative relationship with the producer group, with transparent contracts and open discussions. Building a support policy around that, which is about sustainable food production and creating that behaviour on farms, could transform things.

Never has using an average profitability figure been more unrepresentative of agriculture in Scotland. Few other sectors would tolerate the gap between our top and bottom performers. There is a huge opportunity to change that over the coming years, and we have some time to be able to do that now.

Mike Rumbles: I have been very keen to promote getting these groups together to develop future policy. This might seem strange coming from an Opposition MSP, but I congratulate the Scottish Government on getting there. I was a little bit disappointed and worried that we were not going to make much progress with the group, as it seemed to be rather slow, but I am very heartened to hear, particularly from Sarah Millar's contribution, that it aims to get its recommendations out by the Royal Highland Show next year. I am also heartened by Jonnie Hall's comment that it is important to get moving on this. Although we have until 2024, and it might sound as though we have time, actually we do not have a great deal of time.

My comments are addressed in particular to the four organisations out of the eight represented here that are on the new group. They should work together. If we can get the food producers, the consumer organisations and the environmental organisations to come up with a positive new way forward by next summer, it will be to Scotland's tremendous advantage. That is the key to moving, as Jonnie Hall said, and I hope that the group will come up with something that will move us from area to action—"action" is the word that I would like to see. This is more of a comment than a question. I urge the four organisations to work closely together.

Steven Thomson: A lot of people have raised an awful lot of very good points here. We need to

express what policy outcomes we want. We never really have had to; we have had pretty wishy-washy grand statements that have come out of Europe based on the 1957 CAP starting point. We have not taken the chance to say what we are after. Addressing climate change is obviously vital now, and we are talking about a biodiversity crisis, which nobody is really raising above the parapet, and about clean and healthy food production. We need to be clear what our policy objectives are. Not all farms or crofts will be able to deliver each of those things, but we have to have flexibility in our approach to enable the industry and local businesses to adopt and use the support mechanisms.

I do not like the word "subsidy" because, technically, we are contracting farmers. Going forward, we should look on support as contracting farmers, foresters, crofters and land managers to deliver a suite of different things for the general public. We have to understand what the market failure is, because the rationale for any support is based on market failure. Unless there is market failure, we should not be intervening.

In the long term, retailers will grasp climate change and, in the next few years, will be starting to look at the carbon footprint of the farmers. I sit on the agriculture 1.5 panel, which was convened by Nourish Scotland and the NFUS. On that panel, we are discussing measurement, which comes back to the point that was made earlier that, in all the inventories, agriculture is something that emits but never sequesters. If you do woodland on your farm, it goes into the forestry sector, and if you do renewable energy on your farm, it goes into the energy sector. Peatland is not included in the inventory and there is a whole host of other things. The panel is trying to look at it in totality rather than in subsections.

We have a God-given right here to change the past dependency that we have had on CAP. Whether we stay in or go out of Europe, we need to change our policy. The CAP is evolving to allow people to change their policies, and we need to grasp that.

Jonnie Hall: I echo what has been said in the past few minutes. Brexit—whether you agree with it, disagree with it, hate it, loathe it or whatever—provides a catalyst for change, and change is exactly what the industry needs. Regardless of the political upheaval of the past three years, I would say that we needed some sort of seismic shift in how we do things 10 or 15 years ago. We have trundled through various iterations of the CAP, as Steven Thomson has just articulated, and we have ended up with a system in which 90-plus per cent of our support payments are area based and do not reflect any particular outcomes or objectives, as Carmen Hubbard discussed, and do not even

support incomes, which is probably their primary function. It is time for change.

Jamie Greene asked what ideas and proposals are out there. There are a lot. Our “Steps to Change” document, which has been kicking around for 18 months now and whose next phase we are developing, gives a clear pathway to how we might develop and deliver support in the future. That goes back to James Withers’s point that food production and adding value, and caring for and managing the environment, particularly in a climate change context, are not mutually exclusive. The two things should be viewed as one because, at the end of the day, it is about driving productivity, not production, and it is about driving innovation and efficiency. The CAP has significantly failed to do that.

I think that Peter Chapman mentioned opportunity earlier. There is an opportunity here. If we sit twiddling our thumbs and do not grasp it, in 10 years’ time we will be turning around and saying, “We have not moved anywhere.”

The Convener: The message seems to be that we need to change the direction that farming is heading in to hit all the targets that the Government and people want us to achieve. Sarah Millar has the chance to close on this theme.

Sarah Millar: Echoing what has been said, I think that the thought behind “Stability and Simplicity”—I worked as a consultant before I came into this role—is that cash is king. What our current system does is enable cash to come into farmers’ bank accounts, which can then be utilised in other areas of the business. It does not often stay there for long; it will go out into other parts of the industry. Having that stability when there are other areas of uncertainty—trade, regulation and so on—gives the confidence that we started speaking about this morning. That is my understanding and I think that it is a positive thing, especially for our livestock producers who work in longer-term farming cycles.

I accept that there is a huge opportunity to fundamentally change how we do things, which absolutely has to be grasped. I echo James Withers’s comments that this is the biggest opportunity we have. We talk about win-wins—things that are good for the environment, good for combating climate change and good for productivity. There is an opportunity that, as a group, we are determined to grasp. For farmers on the ground—I am a hill farmer as well—the stability of knowing that there is going to be a payment coming to us is very welcome.

The Convener: Thank you. That brings us to a logical conclusion to this session. On behalf of the committee, I thank all those people who have

spoken this morning. I apologise if I did not get them in at the right moment and they did not get an opportunity to say everything that they wanted to say. It has been incredibly useful for us. The cabinet secretary is coming here in the near future and this will help to inform us for that. Thank you very much for your time and all the effort that you put into it.

Meeting closed at 12:28.

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