



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Affairs, Islands and Natural Environment Committee

Wednesday 18 May 2022

Session 6



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Wednesday 18 May 2022

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RURAL AFFAIRS, ISLANDS AND NATURAL ENVIRONMENT COMMITTEE

16th Meeting 2022, Session 6

CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

DEPUTY CONVENER

*Beatrice Wishart (Shetland Islands) (LD)

COMMITTEE MEMBERS

*Karen Adam (Banffshire and Buchan Coast) (SNP)

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Ariane Burgess (Highlands and Islands) (Green)

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

*Jenni Minto (Argyll and Bute) (SNP)

*Mercedes Villalba (North East Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fiona Eddy (Scottish Government)

Rt Hon George Eustice (United Kingdom Government)

Mairi Gougeon (Cabinet Secretary for Rural Affairs and Islands)

Grant McLarty (Scottish Government)

CLERK TO THE COMMITTEE

Emma Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Affairs, Islands and Natural Environment Committee

Wednesday 18 May 2022

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Finlay Carson): Good morning and welcome to the 16th meeting in 2022 of the Rural Affairs, Islands and Natural Environment Committee. I remind everyone who is using electronic devices to switch them to silent.

Our first item of business is a decision on whether to take item 6 in private today, and to consider our draft annual report in private at our next meeting. Do members agree to do so?

Members indicated agreement.

Subordinate Legislation

Animal Health and Welfare (Scotland) Act 2006 (Consequential Provisions) Order 2022 [Draft]

09:01

The Convener: Item 2 is evidence from the cabinet secretary on the Animal Health and Welfare (Scotland) Act 2006 (Consequential Provisions) Order 2022. The instrument is subject to the affirmative procedure. I refer members to paper 1.

I welcome Mairi Gougeon, the Cabinet Secretary for Rural Affairs and Islands, and her Scottish Government officials, Fiona Eddy, who is the deputy head of animal welfare policy, and Grant McLarty, who is a solicitor.

I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Rural Affairs and Islands (Mairi Gougeon): I am happy to appear before the committee to discuss the order. As the consequential amendments in the order are not contentious and seek to tidy up existing legislation, I do not intend to address the committee for very long.

The order seeks to amend and repeal primary legislation and to amend and revoke secondary legislation. The changes that the order delivers are consequential to the Animal Welfare (Licensing of Activities Involving Animals) (Scotland) Regulations 2021 and to provisions in the Animal Health and Welfare (Scotland) Act 2006, which I will refer to as the 2006 act. The provisions in the 2006 act were commenced last year by way of a commencement order.

The licensing regulations and the relevant provisions of the 2006 act came into force on 21 September last year. The Animal Health and Welfare (Scotland) Act 2006 (Consequential Provisions) Order 2022 ensures that existing legislation reflects the recent changes and, where appropriate, substitutes references to now revoked or repealed legislation with references to the licensing regulations.

I highlight that it was not appropriate to bring into force the provisions of the 2006 act that repealed various acts of Parliament until the new Animal Welfare (Licensing of Activities Involving Animals) (Scotland) Regulations 2021 were made. When the regulations came into force, we were then able to commence those provisions of the 2006 act in order to repeal the enactments, because they were then superseded by the licensing regulations.

Now that the enactments have been repealed and new provision has been made in the form of the licensing regulations, the Animal Health and Welfare (Scotland) Act 2006 (Consequential Provisions) Order 2022 will ensure that the statute book is updated accordingly.

I will end my remarks there.

The Convener: Thank you. As there are no questions from members, we move to item 3, which is formal consideration of the motion to approve the instrument. I invite Ms Gougeon to move motion S6M-04393.

Motion moved,

That the Rural Affairs, Islands and Natural Environment Committee recommends that the Animal Health and Welfare (Scotland) Act 2006 (Consequential Provisions) Order 2022 [draft] be approved.—[*Mairi Gougeon*]

Motion agreed to.

The Convener: Is the committee content to delegate authority to me to sign off our report on our deliberations on this affirmative Scottish statutory instrument?

Members indicated agreement.

The Convener: That completes consideration of the affirmative instrument. I thank the cabinet secretary and her officials for attending.

Non-Commercial Movement of Pet Animals (Scotland) Amendment Regulations 2022 (SSI 2022/131)

09:05

The Convener: Item 4 is consideration of a negative instrument. I refer members to paper 2.

Does any member have any comments on the instrument?

Jim Fairlie (Perthshire South and Kinross-shire) (SNP): I have one slight concern about something that is touched on in the committee papers regarding the use of the enzyme-linked immunosorbent assay test, as opposed to the other test referred to, which takes longer. I would like clarification that the Government is content that we are not at any greater risk of rabies coming into the country by using that test, which has a shorter timescale, for animals coming from Ukraine.

Beatrice Wishart (Shetland Islands) (LD): I would be interested to know who is responsible for paying for the extra test.

The Convener: That is fine. We can write to the cabinet secretary asking for clarification on those points.

As there are no other comments, I will briefly suspend proceedings to allow our next set of witnesses to join the meeting.

09:06

Meeting suspended.

09:15

On resuming—

European Union Exit: Impact on Rural Affairs and Islands Remit

The Convener: Item 5 is an evidence session on the impact of EU exit on the rural affairs and islands remit. Members will recall that the committee took evidence from the cabinet secretary on the subject on 12 January 2022. We agreed that it would be helpful also to take evidence from the United Kingdom Government on the same issue.

I welcome George Eustice, Secretary of State for Environment, Food and Rural Affairs, and invite him to make an opening statement.

Rt Hon George Eustice (United Kingdom Government): Thank you, convener. It is a pleasure to be with you. Obviously, there are a number of issues that we are all grappling with at the moment, particularly in the context of the Russian invasion of Ukraine. That has caused some turbulence in global markets, particularly in relation to the price of gas, which has had an impact on fertiliser prices as well, and farm input costs.

Things seem to be settling down a little bit in the sense that gas prices have eased back and the price of fertiliser has fallen back from its peak of around £1,000 to a little over £600 per tonne now. Some farmers are starting to buy at that level, but it is still a much higher level than they were used to previously.

In the context of overall EU exit, which I know is the topic that the committee is looking at, all the Administrations in the UK are progressing their own plans for post-Brexit agricultural policy. There are a lot of similarities between what different parts of the UK are doing.

Yesterday, at our joint ministerial committee, I had a briefing from the Scottish Government on its plans, and I know that it envisages there being three strands to the payments: a base payment that would be similar to the existing BPS—basic payment scheme—with an area-based direct payment to farmers; an enhanced payment for farmers who do additional things, which would probably be akin to the greening payments that there were under the EU scheme but with more ambition in them; and some elective payments at the other end that are for land-use change, tree planting and peatland restoration.

In England, we also have three strands, which have some similarities to the Scottish ones, although we are less wedded to an area direct payment and looking instead at payment for the

things that farmers do. Northern Ireland and Wales are developing their own proposals, which also have some similarities. Therefore, I would say that there is quite a convergence across the UK on the objectives of our future agricultural policy, with all of them focusing very much on supporting farm incomes and profitability, but also on some of those environmental outcomes that we are all striving towards.

The Convener: Thank you. We will move to questions.

It is my understanding that 106 common frameworks have been developed between the four UK Administrations, eight of which fall within the remit of this committee. To date, the interaction of common frameworks in the UK internal market has not been clear. The committee has certainly had issues with the role of parliamentarians in negotiations and in future decision making on those. Will the common frameworks enable Scottish policy divergence within the UK internal market? Specifically, what is the interaction between agricultural support frameworks and the Subsidy Control Act 2022, and will that have a longer-term impact on Scottish ministers' ability to make agricultural policy?

George Eustice: Agricultural policy is devolved. Under our constitution, we do not have a federal system of government in the UK; it is a devolved system. Fundamentally, in the final analysis, that means that powers are either devolved or reserved, as you will know.

With the common frameworks, therefore, we are seeking not to create a federal system for collectively agreeing things; the frameworks are a framework for co-operation. There are areas where it makes sense to act in unison—for instance, in relation to foreign fishing vessels coming into UK waters.

When it comes to things such as pesticide assessments and authorisations, authorities will sometimes act together, and the Food Standards Agency in England and Wales and Food Standards Scotland often co-operate and act in unison. The concept of co-operating to do things jointly where that makes sense is not new, and it does not affect the ultimate shape of the devolved settlement.

Common frameworks give us a framework in which we can discuss and try to agree on where it makes sense to work together, even in devolved areas, looking at a range of things such as food standards, chemicals, pesticides and fisheries management, as I mentioned.

You mentioned the Subsidy Control Act 2022. We considered whether there should be a specific carve-out for agriculture, but we felt in the end that that was unnecessary, because there are other de

minimis exemptions on payments and other exemptions and measures that mean that we do not consider the subsidy control regime to stand in the way of anything that we might want to do in agriculture.

We have also taken our share of the so-called aggregate measurement of support envelope—the amber box—at the World Trade Organization, which equates to around £3.5 billion per year, if we want it. Long before that became a constraint on how we might spend on agriculture policy, we would probably find that we did not have the budget anyway, because it is around £3 billion per year for all parts of the UK combined.

I do not see the 2022 act as standing in the way, because it is only when you get to payments of well over several hundred thousand pounds to an individual farm that you start to engage the process, and even then there are a lot of exemptions.

The Convener: Thank you. Jim Fairlie has some questions.

Jim Fairlie: Thank you for that answer, Mr Eustice. I had planned to give you chapter and verse on the committees that have taken evidence on the Subsidy Control Act 2022 and the United Kingdom Internal Market Act 2020, but we are very constrained for time. However, I will cite Jonnie Hall, who gave evidence to the Constitution, Europe, External Affairs and Culture Committee at the tail end of last year. Mr Hall stated that the internal market act drove “a coach and horses” through the common frameworks. Why are you not sticking to the principles of the common frameworks?

You are constraining the Scottish Government’s ability to support agriculture through the Subsidy Control Act 2022. If we have policies that are strictly designed for Scottish issues, the UK Government can override them if it feels that the policies go against the principles of what it is trying to do down in England. Is that not correct?

George Eustice: No, I do not think that that is correct at all. The internal market act protects the UK internal market in much the same way that EU law protected the single market when we were still an EU member. The principle of the EU single market is that something that is lawful and can be produced in one part of the European Union can be sold anywhere in the European Union; we were not able to put barriers in. Famously, it was possible for individual countries to decide not to allow the cultivation of genetically modified crops, but it was not possible for any part of the EU to ban their sale, if something was authorised for sale.

The internal market act takes that same principle. Different parts of the UK can pursue

different policies within the devolved framework, but they are not able to put a ban on the sale of goods unless there is a specific agreement to enable that to happen.

I also do not think that it affects the common frameworks, because they deal with issues such as vessel licensing. Often, it just makes sense to issue one licence to an EU vessel coming into our waters instead of having to issue two or three different licences. The frameworks really just form the basis on which we can co-operate and, as I have said, are therefore not affected. Moreover, the 2022 act contains such generous exemptions that I do not think that it will cause any trouble for Scotland’s policy plans.

Jim Fairlie: The Scottish Government plans to make direct payments to farmers on the basis of food production, and up here we also have hogg and less favoured area support scheme payments. You have none of those in England. If you start being lobbied by farmers down in England who say, “This direct support is causing us problems in our marketplace,” you have the power to require the Scottish Government to take that subsidy away, do you not?

George Eustice: No—that is devolved, so we do not, unless the payments were exceeding or breaching anything in the 2022 act. As an extreme example, if you were paying a small farmer with 300 sheep, say, a subsidy of £1,000 per sheep—in other words, £300,000 to an individual farmer—it might engage certain provisions in the 2022 act and give rise to some internal market issues. However, I really see no issues with any of the direct payments that Scotland wants to make—they will fall well within the legislation’s parameters.

Of course, Scotland will have far more freedom than it ever would have had as an EU member. As an EU member, we had to fight tooth and nail to get a modest coupled payment for Scottish sheep farmers. It was very difficult to achieve. Scotland, England and indeed every part of the UK used to face relentless disallowance penalties and fines for not doing things in a particular way, and none of that will be an issue any more. The Scottish Government will have considerably more freedom to pursue its own policy that works for its own farmers.

Jim Fairlie: I hear the words, but I will wait to see the actions. Thank you, Mr Eustice.

Jenni Minto (Argyll and Bute) (SNP): Thank you for joining us, Mr Eustice. I want to expand on the points that my colleague Mr Fairlie made. When the Constitution, Europe, External Affairs and Culture Committee, on which I sit, took evidence from Dr McCorkindale, he suggested that

“two important constitutional considerations ... arise from the Subsidy Control Bill”.

First,

“there are additional powers by which the UK Government might intervene with regard to the exercise of executive power by Scottish Ministers”,

such as calling in subsidies or referring them to the Competition and Markets Authority, whereas Scottish ministers and other devolved Administrations do not have equivalent powers. Secondly, he talked about the extent to which the bill

“constrains the scope of existing and future devolved executive power.”

Can you comment on those findings?

George Eustice: As I have said, when we were all members of the European Union, there was a state aid regime that even then constrained what we were able to do to support, say, a large steel plant. The UK subsidy control regime has its differences—in many ways, it is much looser than the EU regime that we were used to—but the principles are the same. There are de minimis exemptions, things that enable you to give grant in aid to businesses and so on; it is only when you get very large payments that are judged as market distortions that it gets engaged at all. I therefore do not see it as breaching any particular principle, because it is a more permissive regime than we had in the European Union and, ultimately, it means that the Scottish Government now has more power than it ever had while we were in the EU.

Jenni Minto: As Mr Fairlie has said, we will wait and see how it turns out.

With regard to the common frameworks, one of the key elements of evidence that came in for the Constitution, Europe, External Affairs and Culture Committee’s internal markets inquiry was about the risk of the shift towards intergovernmental working reducing

“democratic oversight of the Executive and a less consultative policy-making process.”

Professor Nicola McEwen noted:

“Parliamentary committees in every UK legislature have called for greater transparency and greater oversight ... not least in light of its increased importance in the context of both Brexit and Covid.”

How do you plan to engage more with parliamentary legislators when you come up with new policies and new ways of working?

09:30

George Eustice: We have been working on the common frameworks for a long time at official level. Often, we have political differences in

different parts of the UK but, across Great Britain, we have a single civil service. That provides a lot of important glue that holds things together. At official level, civil servants in the Scottish Government, the Welsh Government and the UK Government have been working closely on many of the technical issues, such as vessel licensing and food compositional standards, to try to co-ordinate matters. However, none of the common frameworks cuts across the devolution settlement.

As I said, we do not have a federal system of government in the UK—rightly so, because it would not work, given the different sizes of the respective parts of the UK—we have a devolution settlement. That means that we try to work together as a happy family. That is what the common frameworks are about. They are about trying to co-ordinate and bring things together when we are able to agree but, in the final analysis, if we disagree on anything, something is either a reserved function and is for the UK Government or it is a devolved function and is for the devolved Administrations. That is the nature of our constitution and there is nothing in the frameworks that cuts across that.

Jenni Minto: It is fair to say that the CEEAC Committee recognised that there are significant differences between the market access principles in UKIMA and in the EU single market. In particular, the list of exclusions on public interest grounds from the application of the mutual recognition principle is much narrower in UKIMA. There are differences that impact on devolved competences.

We also took evidence from stakeholders outwith Parliament on various changes in legislation. For example, Scottish Environment LINK said:

“there has been little to no stakeholder engagement on any environmental common frameworks”.

We had something similar from NFU Scotland, which said that it had “not been entirely sighted” on the common frameworks.

How can we, as legislators across the United Kingdom, ensure that we engage stakeholders who have appropriate evidence and views on how we move forward in our post-EU-exit circumstances?

George Eustice: I understand that point. It underlines the importance of committees such as yours and the importance of UK Government ministers giving evidence to your committee and the EFRA Committee in the UK Parliament. In fact, when I was first elected, I started as a member of the EFRA Committee.

Committees such as yours have an important scrutiny role and an important role in marshalling

evidence from other experts, as well as ensuring that it is brought before Governments and that Governments in Scotland and the UK respond to it and address the concerns that are expressed. We regularly respond to reports from the EFRA Select Committee in Westminster. Of course, if we have legislative changes, we carry out a wider public consultation. We have done that with all of the areas where we have made significant policy changes. If we need secondary legislation to change, we also need to take that through the statutory instrument committees that we have.

There are many opportunities for engagement by external academics, external stakeholders and elected representatives.

Jenni Minto: I welcome that comment, but I make a plea to you to understand that the Scottish Parliament, too, has procedures, so the late laying of SIs has an impact on the ability of the Scottish Parliament and this committee to scrutinise new legislation being introduced by Westminster.

George Eustice: I fully understand that. In fact, when officials are discussing things with their counterparts in Wales, Scotland and sometimes Northern Ireland, we must always be very cognisant of different procedures that pertain in different assemblies. That often affects the timescales within which we can introduce changes.

Ariane Burgess (Highlands and Islands) (Green): Good morning, Mr Eustice. You have said that there will be more freedom for Scotland and that our committee has an important scrutiny role. The Scotland Act 1998 clearly states that protecting Scotland's environment is a devolved matter and a core responsibility of the Scottish Government, yet your Government's United Kingdom Internal Market Act 2020 has repeatedly prevented this Parliament and its committees from doing their job to protect our environment, from approving the introduction of GM crops to the UK market and from implementing a ban on plastic wet wipes. The 2020 act has allowed you to overrule us repeatedly. Why does your Government have such a blatant disregard for devolution?

George Eustice: I do not agree with the claim that you have made, on two fronts. First, as regards every part of the UK bringing forward new bans on some single-use plastics, Scotland was a few months ahead of Wales in its timescale, and Wales was one or two months ahead of England in its parliamentary timetable for making that change. The Scottish Government approached us and said that it did not want to delay the introduction of that ban and wanted to go slightly ahead of us. We said that we agreed—we were all heading in the same direction, so that was no problem. We did what I think is the sensible thing

in such a circumstance, in saying that you could ban the sale of those items sooner.

There is nothing in the United Kingdom Internal Market Act 2020 that constrains in any way the type of agriculture policies that Scotland is now exploring. Agri-environment schemes, enhanced environmental requirements and the elective payments that are being proposed for woodland creation and peatland restoration are all very much policies that Scotland can design, but the Scottish Government would have had far less freedom to do so in the EU, as there would have been a much more limited pillar 2 budget to spend, and there would have been lots of auditing requirements around how it spent the money on direct payments.

There is now much more freedom for Scotland to pursue its environmental ambitions, and I would argue that we have been very constructive in dealing with issues around banning sales where they have arisen.

I will make a final point, which is on GM crops. You have to understand how the system worked even when we were all in the European Union. The European Union would authorise GM crops for cultivation—that was its decision, which was dealt with by its committee. Once something was authorised, it was unlawful for any part of the European Union, including in the UK or in Scotland, to prevent the sale of those GM crops or of food produced from them, if they were judged to be safe.

Every part of the EU—including Scotland, using its devolved powers—was allowed to ban the cultivation of GM crops, and there is nothing that we are proposing that would change that. Scotland would be free to ban the cultivation of crops, but it would not be able to ban the sale of a loaf of bread, for instance, that might have used a GM grain that had been authorised as safe. That was the same in the European Union, so there is nothing new in that.

Karen Adam (Banffshire and Buchan Coast) (SNP): Good morning, Mr Eustice. I will raise with you a matter regarding fishing, which is a key sector in my constituency. The Westminster Government promised radical reforms to help the industry to take back control of UK waters and increase quota shares, while minimising trade impacts, but that is starkly at odds with the reality of what has been achieved. The mood on the ground is not good, to be honest. The conversations that I have regularly had with key sector leaders have included words such as “betrayal” and “breaking of promises”—those views are commonplace.

Representatives of our fishing industry have become particularly vocal about the contrast

between what they were promised and what Brexit actually looks like for them. For example, the National Federation of Fishermen's Organisations estimates that the industry will be £300 million worse off by 2026 than it would have been without Brexit. What engagement have you had with the Scottish Government, and what support can the UK Government give to our industry to manage the consequences of EU exit?

George Eustice: I regularly meet fishing leaders. A little under two weeks ago, I met Elspeth Macdonald from the Scottish Fishermen's Federation and other Scottish representatives. Prior to being secretary of state, I was fisheries minister for some time.

I have always been honest that, in order to get the trade and co-operation agreement and the tariff-free trade that we wanted, compromises were made in the event, and that meant that the settlement that we reached on fisheries did not have everything that fishing leaders would have wanted. I understand that. It is important to recognise what we did achieve, however: we have tariff-free access to the EU market, which is an important export market, and it is particularly important for the Scottish salmon industry.

I have talked to representatives from the Scottish salmon industry and, despite the early teething problems with some of the export paperwork, which we are very familiar with, and which your committee will be familiar with, too, Scottish salmon exports to the European Union grew in the first year that we left the European Union. That is a good sign that the industry is in good health and is continuing to thrive and see its exports grow.

The catching sector did not get as much additional fish as it would like, but the agreement requires the European Union to forfeit about a quarter of the quota that it had as the price for having continued access to UK waters. That is particularly significant for the pelagic sector in Scotland, which has done quite well out of that. In the first year, 15 per cent of that 25 per cent quota was transferred. Although that is not as much additional quota as the fishing industry would have liked, it is a significant boost, and there is more to come.

Fishing leaders and fishermen were quite apprehensive during the Covid crisis, as a lot of their market is in the service trade and restaurants, which were in a very difficult state, and prices went down. However, there has been a strong recovery in fish prices over the past six months. Generally, when I have spoken to fishermen more recently, in Scotland and elsewhere, they have been much happier than they were a year ago, say, because things are back in a reasonably good place.

I recognise that fishermen would have liked more quota under the agreement that we reached, but we had to make compromises to get the tariff-free access.

Karen Adam: What engagement have you had with the Scottish Government in that regard? What practical support is the UK Government giving to the fishing industry to get over this period? As you say, some things are looking better, but that is in relation to a very low bar; compared with where things started, we are still not back to where they were, and things are not where it was promised they would be. From the engagement that I have had, I would certainly not say that people in the industry are seeing things picking up and being as positive as you say they are.

What engagement have you had with the Scottish Government? Is interaction taking place, and what practical support can you give?

09:45

George Eustice: We work closely with the Scottish Government. After all, half of the UK fishing industry or thereabouts is based in Scotland, and it has really important centres such as Peterhead that are the centre of the industry. Despite it being a reserved competence, we have always taken Scottish Government officials and ministers as part of our delegation for the annual international fisheries negotiations. I am not sure whether he is still in place, but someone called Allan Gibb was one of the lead fisheries negotiators in the Scottish Government, and he would have attended alongside our UK officials the dialogue and discussions that we had with the Faroes, Norway or the EU.

We work very much in unison with the Scottish Government, given the interest that the Scottish industry has in some of those international negotiations. I should also say that the additional 15 per cent quota that I mentioned roughly equates to an extra £40 million of fish that the Scottish industry had last year as a result of our leaving the EU.

Karen Adam: I am aware that we are pressed for time, so I will leave it there, convener.

The Convener: I call Mercedes Villalba.

Mercedes Villalba (North East Scotland) (Lab): Good morning. I want to follow up on Karen Adam's question about the practical support that the UK Government could be providing. You will be aware that creel live nephrops are an important export for Scotland's coastal fishery, and you might have heard that the national co-ordinator of the Scottish Creel Fishermen's Federation has reported that, post Brexit, export

difficulties have added £2.50 in costs to every kilo exported.

Given that the UK Government has invested in support schemes such as the UK seafood fund, what does it plan to do—and what is it currently doing—to help to allay such concerns, reduce those costs and protect low-impact fisheries?

George Eustice: First, we have made a number of grant schemes available. For example, there is UK funding that is the residual element of the old European maritime and fisheries fund. Scotland has received £14 million from that fund, and the Scottish Government can administer that money through grants, which tend to be used to invest in more selective gear types that have, say, less environmental impact, but which can also be used for infrastructure and investment, particularly in ports.

In addition, there is the £100 million UK seafood fund, part of which is being used to support science such as the joint fisheries science work that is being carried out between fisheries agencies and the fishing industry in the new UK fisheries science partnership. The lion's share or largest part of the fund will go on infrastructure, particularly around ports, but there is also some money for training. There is therefore some grant in aid to support the industry.

On your specific point about export costs, the principal cost arises from the requirement for an export health certificate, the cost of which varies, depending on the size of the consignment. If a large pelagic producer is sending an articulated lorry load of mackerel, the cost of the export health certificate will be fairly modest in the scheme of things, and the same will be true for a lorry load of salmon.

Things get complicated when you have much smaller consignments of more niche products, because you might need several export health certificates for one lorry. We recognise that that makes those trades more expensive, because the cost of an export health certificate is typically in the range of £70 to £100 per certificate, because you need to get somebody to do the work and sign it off. That adds cost, depending on the size of the consignment.

We hope to address that through the comprehensive work that we have been doing on a digital solution, so that when somebody despatches goods, a pre-populated export health certificate is generated, which a vet can, in effect, attest. That would speed up the paperwork and reduce the cost significantly.

We also hope at some point to be able to enter a sensible dialogue with the European Union about whether a veterinary-signed certificate is necessary and appropriate in all circumstances.

We think that there could be times when a different paraprofessional could sign that off, or a food business operator could be accredited as a trusted trader so that they could accredit their own goods. There is no food safety reason why that should not happen, but getting to that final step would require us to have sensible engagement with the EU through the specialised committees.

Mercedes Villalba: I look forward to seeing how that digital solution progresses.

I have one more question. The Scottish Government's proposed future catching policy plans to deviate from UK and EU law by unilaterally permitting discarding. What is the secretary of state's view on that proposal and its potential impact on fishers across the UK?

George Eustice: We are considering the issue of the landing obligation that we all inherited from the European Union. The EU, too, is looking at that obligation, because it has been a challenge to make it work in practice. The intention had been that there would be de minimis exemptions and interspecies flexibility and so on to make it work, but there are still choke species that become problematic.

We want to work with the Scottish Government on that issue. The scope of what can be done will depend on the extent to which those issues might be resolved by international agreement between the UK and the EU, and we would obviously involve Scotland in any such proposal. When you are discussing your approach to quotas with neighbours, whether that is Norway, the Faroe Islands or the EU, you might want to have a common understanding. For example, it might be a feature of an international agreement that we could consider the use of cameras on vessels—that is called remote electronic monitoring, which has been well trialled and is successful where it is used. If we were to do that, that would apply to all vessels under that international agreement. There will be other technical conservation-type measures that are for Scotland to decide on, and it would be open for it to take a slightly different position.

In England, we are exploring options around a catch quota system whereby, rather than just targeting discards, we could account for all catches and reduce discards by having such a focus. As we outlined in our white paper, we are also exploring whether we could have a national quota reserve that could account for out-of-quota stocks, so that people could land them. That might be subject to some sort of super levy, but it would enable fishers to land those fish rather than having to discard them.

It is a complex area, but we hope to work with our colleagues in Scotland on a joint approach to some of those issues.

The Convener: Before we move on to our next theme, I have a quick question. In April of this year, the UK Government announced details of the shared prosperity fund, which I understand will make available around £212 million between 2022-23 and 2024-2025. How much of that fund will be directed towards the rural affairs remit, and how will it be targeted?

George Eustice: That will come down to what the Scottish Government wants to do with the funding. I have had some experience of this as a representative of a constituency in Cornwall. Cornwall also used to be a beneficiary of EU structural funds because of its low gross value added per capita and, for that reason, it will also be a significant beneficiary of the shared prosperity fund.

The Government's intention is for there to be fewer constraints on how that money is spent. The EU structural funds—the European regional development fund—could not really be used on harbours or ports, or even in some other sectors such as tourism, on the basis that there was a separate fund for that, which was the EMFF. It would often be the case that it would go against EU state aid rules to use ERDF money for investment in ports for safe fisheries. There is also the separate agriculture fund.

My understanding is that the Scottish Government could decide that it wanted to use the shared prosperity fund on agriculture and industries linked to agriculture, such as agritech. It is open to the Scottish Government to do that. However, rather like us in England, the Scottish Government will probably decide, given that there is a separate fisheries fund that supports fisheries and a separate agriculture budget that supports agriculture, that it will predominantly use the shared prosperity fund for other sectors. However, there would be no bar on the Scottish Government using it to support rural communities, agriculture and fisheries, if that was what it wanted to do.

The Convener: Thank you.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): Good morning, secretary of state. When it comes to the inclusion of agriculture and fisheries in the UK's new subsidy framework, as we have heard already, NFU Scotland has told some committees of this Parliament that the proposed measures risk reducing the agency of the Scottish Parliament to make its own policy on agriculture in some areas. The NFUS is not among the usual suspects that would make such a point. Do you think that the NFUS is just mistaken?

George Eustice: I met NFU Scotland last week. It is broadly content with what the Scottish Government is proposing, which the Scottish Government outlined to me yesterday, whereby an

area payment—a base payment—would be retained, and there would also be a much more conditional enhanced payment. It favours something that is closer to the area system, which is a bit different from what we are doing in England. However, there is nothing that Scotland is proposing that causes any problems for the UK Government or that is frustrating—

Alasdair Allan: I have to stop you there, because I am not asking you whether the NFUS has any concerns about the Scottish Government's policy; rather, I am asking you how you respond to its concern—as expressed to other parliamentary committees—that measures such as the Subsidy Control Act 2022 and the United Kingdom Internal Market Act 2020 constrain the future ability of the Scottish Parliament to make its own policy on agriculture.

George Eustice: I do not agree that they do, for the reasons that I stated earlier. The UK subsidy control regime is far looser than the EU subsidy regime, and the internal market act does nothing more than carry over the same kind of principles that we had in the single market, but with a much more permissive approach that gives far more power to the Scottish Parliament and the Scottish Government than they ever had while we were in the EU.

Alasdair Allan: Again, I do not understand the comparison. You are making a comparison with the kind of constraints that existed when we were in the EU, but we are no longer in the EU and, since 1998, agriculture has been virtually entirely devolved. We have already heard about GM crops; many people ask about the ability of the Scottish Parliament to legislate on GM crops in the future. Another example is bodies that speak up for people with alcohol problems, who have questioned whether the Scottish Parliament would be able to legislate in the way that it has done on minimum unit pricing for alcohol, if the internal market act and the other laws that we mentioned are to stand in future. Do you understand those concerns?

10:00

George Eustice: I hear the point that they make, but we all understand that there is an internal market in the UK, just as there used to be a single market in the EU, so there need to be some parameters and there needs to be some sort of subsidy control regime. However, the regime that we have for the UK is far more liberal and permissive than anything that existed in the EU. Yes, there are constraints to protect the UK internal market, but they are mild and proportionate.

Alasdair Allan: Do you agree that some of the language that the UK Government has used on all these issues has been rather less mild and proportionate than the language that you have used today? We have a Prime Minister who has described the existence of devolution as “a disaster”. Do you understand why some people might have concerns about power grabs being under way?

George Eustice: You have to look at the legislation that has been introduced and judge it on the basis of what it does. It is important that people understand that we do not have a federal system of government in the UK. We have a system in which we sometimes try to work in unison and co-ordinate things but, when we cannot agree, in the final analysis, decisions are either devolved or reserved. That means that, in the end, you can get a decision one way or the other. In that sense, it is quite binary.

Jenni Minto: I have a quick question on the impact that Brexit has had on seed potato farmers in Scotland. What is the UK Government doing to alleviate the issues? Might that involve considering where farmers in the UK source their seed potatoes?

George Eustice: The issue of seed potatoes is one of those issues on which the position that the European Commission has adopted so far is indefensible. When we were in the final stages of the transition and about to leave the EU, the Commission said that it would consider an application to recognise equivalence under a particular element of EU law that it had already used in the case of Canada, and that it would therefore authorise Scottish seed potatoes. When we sought an application immediately after the end of the transition to do that, the Commission adopted a different stance, which was that it would refuse even to refer the issue to its Standing Committee on Plants, Animals, Food and Feed—SCOPAFF.

The Commission knows that, if the application went to SCOPAFF, because Scottish seed potatoes are renowned as having the highest health status in the world, the committee would approve it without any problem. However, it has held the application back, for largely political reasons, as we have had discussions. That is one of many difficulties that we have had in trying to get some sense and good will in the post-transition period.

Therefore, as the Foreign Secretary announced yesterday, we intend to introduce legislation that would, at least, make a first step, which would be to enable Scottish seed potatoes to be sold in Northern Ireland. Although the EU might refuse to authorise Scottish seed potatoes for the rest of the EU, it has no right to refuse their authorisation in

Northern Ireland, and we will rightly take the matter into our own hands in that regard. However, in the longer term, we hope that the EU will do the right thing and refer the application to SCOPAFF.

It is a difficult issue for the Scottish seed potato industry. The one saving grace is that most Scottish seed potato exports go to countries outside the EU. There are quite high levels of exports to Egypt and to areas such as the Canary Islands, which are outside the EU and therefore still benefit from Scottish seed potato exports, but I recognise that, as the EU market probably accounts for around 10 per cent of its exports, the industry is frustrated.

Jenni Minto: Thank you for recognising the world renown of Scottish seed potatoes. I am interested in the proposals regarding Northern Ireland and in how the current discussions on the Northern Ireland protocol might have an impact.

George Eustice: For a very long time, we have wanted the EU simply to refer the matter to SCOPAFF. Late last summer, we published the UK command paper. That was not about departing from the protocol; it was about making some changes to the way in which the protocol operates, so that it could work in practice as well as in theory. We think that those are a sensible set of measures, which respect the concerns of the EU for its single market. We acknowledge the EU's anxiety on that front, and we want to address those concerns in the appropriate way. Our measures also protect the integrity of the UK internal market, and recognise that Northern Ireland is part of the UK and must be able to trade with the rest of GB. That is what we are seeking to bring clarity to, through the new piece of legislation that the Foreign Secretary announced yesterday.

Jim Fairlie: I am very glad that my colleague Jenni Minto raised the subject of the Northern Ireland protocol; we will come back to that later.

I refer back to what my colleague Dr Allan was asking you about. I genuinely get the point that you are trying to be as positive as you can be about the situation regarding the subsidy framework. I refer, however, to what has been reported to the committee for socioeconomic analysis of the European Chemicals Agency—SEAC—the Scottish Government and the House of Lords, and I would particularly like to examine the statement that has been made by a House of Lords committee. It says:

“there are powers under which the Secretary of State can refer subsidies or subsidy schemes made by the devolved Governments to the Competition and Markets Authority (CMA) which could potentially have the effect of overriding the devolved governments”—

and “overriding the devolved governments” is the really important bit—

“when it comes to proposing subsidies”.

Other countries have agriculture separated from any subsidy control regimes. Why has the UK Government not done that? Did you have any consultation with the Scottish Government when you were putting your proposals forward?

George Eustice: On the latter point, we regularly have discussions with the Scottish Government, the Welsh Government and the Northern Ireland Executive. Yesterday, in fact, we—

Jim Fairlie: But did you consult the Scottish Government on the Subsidy Control Bill? This point keeps coming back as a major issue. Did you consult the Scottish Government specifically on the Subsidy Control Bill?

George Eustice: The bill was introduced some time ago now—some 18 months ago. It would have been discussed. The formal consultation would have been for my colleagues in the Department for Business, Energy and Industrial Strategy, as it was a piece of legislation for which BEIS was responsible. It was absolutely discussed, yes. As to whether there was consultation, yes, it would have been told in advance of—

Jim Fairlie: With respect, secretary of state, being “told in advance” is not a consultation. If people have a consultation, they talk about something, they come to a conclusion and they deliver a set of principles. If the Scottish Government was not included in the consultation, how could it have any input on what was coming forward?

George Eustice: If you want, I can write to the committee and talk to colleagues and officials in BEIS—as they would have led on that engagement—to get an understanding of the official-level engagement that would inevitably have taken place around that time.

I come back to the reason for a UK subsidy control regime. We need to have something that protects the integrity of the internal market, and that is what the Subsidy Control Bill—now the Subsidy Control Act 2022—and the United Kingdom Internal Market Act 2020 are both about; it is about protecting the internal market and ensuring that there are some parameters on subsidy control. Not least, we have undertakings and obligations at the WTO and other organisations, and it has always been a UK reserved function to fulfil international obligations.

Jim Fairlie: But other countries have been able to take agriculture out of their subsidy control regimes. Why has the UK Government not given

agriculture the same respect? Let’s face it—agriculture is about ensuring that we have a resilient food and drink industry in this country, which, for us, specifically means Scotland. Why has the UK Government decided not to remove agriculture and allow it to get the kind of support that is required, particularly here in Scotland, to keep the food and drink industry resilient?

George Eustice: For the reason that I set out earlier, which is that the UK subsidy control regime is much looser than the previous one that we had with the EU. In fact, it is so loose that we judged that agriculture did not need to be carved out, as the de minimis exemption on payments would not capture, say, payments for agriculture on an individual farm. The regime is very much aimed at very large interventions in, say, the steel industry.

Jim Fairlie: Okay—we are just going to have to agree to differ on this. Thank you.

Beatrice Wishart: Good morning, secretary of state. Any disruptions to trade have knock-on effects for local economies, workers and job security. You referred to the salmon sector in an earlier response; I want to draw your attention to a letter yesterday from the chief executive of Salmon Scotland to the Prime Minister, in which he expressed serious concern about

“a trade war with Europe”,

highlighting that the salmon industry is the biggest fresh food exporter in the UK and that

“12,000 people ... rely on”

the industry

“for their livelihoods”.

What is the UK Government doing to ensure that, for industries that rely on trading fresh produce, there will be no disruption to exports as a result of changes to border controls?

George Eustice: We think that all this speculation about trade wars is deeply unhelpful. In fact, we are now hearing a more measured tone from the European Union and from ministers in Ireland. People recognise that there is a challenge that needs to be resolved, and nothing that we are proposing breaches international law or is inconsistent with our obligations. However, we need to get politics restored in Northern Ireland. The UK Government has an obligation to the Belfast/Good Friday agreement; we have a responsibility to ensure that it is respected, and we have to take this action to deal with what is a very delicate political situation in Northern Ireland.

There is absolutely no need or justification for any changes to the European Union’s approach to these matters, and it would be a very extreme step if it were to give notice of abandoning the whole trade and co-operation agreement when all we are

seeking to do is correct the approach with regard to, for example, access for Scottish seed potatoes to the Northern Ireland market. That is a perfectly reasonable thing for us to do.

Beatrice Wishart: Can you confirm, then, that there will be no disruptions to exports or the trading of fresh produce if there are changes to border controls?

George Eustice: Nothing that we are proposing would cause any problems for Scottish exporters of salmon or anything else, as it would not affect the TCA. Obviously, I do not control what the European Union might do on the other side of the border, but I can confirm that nothing that we are proposing would lead to a change in its approach.

Beatrice Wishart: Thank you.

The Convener: On that point, we regularly hear from organisations such as the NFUS about the lack of a level playing field, but the point is somewhat unquantified and we do not know what figures we are talking about. Has the UK Government assessed the cost of the impact on producers who are paying the full costs of border controls to the EU? Is it your view that, overall, we are looking for a lighter touch on imports and exports, and do you believe that the EU intends that to be the case for products coming in and out of the EU, too?

10:15

George Eustice: As I said earlier, it depends on the size of the consignment, and that will change from sector to sector. For example, a large exporter such as a mackerel producer in the pelagic sector or a salmon producer would typically have an articulated lorry load of very high-value product going in most cases with a single export health certificate. They will find, therefore, that the additional cost is quite marginal, but, if you are a shellfish exporter and are selling very small consignments of live crabs directly to the restaurant trade in France and you are doing several drops, it will become more expensive, without a doubt.

We have done impact assessments on that. From memory, the average increase in cost for those so-called non-tariff barriers, including the additional paperwork, comes in on average at around 1 per cent of producers' costs, but that is an average and it will vary considerably. There will be producers who talk about a significant rise in their costs, but for others it will be largely marginal.

The Convener: Are we seeing the same level of cost increase for European imports? Are exporters from Europe also seeing a 1 per cent average increase in the cost of exporting to the UK? In other words, is it a level playing field?

George Eustice: No, they are not, so in that sense it is not a level playing field, because given the current pressures on household incomes, we have just taken a decision, which some see as controversial, to further delay our requirements around having to have an export health certificate. We had intended to commence those in July, but we have delayed them. The Prime Minister would like us to explore a digital solution, which we are at an advanced stage of developing, so that we can have that digital system for our imports and simultaneously try to persuade the European Union to adopt the digital system for our exports. The answer in the long run is to get that digital system up and running, but I acknowledge that, in that sense, there is not a level playing field at the moment, because the EU is applying checks to our outward-bound goods and we are not applying the same level of checks to inward-bound goods.

Alasdair Allan: Has the UK made any specific assessment of production costs for businesses in Scotland as a result of having to bear the cost of the border controls that we have just touched on?

George Eustice: It does not affect production costs, but there is a cost on their exports for the additional administration. We have done impact assessments on that, so I can write to the committee, if it would help, setting those out in detail. As I said, my recollection, although I have not seen the document for a while, is that the cost is in the order of 1 per cent as an average, but that would vary considerably.

Alasdair Allan: That would be helpful. I suspect that the costs are more difficult to bear for smaller businesses. I will briefly quote a couple of examples from my constituency. Donald Joseph Maclean of Barratlantic said:

"The new export systems mean it doesn't make economic sense to send smaller individual deliveries to Europe like before, as these now cost the same as large consignments to process ... As a result, we now bundle smaller orders together in the same consignment ... The costs of Brexit are astronomical and I feel for smaller suppliers who are struggling."

Another constituent, Amber Knight of MacNeil Shellfish, said:

"it has added a lot of extra pressure and workload that was created overnight. Most businesses going through that level of organisational change would not manage. It's tough keeping it up and staying consistent, and it has added huge costs."

You acknowledge that there is likely to be a degree of variation, but do you appreciate the concerns of smaller businesses such as those about trying to cope with all this?

George Eustice: Yes, and a lot of work was done on that in the fishing industry in the first few months after the end of the transition, including trying to put in place seafood hubs where all the

small consignments can be collected together, so that they have a single aggregate export health certificate.

In Scotland, DFDS had pioneered a lot of that work. There were teething problems initially, but some good progress has been made in grouping smaller consignments together under a single export health certificate. There is still a cost, but there has been progress in making some of those smaller consignments more viable. The return for the requirements of such paperwork tends to be the development of a business model that involves larger consignments to wholesalers or distributors in the destination country, which then break it up into smaller individual deliveries of, for example, a few individual crabs to a restaurant, rather than that being a direct trade. In a single market, in which such paperwork is not required, some direct business-to-business small consignment work can happen. It is inevitable that the model will end up being built around larger consignments and distribution.

Alasdair Allan: My next point is related to that, and I am going to shamelessly quote another example from my constituency because, like you, I represent a constituency that has a fishing industry. This case involves consignments that are probably much smaller than the ones that I was thinking of before, and the use of the postal service to export smoked salmon to niche markets. Posting anything to the European Union is significantly more difficult than it used to be. Uig Lodge in my constituency has raised with me the difficulties that led it in November to stop all exports to the EU because of the sheer complexity, cost and delay that now exist in getting its product to that market. Is the UK Government going to make it any simpler to get a parcel to the European Union?

George Eustice: The specialised committees that exist under the trade and co-operation agreement are supposed to help to improve such things, over time. Obviously, however, our ability to change EU law is limited, so a challenge for us is that, although we would like to go much faster to recognise equivalence and to put in place sensible arrangements between the UK and the EU—given that we are such close trading partners—the EU is applying to us the sort of approach that it might apply to a third country that has a different regulatory regime, from a different part of the world, with shipping containers coming in. At the moment, it has not moved to that next step of developing arrangements that are more proportionate and that recognise the similarities between our regulatory approaches.

Alasdair Allan: You mentioned that you do not want to talk about trade wars, and you were critical of ministers in Ireland for using such language.

However, can you understand why they and others might be fearful about that very situation, if the UK is prepared to step away from what is an international agreement in the form of the Northern Ireland protocol?

George Eustice: As I said, nothing in what the Foreign Secretary outlined yesterday breaches international law or our international agreements. We do not accept that caricature. I was making a different point on Ireland, which is that there has been a lot of media hype and the use of terms such as “trade war”, but that is a media narrative rather than something that anybody was actually saying. My point was that Simon Coveney, rightly and in common with us, had recognised that that was very unconstructive and so was trying to strike a more emollient tone and calm things down. I was not criticising Irish ministers for being inflammatory. It was quite the opposite; they are trying to dampen things down.

Jenni Minto: I will change topic ever so slightly. Last night, we were at a British Veterinary Association dinner. Justine Shotton, its president, talked about the sustainability of the veterinary workforce as a result of Brexit—recruitment and retention issues and the pressures that vets are being put under because of vet certification. As a result of Covid, a lot more people have pets, and as a result of leaving Europe there are different requirements for pets that are travelling. What is the UK Government doing to support the recruitment of vets into the United Kingdom? I recognise that Scotland also has its own responsibility for that.

George Eustice: The Animal and Plant Health Agency operates GB-wide and supports the work that goes on in all parts of GB.

At the point of leaving the EU, we formed a surge reserve force of vets that we could deploy to help with export certificates should they be needed. We had around 200 or 300 vets on standby to be deployed to different parts of the UK to help with that. In the event, they were not needed, because we found that the work that we did to build capacity in private veterinary practices paid off, so they were able to take the load and shoulder the burden. We had a contingency plan, but it was not needed.

You are right that the APHA has developed a large number of EU vets in the state veterinary service during the past 20 years or so, who work for the APHA. A significant number of our vets have come from Spain, which has a university that specialises in state veterinary training. Through the skilled worker route and shortage occupation list, we put in place the ability for vets still to be able to come to the UK to work, so we are able to recruit them from Spain should we want to. However, the work that we did to build capacity in

private veterinary practices seems to have meant that they have the extra capacity that they need.

Jenni Minto: That moves us on to a report that our Economy and Fair Work Committee carried out on the supply chain. It looked at—

The Convener: Sorry, Jenni, but we have jumped a question theme and got ahead of ourselves. To try to keep things together, I ask Jim Fairlie to ask his questions about border controls and transitional staging.

Jim Fairlie: Okay. I am going to talk about the impact of extending transitional staging periods and about border checks and import controls. Earlier, you spoke about the digitisation scheme. Salmon is our biggest food export, and it is massively important that the industry can get fresh fish to its destination as quickly as possible. It desperately requires a digitised scheme and you said that you are working on that, but I urge you to work on it very quickly to give some comfort to that industry.

When you decided to extend the transitional staging period for border checks, did you consult the Scottish Government? The president of NFUS Scotland, Martin Kennedy, said:

“The prolonged failure of the UK Government to place UK food exporters on an even keel with those exporting goods to the UK from Europe shows an astonishing level of incompetence and failure to support Scottish producers and our food and drink sector.”

Not only is this about the monetary value of food and drink to the Scottish sector; there are also disease risks without import checks. More than 1 million pigs in Europe have been slaughtered because of African swine fever, a disease that has a mortality rate of up to 100 per cent in pigs. Although there would have been no controls had we remained in the EU, our status as non-members poses a greater risk, because we have lost access to the valuable and highly responsive EU surveillance network, which is used to track and trace that disease. Combined with zero import checks, that leaves the pig industry—which is already in crisis—greatly exposed. Can you tell the pig industry and the NFUS why staging has been delayed?

10:30

George Eustice: The first point, which was about consultation, was raised with me yesterday by the Scottish Government because, it is fair to say, it did not feel that there was as much consultation in advance as it would have liked.

Jim Fairlie: Was there any consultation?

George Eustice: In reality, not before a decision had largely been taken and had leaked. As with such things, the challenge was that, by the

time the UK Government had reached a conclusion, there was, sadly, already a lot of speculation in the media, so a decision was taken—

Jim Fairlie: I am sorry to press you, secretary of state, but can you not see that that is exactly the kind of thing that causes the difficulties that we have with the co-operation agreement? You said that subsidy control bills will not be effected because you will not do that to us; however, in reality, you do not consult even on big issues, such as this one, that have a direct impact on our constituents and on the big industries in Scotland. Can you not see that that is causing a problem?

George Eustice: We work very closely with all the devolved Administrations on those checks. Of course, it is frustrating for people when they have prepared for a particular date and we then delay.

Let me return to the point that you say was raised by the NFUS. Yes, of course, for the reasons that I gave earlier, those who export may feel that the playing field is not level. However, equally, we have taken a decision because we are concerned about the rising cost of living and we do not want to do anything at this juncture that will exacerbate that. That is what lies behind the decision to pause and to pursue a more digital solution.

We monitor African swine fever closely. It is important to note that we have maintained live animal checks throughout. Physical checks of live animal movements are at 100 per cent, and plant movements have been checked at the point of destination. It is not the case that there are no checks; some of those checks are going on. That is more than used to happen when we were in the European Union. As you have said, as an EU member, you would have had access to the full rapid alert system for food and feed, but it is also the case that a large proportion of the data that went on to that system came from the UK anyway, because we were more diligent in uploading things to it. So, yes, it gave us a little bit of extra intelligence, but we still work very closely with veterinary authorities in the EU and we are tracking African swine flu very closely.

Jim Fairlie: In the interests of time, I will leave it there.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): How does the regionalisation policy work to protect the UK from bringing in cases of African swine flu from, for example, Germany?

George Eustice: The provisions are clearly laid out by the World Organisation for Animal Health and there is an international approach. That still very much applies as it used to, and, if there is an outbreak in a part of the European Union,

including in a region within a country, the EU has an obligation to notify the world community of that through various international for a—principally the World Organisation for Animal Health. We are then entitled to put a regional restriction on trade, should we judge that to be the right thing to do.

The Convener: I have a very brief question before we move on to our next section. There has been a huge rise in pet ownership, a lot of which is down to Covid, and the Animal Welfare (Kept Animals) Bill is proceeding through Westminster. There has been a call for the number of dogs that can be transported privately to be restricted to three, given the evidence that that number relates to the average family or whatever. Are you still considering reducing from five to three the number of dogs that can be transported from Europe into the UK?

George Eustice: Yes, on the basis that there has been a long-standing problem, over the past 15 years, of an illegal trade in puppies. When we were in the EU, commercial trades should have happened under the balai directive rather than under the pet travel scheme. For some time, we have been concerned that operators have used the pet travel scheme inappropriately and that pets have not come in through the proper route. We ran an operation at some of the key ports—particularly in places such as Dover—and, over a period of a couple of years, we intercepted around 800 underage puppies that were being moved illegally.

To curtail that trade, we are looking at reducing the number of dogs that can be transported to three. We think that that is probably the right level and that it is appropriate. Obviously, however, wherever we draw the line on these things, people will say that the number is too many or too few.

The Convener: I would like a brief response to my next question, because we have already discussed it. Where is the hold-up in the digitisation of import and export procedures? I know that the UK Government is keen to introduce that. Is Europe reluctant? Why are we not seeing that progressing a lot more quickly?

George Eustice: We hope to have the digital assistance service operational during the next year. As I have said, in essence, it will automatically generate a pre-populated export health certificate based on dispatch note data. Companies often use digital dispatch note systems for their goods. In parallel, the generation of an EHC will be triggered. That would become like an additional piece of paper to go with the dispatch note with an order.

We have been trying to design that in a way that complies with the EU's existing official control regime, and we have made very good progress on that. To be fair to the EU, there is engagement

and discussion on its official control regime and how we might make a digital system work, so that we can get away from a system that drives fish exporters from Scotland, in particular, to despair. There is a generic photocopied form on which people have to manually score out the species of fish that are not in the load, and that is a really clunky way to do such work. We are trying to design a system that is compliant with the EU's existing official control regime. Having done that, the next stage will be to get a veterinary partnership agreement so that people can have some understanding of whether they need a vet in every instance or whether there could be some easement there.

The Convener: We will move on to the next theme, which is communities and the workforce in rural Scotland.

Karen Adam: Labour shortages that have been caused by Brexit and accentuated by the Covid pandemic have badly affected businesses across the food and farming sectors, and they could cause what has been described as “permanent damage”. Do you agree that, if that issue is not resolved swiftly, it threatens to shrink the sectors permanently?

You will be aware that that issue has been raised in the UK Parliament's Environment, Food and Rural Affairs Committee. The Government received requests for help from the farming sector and, as is stated on the UK Parliament's website, labour shortages

“took a toll on food security, the welfare of animals and the mental health of those who work in the industry”.

It says:

“The Committee was frustrated by the reluctance of”

the Westminster

“Government to engage with the industry over labour shortages. Despite valiant attempts by the industry, Ministers failed to understand the issues and even sought to pass the blame onto the sector.”

Can the secretary of state provide any reassurances that swift action will be taken there?

George Eustice: As some of you may know, I worked in the soft fruit industry before I chose to pursue a career in politics. I spent 10 years running a soft fruit farm that employed around 300 people with around 15 different nationalities. Therefore, I completely understand the challenges that the farming sector—particularly the horticulture sector—has faced.

That is why we have now put in place a multi-annual seasonal agricultural workers scheme. That is no longer a pilot scheme—it is a proper, fully fledged one. Some 30,000 visas are available in it initially, with a view that that could go to 40,000 this year if there is demand for it. About

25,000 people came under that scheme last year, so we think that 30,000 is probably the right starting point, and we will increase that figure if necessary.

More generally, it is important to note that there is a shortage of labour around the world. I was in the United States two weeks ago and it was quite telling that, even though they had labour mobility schemes and were bringing labour in from central America, in some cases, the labour market was very tight and there were difficulties in recruiting staff there. We are not alone in having the challenge of a major labour shortage. That is a good thing in one way: unemployment in this country is the lowest that it has been since 1974, and we have about 1 million job vacancies. That is better than the opposite, which is high unemployment, but it creates challenges for employers.

The EU settled status scheme allows 3 million or 4 million people to come here to work. We will soon publish a food strategy and will be looking at the issue of labour supply and at whether there is more that we can do to help the food sector in particular.

Karen Adam: Have you done any reviews to find out whether European seasonal agricultural labourers have been put off coming to work in the UK because they have to apply for a work scheme? Has that contributed to the drop in the number of agricultural workers?

George Eustice: In general, no, because wage rates in the UK are higher than prevailing wage rates in most other parts of the EU, so this is still quite an attractive destination for people who want seasonal work.

The big challenge last year was that, although we had 3 million or 4 million settled EU citizens, many of whom would have been doing seasonal work, they returned home during the Covid pandemic. That was for the most human of reasons—they wanted to be close to their families—but it was a further stressor on the sector. Some of those people will return this year, but it is a bit too early to tell exactly how many. Some of those EU citizens who did not come last year will come this year, and they will be supplemented by people coming under the seasonal agricultural workers scheme. We are recruiting people under that scheme from countries such as Kazakhstan, Moldova and Morocco, among others.

Mercedes Villalba: There have been disturbing reports of the mistreatment of migrant workers aboard UK fishing vessels. Those reports included instances of 20-hour shifts with workers being paid as little as £3.50 an hour, racism, sexual abuse and violence. Research by the International

Transport Workers Federation suggests that the use of transit visas is leading to the systemic exploitation of migrant labour aboard those vessels. Can you give a commitment to end the two-tier labour system by closing the loophole that allows transit visas to be used on fishing vessels in the UK?

George Eustice: We are certainly going to look at that. I know that the Home Office and some of the agencies that lead on that work will want to investigate those claims and allegations. If we are going to have migrant labour schemes, particularly temporary ones, it is absolutely crucial that there is no mistreatment and that people are properly paid and treated. It is absolutely essential that we address that.

The transit visa is very specific to the maritime sector. There is a recognition that those vessels are often not operating in the UK but elsewhere around the world and are often outside our own exclusive economic zone. There has always been a slightly different arrangement for the maritime sector. However, that is not an excuse for such conduct if it is found to be happening. I know that my colleagues in the Home Office will want to look at that.

Mercedes Villalba: My understanding is that those visas were supposed to be for long-haul shipping container work. Perhaps you could consider their appropriateness for fishing vessels.

George Eustice: Yes, I will.

10:45

Alasdair Allan: The UK Government has spoken about bespoke solutions for rural areas when it comes to migration policy. Did we not have that when we had freedom of movement for workers across Europe?

George Eustice: That was one way of doing it, but we have taken a view that we should end freedom of movement and we now have a controlled immigration policy. However, as part of that controlled immigration policy, we are putting in place a seasonal worker scheme for agriculture. We have had a seasonal agriculture worker scheme since the second world war—since long before we joined the European Union. We also used to have Commonwealth holiday visa work schemes, under which significant numbers of people from, for instance, Australia, New Zealand and Canada used to come.

We have always had such schemes, even before we joined the European Union. We do not have free movement now, but we want to meet our labour needs in rural areas and the seasonal workers scheme is how we are doing it.

Alasdair Allan: I asked because the visas to which you refer do not appear to be meeting demand and, more generally, because I wonder whether the UK Government appreciates that Scotland has a particular demographic issue in that our overall population has barely gone up in the past century. Our challenge has been outward migration. Is it perhaps time to reconsider the proposals in relation to rural and other areas of Scotland that the Scottish Government put to the UK Government again and again for tailored visas of the kind that exist, for example, for the Canadian provinces, so that you can meet the demographic and labour needs in Scotland more accurately?

George Eustice: The Home Office considered that proposal quite a lot. It thought about whether we could, in our immigration policy, have an “of which” type of subsection and limit visas in order to limit people to working in one area or one place. The view was that it would be difficult to enforce that and make it work in practice in the single labour market that we have, in which people can move within the UK. It also might not be the right thing. If someone came in through the skilled worker route, why would we want to keep them in one place, unable to take a job promotion with a different employer somewhere else?

On balance, having considered the matter, the Home Office felt that it was too difficult to make the proposal work. However, in agriculture, we have a different issue in England and Scotland, of course, which is that there is a high need for seasonal labour in areas where we probably do not have the population. Therefore, we need to have temporary accommodation and run caravan sites and so on to host the workforce, because they are often well removed from towns and urban areas.

Alasdair Allan: That may be the case in some areas, but, in others, workers from Eastern Europe have made the difference between local schools and other services existing or not existing, and they have been well integrated into the community. With that observation rather than question, I will allow us to move on.

Rachael Hamilton: As we know, the UK has a highly resilient food sector. In your opening statement you acknowledged that farmers face increasing costs due to the global situation. That applies particularly to fertiliser, feed and fuel. What steps has the UK Government taken to support the farming industry in the current crisis?

George Eustice: Some of the work that we have done has been in England. We are launching a new funding scheme called the sustainable farming incentive, in which we will pay farmers for embracing green cover crops, green manures such as phacelia—it can be sown as an over-

winter crop, locks up and holds nitrogen, and can be ploughed in for the next crop—and nitrogen-fixing legumes. We have also made some changes to our farming rules on water to make it easier for farmers to spread slurry in the autumn.

We have changed some of our regulations and the design of some of our schemes to try to give farmers access to alternatives to manufactured fertiliser, so that they can reduce the total amount of manufactured fertiliser that they use. We have also delayed plans to make changes to the availability of urea so that farmers have access to it as an alternative during these difficult times.

In England, we will pay half of the BPS payments in advance. We have taken the decision to bring forward payment of half the subsidy payment—which we normally pay in December, in common with what happens in Scotland and other parts of the UK—to July, which is much earlier, in order to help farmers with their cash flow.

We have also removed the tariff that had been placed on US maize in order to try to get feed costs down. That will be particularly helpful for the dairy and beef cattle sectors.

We have provided a package of things to try to help. The wheat price is what it is—it has always followed the gas price—but we should note that some of the big players in the poultry and pig sectors have aligned contracts that are linked to the cost of production and move automatically when the price of feed input rises. However, we recognise that it is a difficult time for those sectors, and we are doing what we can to help.

Rachael Hamilton: I know that you do not have a crystal ball, but it is clear that the Ukrainian crisis will be with us for a number of months—perhaps for years. Farmers need to make decisions based on seasonal effects, and they have to make decisions regarding future stocking. There is an integrated relationship between Scotland and the rest of the UK in that regard. Are you taking a longer-term view in relation to future decisions that farmers will have to make, or are you taking each month as it comes?

George Eustice: On the decision to plant wheat, the reality is that we need the passage of time for the fog to clear before millers and farmers know where they stand and where the point of reconciliation is in relation to what prices need to be. At the moment, millers do not necessarily want to commit to paying the very high wheat price, because the price could fall and they could be left exposed. Equally, farmers do not want to commit to quite high input costs for fertiliser unless they have some confidence about the price that they will get for their wheat.

As time goes on, once things have settled there will be a moment of clarity, probably in late June or

in July—when it will be clear what the forward price for wheat will and should be, and where fertiliser prices will settle. At that point, millers and farmers can reach an agreement and get crops in the ground in the autumn. We are waiting for that.

As I said, some of the costs for the livestock sectors will automatically go through, given the nature of contracts—particularly in the poultry sector and, to a lesser extent, in the pig sector. There are quite high commodity prices generally in the livestock sectors.

The price of milk is already up 30 per cent on the five-year average; it is edging quite close to 40p per litre. The price of lamb is currently more than £6 per kilo, which is significantly higher—50 per cent higher—than it was five years ago. The price of beef is up 20 per cent, and so on. Agriculture commodity prices have also gone up, which will mitigate some of the other rising costs.

Rachael Hamilton: I understand that under the Department for Business, Energy and Industrial Strategy is the regulator—the groceries code adjudicator. Does the Department for Environment, Food and Rural Affairs have a view on how the “Groceries Supply Code of Practice” has worked to support food producers and farmers?

George Eustice: It is important to understand that the sole aim of the code of practice is to improve the conduct of the 10 big retailers; our view is that it has worked. Because such arrangements are outside its remit, the code cannot deal with contractual arrangements between a farmer and a processor, whether it is a meat or dairy processor.

For some time, we have felt that there is more work to do to improve transparency and fairness in some of the contracting arrangements—especially in the pig and dairy sectors. That is why we took a power in the Agriculture Act 2020 to make regulations on requirements for how those contracts work. At the moment, we often see asymmetric obligations—there are lots of obligations on the farmer about what they need in order to supply the processor, but not much by way of reciprocal undertakings to the farmer about how they can expect their price to be calculated. We want to remedy that.

Rachael Hamilton: Mairi Gougeon, the Cabinet Secretary for Rural Affairs and Islands, leads the food resilience task force. What intergovernmental engagement have you had with the Scottish Government regarding food security issues across the UK?

George Eustice: Late last year, we formed a new project called the UK agricultural partnership, which recognises that agriculture policy is fully devolved, as we have discussed. Nevertheless,

we are all in a shared endeavour to support farm incomes and to improve agricultural output, our food security and environmental outcomes. Therefore, we have quite technical discussions. So far, we have had one on water quality and one on soil health in Northern Ireland.

We were approached by the James Hutton Institute, which felt that we should do something on food security. Mairi Gougeon has contacted me to say that she would like Scotland to host the next meeting of the UK agricultural partnership, and for it to address the important shared challenge of food security. That meeting will happen at the James Hutton Institute on 5 July. We have already had discussions about food security—we discussed it yesterday at the joint ministerial committee meeting, at which it was one of the agenda items. That detailed session on food security for all parts of the UK will take place at the James Hutton Institute in July.

Rachael Hamilton: Now that the Queen’s speech has been made and there is a bill to recognise that, what is your view of the approach to gene editing? What would you say to the James Hutton Institute? It is very much in favour of gene editing. The Scottish Government would rather align with the EU and wait to find out what the EU believes is the right path forward.

George Eustice: Obviously, the Scottish Government has a position, which is, broadly, that it does not really want to do anything until the EU has moved first. However, it is important to recognise that, some years ago, in 2018, there was a European Court of Justice judgment that most EU member states disagreed with. Although there is quite a bit of scepticism about genetically modified organisms in many EU countries, all of them recognise that Europe should be open to the technology of gene editing, which uses natural breeding techniques to move a trait within a species. Therefore, the EU is about to start a consultation on how it can change its law, because the decision was not really taken for scientific reasons; it was just a rogue legal judgment by the ECJ at the time. I think that the EU is about to embark on that and will probably be several years behind us.

If the Scottish Government judges that, because that was an emerging policy in the EU and it could live with an early move, the academic centres of excellence in Scotland would probably be happy with that. However, obviously, it is for the Scottish Government to decide whether it wants to make that change. If it would like to join in on our gene editing bill and have a schedule within it, the offer from us is there, but that is a choice for the Scottish Government.

The Convener: If you do not mind bearing with us, we have two more very short questions for you.

11:00

Karen Adam: My question is on the topic of food security. Earlier you touched on the cost of living crisis, which is driving up poverty. You said that unemployment is low, but poverty is running through the homes of working people, so there is a disconnect there. Inflation is set to be at its highest for 40 years and fuel prices are soaring. Food prices are being described as “apocalyptic”, and Justin King, the former boss of Sainsbury’s, has pinpointed Britain’s exit from the European Union as the cause of the cost of living pressures that are being felt by British shoppers amid a rise in the cost of food. Mr King believes that the trade problems between the UK and Europe since Brexit, and the Northern Ireland protocol, are playing roles in that.

People are suffering, Mr Eustice. Many of your colleagues have made comments that have invalidated and, frankly, patronised the struggle that people are having in their daily lives. Comments have been made that imply that people are less educated about cooking and getting access to fresh food—

The Convener: Karen, can we have a question please?

Karen Adam: —and that they should just get better-paying jobs or increase their working hours. This is really important and topical. People are facing hard choices. Do you agree with those comments? What more can we do across our Governments to help to support those people? What can you do in your position with regard to food security?

George Eustice: There is pressure on household incomes and the Government acknowledges that. That is why we have put in place measures to help people, particularly with energy costs.

The important thing to note on food is that there is some pressure on retail food prices, but it would be wrong to describe it as “apocalyptic”, or whatever term was used. In April, prices rose by about 1.5 per cent, and in March they rose by 0.2 per cent.

There are certainly some rises, but they are affecting specific sectors. In the UK, we have a very competitive retail sector in which Sainsbury’s and Tesco, for example, are competing with Aldi, and a lot of supermarkets are using the so-called Aldi price match. In respect of many staple products, there is quite ferocious retail competition, which is holding prices in check, so

although prices are rising, the rises are more modest than some of the newspaper reporting suggests.

Nevertheless, at a time when people have high energy costs, we recognise that there is pressure on people’s incomes. If you are paying out a lot of money for your energy bills, one of the first things that you will realise is that you are struggling to afford food, even if the price of food has not increased significantly. That is the key thing: because we all need food, it is the first thing that people notice when budgets are really stretched. That is why we are doing what we can to help people with energy costs, but it is very difficult.

The driver of the increase in the energy price—or 75 per cent of it—is the international gas price. Some of it also comes down to wage pressures, but the bulk of the rises that we are seeing is a direct consequence of the high gas price.

Beatrice Wishart: My question is about cash flow in food production. Can you explain what exactly the UK Government has done to encourage banks to lend with agility so that cash flow can be maintained?

George Eustice: One of the things that we have chosen to do in England is bring forward half of the BPS payment. That will help with cash flow at this time, when input costs have risen.

We also work closely with the major banks to understand what they are doing and their lending decisions. Generally speaking, most farm businesses, particularly those that own their holdings, find that they are able to get extensions of credit from banks because they have significant assets as security, so they are generally able to borrow money.

We monitor the situation quite closely, because it is important that we get those credit flows so that crops can be grown.

The Convener: Mr Eustice, we very much appreciate your time today. Thank you for giving us more of it than was originally scheduled—it has been most helpful. You will understand that the topics that we have discussed today are of great significance to the Scottish Parliament.

Thank you for joining us. I hope that we can meet you in the near future.

George Eustice: Thank you. I would love to come up to Scotland and meet properly, in person, next time.

The Convener: That concludes our public business.

11:05

Meeting continued in private until 11:14.

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