House of Commons

Scottish Affairs Committee

Oral evidence: Coronavirus and Scotland, HC 314

Thursday 25 June 2020

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Watch the meeting

Members present: Pete Wishart (Chair); Mhairi Black; Andrew Bowie; Deidre Brock; Wendy Chamberlain; Alberto Costa; Jon Cruddas; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 221 - 264

Witnesses

I: Jonnie Hall, Director of Policy, National Farmers Union Scotland, Karen Betts, Chief Executive Officer, Scotch Whisky Association, and James Withers, Chief Executive, Scotland Food and Drink.

Examination of Witnesses

Jonnie Hall, Karen Betts and James Withers.

Q221 **Chair:** Welcome to the Scottish Affairs Committee and a special session on Scotland's food and drink, one of our most important export sectors, as part of our look into coronavirus in Scotland. We have three very expert witnesses today, and I am going to allow them to introduce themselves, explain who they are and who they represent and make anything by way of a short introductory statement.

Jonnie Hall: Thank you very much, Chairman. Good afternoon, everyone. My name is Jonnie Hall and I am Director of Policy with the National Farmers Union of Scotland, which is the representative body of the agricultural industry in Scotland. I do not particularly want to add anything more at this stage. As the Chairman has already alluded to, we are reasonably familiar faces, and I am looking forward to answering any questions as best I can.

Karen Betts: Good afternoon, Chair. Good afternoon, Committee. I am Karen Betts. I am the Chief Executive of the Scotch Whisky Association. The Scotch Whisky Association is the representative body for the Scotch whisky industry. We have 94 members, which covers over 90% of the industry. As you all probably know, the industry runs 133 operating distilleries right across Scotland and we employ 11,000 people directly, 7,000 of whom work in rural areas of Scotland, and we employ about

40,000 more across the whole of the UK supply chain. We are very much an export-focused industry. Last year we exported £4.7 billion-worth of Scotch whisky to 180 markets around the world.

I am very much looking forward to talking to you today about the impacts of covid on the industry itself, on tourism within the industry and of course on the on-trade. I am also looking forward to talking about how Government may be able to continue to support the industry through the covid crisis and including into the recovery. It would also be good to cover the very threatening issue for us of US tariffs. Thank you.

Q222 **Chair:** Apologies to you, Ms Betts. As you probably saw in some of the emerging press coverage, the House of Commons authorities disgracefully spelt whisky with an "e". I know that Douglas Ross was particularly exercised about that oversight. I think we have set the record straight in the Scottish Affairs Committee this afternoon, so apologies to one of our finest export industries in Scotland. Mr Withers.

James Withers: Thank you, Chair. Good morning, folks. James Withers. I am Chief Executive of Scotland Food and Drink. We are the industry development organisation in Scotland, industry-led. We have a close partnership with the Scottish Government and their agencies up here, but we are an industry body. We have 450 member companies that are part of our organisation. Most of them are food and drink manufacturers and they range from tiny artisan businesses up to multinational companies. We work collectively with trade associations, not least Karen's and Jonnie's, and right across all sectors of the industry to develop the strategy to grow the sector in Scotland.

It might be helpful for the Committee if, in my comments about exports in this session, I refer to all sectors of the Scottish food and drink industry with the exception of whisky, because you have Karen here, who is the home of all knowledge on Scotch whisky exports. My comments will be about all Scottish food products and other non-whisky drink products that we export.

As Karen said, exports have been a critical part of the whisky industry. For the food sector it has been a recent journey for large parts of our industry. Last year Scottish food exports and non-whisky drink exports were worth £1.8 billion to Scotland and we have had 10 years of phenomenal success and phenomenal growth. It grew 10% again last year. It is still growing in the EU, but growing at a real of knots across North America, the Middle East and the Far East. It has been 10 years of real momentum up until the start of this year, when US tariffs started to have an impact on some of our food products, but covid came along and has ripped the rug from underneath our export activity. Now we are very focused on what recovery might look like if we can regain some of the huge amount of revenue lost.

Q223 **Chair:** I am grateful to you, and we will of course note your contributions in respect of Scotch whisky.

A few of you have touched on this, but generally—because we will come into specifics about some of the issues to do with covid—could you outline the impact of coronavirus on your various sectors? As we are starting to think about coming out of lockdown and picking up and returning to and redressing some of the issues of the economic impact of coronavirus, what are the issues and challenges that you are anticipating and expecting? How has it hit you, where are you now and what are you expecting as we go forward?

Karen Betts: Covid has had a serious impact globally on the Scotch whisky industry across all our markets. They have all been impacted. In the first quarter of this year exports were down 17%, so that is a loss of £190 million. The second quarter figures are going to be interesting and significant in terms of covid. We do not have those yet, but we do have figures for April. Our exports were down 40% in April, so when we add May and June into that we will have a clearer idea of what the immediate impact of covid-19 has been.

Basically, the very big impact is the closure of the on-trade globally and the closure of global travel retail. Combined, they make up about a third of our exports around the world. Retail sales have broadly held up in most markets during the lockdown period, but they in no way have compensated for the very real losses in the closure of the on-trade.

On the outlook, what many of our companies are experiencing at the moment is fairly weak demand. Many of our very key markets are still in lockdown or only just emerging, so we are now looking at how those economies emerge from lockdown, how the health of those economies is sustained, what are the impacts of unemployment and consumer spending as lockdown restrictions are eased and consumers return at least to some of the activities they were used to doing before lockdown. The other thing we have an eye on, of course, is that Scotch whisky is a luxury product, and that sometimes is impacted if there is an impact on consumer spending.

In Scotland we are seeing impacts on tourism. We have 68 distillery visitor centres dotted right across Scotland. We now have a date of 15 July for the reopening of tourism in Scotland, but I do not think it is going to be wholly straightforward. Many of our companies will be looking at whether they can afford to reopen, because many of them think that they will need to bring in additional staff to maintain social distancing on sites. If there is a risk that they are going to experience lower footfall—in particular because we are not really expecting international tourists to return this summer—there is a question mark on how that will go. I think it is also fair to say that there is some nervousness in rural and island communities across Scotland about the return of tourists, so obviously that will need to be factored in and there will need to be some considerable reassurance to populations that it is okay for people to travel to more remote areas.

We very much want to play our part, however, in the recovery of tourism in Scotland. We want to bring our distillery visitor centre staff back to work and we want to be able to showcase the brand homes of our whisky that are all these distillery visitor centres. This will impact James and Jonnie as well. Across Scotland all of our sectors are likely to be impacted by the downturn in tourism, and we probably need some sort of strategy that involves us all, and obviously hotels, restaurants, bars, because there is a risk—

Q224 **Chair:** We are going to get into some of these issues, but thank you for that, which is helpful for giving us a general idea.

Karen Betts: Can I mention one further thing?

Chair: Yes, briefly.

Karen Betts: The impact of the on-trade alongside tourism is important to us as well. We depend on bars, restaurants and hotels to serve our products. The impact of them not doing so has an impact on us, but it is also potentially devastating to those businesses and in particular to the young people in inflexible jobs that often these businesses employ. About one in 10 jobs globally is in hospitality, so we are very concerned about that sector. You may have noticed that some of our companies have announced packages, including Diageo yesterday, to support the on-trade, but we have to factor in that impact on the industry.

Chair: Thank you for that. Mr Hall.

Jonnie Hall: Thank you, Chairman. I guess I have to start by identifying the fact that Scottish agriculture and the people we represent are the primary producers. They are the guys who produce the raw material that feeds into the interests of James's organisation and the companies that make up Scotland Food and Drink. Equally, for Karen's organisation we are the providers of the malting barley that underpins Scotch whisky production.

It is very difficult to generalise about the impact on Scottish agriculture from the mid-March period onwards. Scottish agriculture, if we are in any doubt about this, has illustrated itself as being remarkably diverse. We do everything. Scotland is a small country, but it is an incredibly agriculturally diverse country. We have a variety of different sectors and each of those sectors felt different impact in different ways early on in the process, particularly in response to lockdown, but also then the consequences of having to introduce solid and demonstrable social distancing measures in all sorts of operations. I think some of those impacts have been felt at farm level, but equally it is what has happened beyond the farm gate in the supply chain and the consequences of that on farm businesses.

Scottish agriculture does everything. We have a dairy sector. We have a very strong and significant red meat sector, particularly in beef but also in lamb. We have a pigs and poultry sector, which has seen some challenges. We have a soft fruit sector that punches way above its weight in value, as does our vegetable and potato sector. We have a cereal sector that not only produces grain for animal feed and so on, but primarily goes into distilling—malting barley for that premium product of Scotch whisky. Those sectors have seen different impacts.

The biggest impact initially was the realignment overnight of the supply chain, whereby consumer habits switched immediately from a vast array of outlets to consume food to basically everything being done through retail, in other words supermarkets, and the closing down overnight of the food service sector. If you look at the beef industry, for example, instead of the premium product of Scotch beef selling prime cuts to all sorts of restaurants and other outlets, everybody was then consuming mince. Realigning that supply chain overnight took a bit of doing and therefore the value of beef took a bit of a hit early on. In fact, in the very first week of lockdown the lamb trade collapsed overnight simply because nobody wanted to buy lamb, but then recovered almost immediately as well.

If you look at other sectors, milk is another one where I think Scotland got away with it, because we are not exposed to providing the huge great food service sector of the south-east of England and particularly London. Dairies in the south-east of England have struggled. In Scotland I think dairy farmers by and large have faced issues and challenges, but we were not in that sort of ridiculous situation of empty supermarket shelves with no milk on them and at the same time farmers having to pour milk away, so I think that was important.

I would add at this point that ornamentals and soft fruit have faced particular challenges with the availability of people. Even in the context of furloughed workers who expressed interest in working locally on fruit farms in Angus, Fife and places like that, we still had huge challenges in getting the right number of folk in the right place under safe conditions and so on, so that has been quite a challenge. Other challenges earlier on related to supplies into the agricultural businesses: feed, seed, fuel, fertiliser, even down to things like sawdust—because sawmills closed and sawdust is important for animal welfare and housing and things like that—and the availability of PPE products for those who work on pig and poultry farms because of the obvious demand for that sort of thing on the frontline in hospitals and so on.

Q225 **Chair:** Thanks, Jonnie. I am conscious that we have lots and lots to get through and we are looking for a general picture, which we are grateful to you for describing. Mr Withers.

James Withers: In one short line, the impact of covid on Scottish food exports has been pretty devastating. We have the first hard figures, which are just the first quarter stats for the year, and they do not paint anything like the picture of impact. We are down only about 12% year on year, largely because that first quarter period captured about four to five weeks of the real pain of covid. Our current estimation is that in 2020 we could lose up to half of our normal export value, so somewhere over £800 million of Scottish food export sales could be lost this year, and that is presuming we are on a trajectory of gradual recovery. It does not factor in any potential return to restrictions and lockdown in other parts of the world and a second wave. If it does, it will be a worse position than that.

The primary driver—a point that Karen and Jonnie touched on—is the effect of the shutdown of the hospitality market. The food sales into international hotels, bars and restaurants, on to airlines, into travel retail and duty free are significant and they also can return higher value than supplying into retailers. The reliance on that has meant the shutdown of the sector in many parts of the world has just cut off the artery of Scottish food exports out to international markets. Some other sectors were hit a bit earlier. Scottish salmon is the UK's number one food export and that was already down a third in value by the end of March. Some of it is starting to pick up.

One of the additional challenges is whereas in many cases the customers disappeared because their hotels or restaurants or bars closed down, even where there was still demand in some retail outlets, challenges with logistics came to the fore. There was a real shortage of shipping capacity, which has now largely corrected, but in the early days of the outbreak there was a shortage of shipping capacity with so much of that linked into China. Also, a lot of our high-value perishable products go by air, so the grounding of a large proportion of the world's airlines has meant that that traditional route to market, for instance on the belly of the plane that goes from Glasgow to Dubai, was cut off as well. We are now into recovery phase but the impact has been huge. In the domestic market context we sell about £3 billion every year of Scottish food and drink into the hospitality market at home, and much of that has disappeared too.

It is a pretty devastating impact. The question is how quickly we can recover. My final point on the speed of recovery is just to note that the further west you look across the world map, the further behind are countries in the disease curve. One of our concerns is that some of our competitors further east, even in Europe and certainly in Asia, will be able to steal something of a march on us with food exports because they are able to get back up and running quicker. The speed at which we get back into the markets will be crucial.

Q226 **Chair:** Thank you all very much for those very comprehensive responses. They were possibly a bit too comprehensive, and we are looking at trying to get more concise responses, if we can. Knowing the three of you as I do, you are more than capable of ensuring that we get a full response in a shorter time so that we get through more.

I have one more question for you, and it is based on what we have heard. Have your members been able to successfully access economic support from both the UK and Scottish Governments? How effective has that support been? Were you asked what support your members needed and required?

James Withers: I think the response at both UK Government and Scottish Government level has been pretty remarkable with the amount of business support that has gone in. There have been gaps at various points, but I think there has been a real willingness to try to address those gaps quickly. Furlough has been a critical scheme for many sectors. The only thing I would say in a food context is that a lot of food companies obviously have kept open right through lockdown because the nation's fridges and freezers had to be filled throughout. The loss of the hospitality market and export market has meant many of them have been operating at maybe only 30% to 40% of output, but yet still requiring much of their staff body and so having their fixed costs. In other words, it has been a loss-making operation for quite a while.

But the furlough scheme and also the pivotal enterprise fund in Scotland have been a critical lifeline. My only thought is that had some of the support that went into retail, tourism and hospitality—for example, rates relief—extended to the companies that supply those businesses, that would have been a major additional benefit that was probably missing from the package.

Q227 **Chair:** Ms Betts, I imagine it would be slightly different for the Scotch whisky industry. Have you detected a co-ordination between the UK and Scottish Government support? What have you needed to access or what have your members needed to access for that support?

Karen Betts: The furlough scheme has been critical. It moved into place very quickly and most of our companies—probably not all of them—have used it, and we are very grateful for the very pragmatic way that was rolled out quickly. The other area of support that many of our smaller companies have used is the pivotal enterprise grant scheme that the Scottish enterprise agencies have set up.

The other critical bit of financial support that mostly our smaller companies are now using has been rates relief, but that was significantly harder to unlock. Our companies only get rates relief for the parts of their businesses that are tourist and hospitality connected, so the distillery visitor centres, and because distilleries are integrated sites for rates evaluation—you have a manufacturing site alongside a tourist hospitality site—that proves quite complicated. We had a bit of a negotiation with the Scottish Government, but a successful one, and then a negotiation with councils about how that would be rolled out. I think there is only one council in Scotland that still has not given the distilleries in its council area an answer on that, but the others who were asked gave it eventually.

I would very much support James's comments. The support that was rolled out has been critical to keeping companies going from both a UK Government and Scottish Government point of view.

Q228 **Chair:** Mr Hall, I am not entirely sure what support agriculture has been offered and how that has been packaged, but I am sure you are going to tell us how it has been co-ordinated and how effective it has been.

Jonnie Hall: I think that is because we have to be honest and say that agriculture received support essentially as a matter of routine through CAP payments and so on, and that has enabled cash flow to continue throughout the spring period. The Scottish Government have delivered on their payment schedule as normal, and I think that has cushioned against any particular financial hits through realigned supply chains or any market impact.

There is one area that is pointed out to us by members of the agricultural businesses that have diversified into agritourism, and it relates to some of Karen's points. Agritourism is largely a sideline of an existing agricultural business and an awful lot of those agritourism enterprises, including things like farm shops, but also holiday lets, campsites and so on, have not been eligible to qualify for the support available.

Things like the Business Interruption Loan Scheme and various other things have not been a major feature of Scottish agricultural issues. We have not raised them because at the end of the day we have been relatively unscathed by the impacts. Many of our farm businesses had no need to furlough workers. Those workers were key essential workers, food production and so on. It was in some ways business as usual—obviously supply chain issues and other things aside.

James Withers: There is one thing I forgot to mention, just very briefly. All the grant mechanisms are almost exclusively targeted at SMEs. The options for businesses over 250 employees have largely been debt mechanisms. We have seen a very strong reluctance from the bigger companies in the food industry to use those debt options due to nervousness about ability to repay and just what the speed of recovery would be. I mention that understanding why SMEs are the focus and there are state aid restrictions, but if we move into a second phase there might be some key pivotal businesses, which are often very low-margin, that may not be as deeply capitalised as non-SMEs in other sectors. It might be worth looking at grant mechanisms rather than just debt options.

Q229 **Andrew Bowie:** I am tempted to say that your opening answers, panellists, were so comprehensive that I do not have anything to ask, but being a Member of Parliament I am not going to give up the opportunity to have my voice heard, so I am going to ask for some more detail on exports and trade, maybe first to Mr Withers. Yesterday the Government published their bounce-back plan for the agriculture, food and drinks industry, a combined document from DEFRA and the Department for International Trade. How confident are you that Scottish food and drink exports will be able to bounce back quickly? Assuming that you have seen the plan, do you welcome what the plan is, and how much input did you have in creating this package?

James Withers: There are quite a few questions there. The first one was about the ability to bounce back. All the drivers that were underpinning our export performance are still going to be there in the longer term: a desire for quality, people want a strong provenance story, a brand and story they can buy into, and they want something that is competitively priced too. We can hit all of those marks, so longer term we will be fine, and I hope the same projections we have seen from the Bank of England on the pace of recovery will mirror our export performance as well.

I have seen the DIT plan. I think it will add some strength to what has been done already in devolved areas. Were we closely involved in it? No, and I think there is still an ongoing issue there about the connections between DEFRA, DIT and the work of devolved nations. The reality is that other than trade negotiations, the development of brand and export opportunities are devolved, yet we still have too much drive at UK Government level without reflecting what is happening in devolved areas. I am optimistic about the ability to address that.

I think there should be a UK export council that is the four nations coming together on an equal basis to determine where they can collaborate collectively on export activity. I think there is not enough of that collaboration at the moment. There could be some stronger connection between what Wales is doing well, what I believe Scotland is doing well, what Northern Ireland aspires to do and what is certainly now a long overdue acceleration in thoughts around how the English food industry exports are supported.

Q230 **Andrew Bowie:** Ms Betts, do you want to add anything to that, with exports being so crucial to the Scotch whisky industry? Do you want to touch on the 25% tariff, which is obviously affecting the industry greatly across the United States of America?

Karen Betts: On the question of bounce-back, yes, our industry will bounce back. We have proved resilient in the past and I think we will now, but the pace of that bounce back is important if the industry is not to sustain any damage. On the question about the DIT bounce-back plan specifically, yes, we were consulted, we were involved and they bounced ideas off us and we fed in input. I think it is a good and energetic plan that has been pulled together at very short notice by an impressive team in DIT. Particularly for our SME members there is some important stuff in there around, for instance, virtual trade delegations, virtual meet the buyers, basically working out what you can do in this very constrained environment.

To have our exports bounce back we need two things. We need a real focus from Government on market access issues across the board. We have written to the Secretary of State for International Trade and asked her and her Department and the UK network overseas to focus on some countries where we have particular issues. If we could work through some of those market access issues, that would have a real impact on our ability to increase exports even in this constrained period. For example, India, as ever, remains an important export market in that context. We have a 1% share of the Indian whisky market and it is already our third biggest market by volume. If we could increase those exports that could have an exponential impact on our bounce-back. We understand that there have been renewed discussions between the UK Government and the Indian Government during the covid crisis, not least around the export from India of certain medical products. We have asked that that gets broadened out now into a broader conversation about trade to see if we can overcome some of the market access barriers we face in India, including our 150% import tariff.

The second important issue in the market access area is, as you mentioned, US tariffs. The situation is really serious. A 25% tariff was imposed in October last year and in the first six months of that tariff being in place our exports to the United States fell by 25%. The United States is our biggest and most valuable market, so that is significant. More alarmingly, our exports to the United States in April fell by 47%. As I say, we are waiting for the Q2 figures in 2020, but there is a combination of the US tariffs and the covid crisis. Ultimately, I think if we cannot resolve the US tariff issues that is a more strategic threat to the industry than covid is, because there is a risk that we start to lose longer-term market share that takes a very long time to win back.

We also had two disappointing pieces of news in the last few days. The first is that the judgment in the Airbus-Boeing litigation that we were expecting any time from May this year has now been pushed back to September. What that means is that a substantive negotiation between the EU and the US on the Airbus-Boeing dispute is not going to happen before the US elections. If this tariff cannot be resolved this summer, we are looking at having it in place probably for at least another six months. That is really concerning.

The second concerning piece of news is that the Office of the United States Trade Representative announced yesterday that it is going to review, as it does on a six-monthly basis, the tariffs that it has imposed under the Boeing-Airbus dispute, and we think that it could make some substantial revisions. It could raise the tariff on single malts; it could bring in a tariff on blended whisky. There are also some other new UK products on the list, including gin. It is important to note for this Committee that 70% of gin produced in the UK is produced in Scotland. If you had a raise in the Scotch whisky tariff, and you already have shortbread and cashmere on the list, and now potentially we have gin, the US tariff issue is critical to resolve in the next few months. We are very keen to learn from DIT whether it is right that UK interests are represented by the European Commission—

Q231 **Andrew Bowie:** Thank you. I will have to stop you there, Karen. It has been a fantastic answer, but I am going to let Jonnie come in on the back of that question as well.

Do you think the bounce-back will be quick, Jonnie? Also, the plan that was announced the other day by the Government—it was a joint release from DEFRA and DIT—did the NFUS and Scottish farmers get any sight of the plan before it was published? Did you have any input into the plan?

Jonnie Hall: No, Andrew, we did not have any sight of it at all. It came as something of a surprise to us. Having said that, a few weeks ago we did have a meeting with Liz Truss, the Secretary of State for DIT, and it was alluded to that this was in the offing, but we had no idea of the timing of it and we certainly were not consulted from a DEFRA angle.

Nevertheless, putting that aside, my comment about it would be that as primary producers, a lot of our members probably feel a million miles away from some of the export opportunities that Karen and James have spoken about, but as an industry we are so reliant on that story that James tells around quality, branding and provenance and creating market opportunities to sell the quality that we produce in Scotland. Scottish agriculture cannot stand in a world market on a stack it high, sell it low commodity basis. We need to be of quality, we need to have premium products and therefore we need to have these market opportunities explored and expanded and do that quickly. Some of the scary numbers that James talks about will have a consequential impact right back to farm businesses unless we can bounce back quickly.

Andrew Bowie: I see from the Chair that I have to move on and let somebody else ask some questions, so thank you very much.

Chair: I am grateful, thank you. They are very comprehensive answers, for which we are grateful, but might I make another plea to try to see if we can make them that little bit more concise so we can get through the business that we want to get through? Now that we are here, we want to maximise the time with you. Alberto Costa.

Q232 **Alberto Costa:** Thank you, Chair. I hope to be concise and quick. Thank you to the panellists for appearing before the Committee today. I have one of Europe's largest logistics parks in my constituency, Magna Park, and it is located there because it is within four and a half hours' drive of around 90% of the Great Britain population.

The question I have is about the supply chain. You have already answered or touched on some points in the answers that you gave, but could you perhaps expand and describe the impact that this health crisis has had on the internal supply chain, particularly between England and Scotland? What assistance, if any, have the Scottish Government or the UK Government given in respect of the internal supply chain? Perhaps finally, what lessons are there to be learned from this pandemic when it comes to the supply chain and the interdependencies that arise? These questions are to all panellists, so perhaps we could start with Ms Betts.

Karen Betts: Thank you very much. Your point on the supply chain is a very good one and James and Jonnie have raised it already. We are an integrated sector and as soon as one part of the sector gets out of kilter, there is a knock-on effect somewhere else. We have had detailed conversations with the NFUS since the start of the crisis about the demand for barley, because at the beginning of the crisis we slowed production considerably and the industry was operating for a while at about 20% to 30% capacity.

Obviously we had to act very quickly to ensure the safety of our workforce, to put social distancing in place, to make workplaces safe, and of course that cranking back on production means that we were not using as much barley as we would have done. Even now, we are probably only somewhere between 50% and 60% of capacity, so we are still not using the amounts of barley that we would have done. We are not using the amounts of glass, packaging and all those other things. Yes, there is an integrated supply chain and if there is an impact in one part of the business, there will be this ripple-out effect.

In terms of your question about learning lessons, one of the things that our industry and I think other industries were saying in the immediate stages of the crisis was that the more consistent, clear Government advice we can have that dovetails across the UK the better, because of course all our companies operate right across the UK market and it is confusing sometimes when slightly different rules are issued in slightly different areas. I do understand the overwhelming difficulties of the health crisis and the fact that politicians are absolutely operating in order to keep us, the population, safe and we are very respectful of that. However, there was some confusion that perhaps could be avoided another time.

Q233 **Alberto Costa:** Could you maybe expand on what you meant by the confusion? What elements did your industry suffer in terms of the confusion? What do you mean by that? You see the message, but how did that impact on your business in respect of the supply chain?

Karen Betts: There was some differing advice between the UK and Scottish Governments about which and how industries could operate at the beginning of the crisis. We were caught a bit between the Scottish Government advice and the DEFRA advice. It was ironed out, but that did cause some confusion at the beginning.

Q234 **Alberto Costa:** Thank you, Ms Betts. What about you, Mr Hall? Could you maybe expand on the issue of the logistics, the supply chain? I am particularly keen on finding out whether there was any disruption to business and to the sector that you represent.

Jonnie Hall: Certainly, as I alluded to before, there was disruption, but it was specific to individual sectors within Scottish agriculture. Scottish agriculture, as I said earlier, is very diverse, made up of different sectors. Some of the biggest challenges earlier on were around things like ornamentals. You might think, "What are ornamentals?" It is daffodil production in Aberdeenshire, for example, and the safe picking of daffodils to supply an Easter market. Therefore that then questions decisions about people making a huge investment in planting high-value products and crops and whether they will do that again.

The key word you used was interdependency. Scottish agriculture is massively reliant on a host of inputs just to come into the industry—just under £3 billion worth of inputs to Scottish agriculture every year—which it then turns over to produce £3.5 to £4 billion-worth of output. It is not just about what leaves the farm and goes down past the farm gate. It is about all those other businesses that rely on supplying agricultural businesses, and there are many across rural Scotland that do rely on that.

I would pick up on Karen's point and echo her point around the cereal sector in particular. From a Scottish cereals sector perspective, I do not think we fully appreciate just how much of an impact the slowing down of the distilling and brewing sectors is yet to have because we still have—and this is about logistics—significant amounts of grain in store from last year. We are literally just weeks away from the winter barley being harvested, probably towards the end of July, and then we are into harvest. If we have that overhang from last year, because distilling and malting were not taking the grain away from last year, where is it going to go? Physical capacity becomes a big issue. We are going to have an overhang, to put it bluntly, and that will also have a depressing effect on prices leaving farms. That is the potential.

Obviously we are working with the SWA. We want to try to iron this out because it is in all our interests to make sure that distilling is up and running, and running as close to full capacity as possible, so we will have an outlet for our products. That remains. We still do not know and probably will not know until about October or November what this year's harvest looks like. The consequences of that are probably around planting decisions on winter cereals later this year. Certainly there will be planting decisions about spring cereals into March of next year because farmers have a habit: if they have had their fingers burnt once, they are pretty quick learners and they will not necessarily do it again.

These things will take a lot of time, or could take a lot of time, in evening things out. I hope it finds its equilibrium again and finds it soon, but I still think that we are yet to realise some of the full implications of the challenges that Karen's members have faced and how that interdependency relates to some of the challenges that our members face.

Q235 **Alberto Costa:** That is very helpful. Finally—I am mindful of time—Mr Withers, could you maybe just focus in on the lessons that can be learned in respect of what the Scottish food and drink industry has experienced?

James Withers: Yes. I will just touch on logistics, where I think there is a lesson to learn. I have mentioned our reliance on airlines and the challenges there, and also if there is a shortage of shipping capacity with containers. I think there is an issue around our ability in Scotland to be resilient with transport infrastructure. The more direct air routes are good. It needs all the infrastructure around that. Prestwick will not be useful as a cargo option unless there are cold storage facilities there—our port capacity, too. In terms of airlines, we are hugely reliant on Heathrow. I believe Scottish salmon is the single biggest cargo item that leaves Heathrow every single year.

The one thing I would say about disruption is that within the UK, the UK supply chain works well, but we need to keep a close eye on the islands and on ferry capacity. We could pull salmon from the water on the west coast this afternoon, Thursday afternoon, which we serve for a customer in a Tokyo sushi restaurant by Saturday evening. One of the most challenging parts of that journey could be a 45-minute ferry ride from Brodick to Ardrossan. We have reduced capacity there and with social distancing, much reduced capacity potentially on our ferries. It has been okay for the moment because the tourism industry has not picked up, but there could be some constraints on that ferry capacity just as we are getting through the recovery stage, which we will need to keep a close eye on.

Chair: We are going to come to Sally-Ann Hart, because I believe she has to leave us in the next 10 minutes or so.

Q236 **Sally-Ann Hart:** My question is to Karen Betts. You mentioned the repercussions in the supply chain to do with glass and barley for the Scotch whisky industry during the pandemic in relation to scaled-back production. Were there any other repercussions to do with the scaled-back production during coronavirus?

Karen Betts: Mostly it was about the supply chain in terms of production, obviously, and then getting exports to market where we still had demand in markets. As I said earlier, we are now into the phase where production is broadly smooth, although with all these difficulties that Jonnie has just alluded to, but yes, we are looking to build demand again now.

Q237 **Sally-Ann Hart:** I read that a lot of whisky distilleries had diversified into hand sanitisers. I also note that many of them are turning their hands to gin distilling and that about 70% of gin consumed in the UK is made in Scotland. Two things: how has diversification into hand sanitisers helped the industry and how has gin production helped?

Karen Betts: The industry moved very fast on hand sanitiser. We could see very early that there was likely to be a shortage, so very quickly we reached out to hand sanitiser producers and other people who produce the other ingredients that go into it. Two days after lockdown, my organisation, the SWA, launched a portal to help match those who needed hand sanitiser with those who could provide the ingredients, and the industry has committed to nearly 15 million litres of ethanol now. This is not on a profit basis, so it is a cost—an amount of it has been given away—and that is so that we can support the frontline health and care services and also council refuse services through to businesses that have kept open during the crisis or are reopening.

This is not something the industry will stay in when the demand goes away. We have no desire to do that, and we are very conscious that we do not want to upset somebody else’s market. There are obviously existing sanitiser producers in the UK whose business it will be into the future. It will not be our business, but we did move on that quickly.

On your diversification to gin point, you are right that 70% of gin produced in the UK is produced in Scotland. That is obviously not all consumed in the UK, an amount of it is exported. Many of our companies also produce gin as well as whisky. Some have done it for a long time. Some have done it much more recently and many of the new brands have been started up alongside whisky distilling because of course you do not need to mature gin, you can bottle it and sell it straight away.

Q238 **Sally-Ann Hart:** Considering the adaptation, you have discussed the adaptation to hand sanitiser, but what do you think the long-term impacts to the Scottish whisky industry will be, if any?

Karen Betts: Of covid-19?

Sally-Ann Hart: Yes.

Karen Betts: We hope that the recovery will pick up. As I said earlier, it is about the pace of recovery. We are fairly confident that things will recover, but it is the pace of recovery that will dictate how much damage is done to the industry along the way and how much scarring we have to deal with in time. Broadly, we are resilient, so we expect to come through this, but as I said in answer to Andrew Bowie's question, the US tariff issue is very serious. That has the potential to damage the industry much more seriously in the longer term.

Sally-Ann Hart: Thank you. I have no further questions.

Chair: Thank you, Sally-Ann. We will go over to Mhairi Black.

Q239 **Mhairi Black:** I want to ask about the Food Resilience Industry Forum. We found information about it in the DEFRA evidence to the Environment, Food and Rural Affairs Committee's inquiry. Are you aware of this forum? If so, can you explain what it does and what you hope it will do? That question is open to everyone.

Jonnie Hall: I may as well kick off. Yes, we are aware of it, but we have had little or no involvement in it and therefore I cannot comment too much about what its goals and objectives are, what its terms of reference are or what it hopes to achieve. That might just be exposing my ignorance more than anything else, but I suspect not.

Q240 **Mhairi Black:** Does anyone else have a different experience?

James Withers: I echo that I am aware of it, but not involved, not invited. There is a comparable food sector resilience group that the Scottish Government co-ordinate.

Q241 **Mhairi Black:** Does the Scottish Government one replace the forum for the whole of the UK? How does it function?

James Withers: The food sector resilience group in Scotland, largely because food and drink matters are devolved, has been our forum and it is very effective. I have to say it has worked well as a mechanism. It has primarily, in the last 18 months, been taken up with a no-deal Brexit or Brexit preparations. It then swung very quickly into covid work and Fergus Ewing and Mairi Gougeon have both chaired that.

There is a clearly crossover on trade work between UK responsibilities and Scottish responsibilities. In all honesty, the way we approach it—and I think this would be true of Jonnie and NFU Scotland—is that we use the Scottish food sector resilience group to determine our Scottish position and Ministers then take that away to hopefully influence Joint Ministerial Committees in the UK, but we are very distant from the UK group.

Karen Betts: I would say that we are also part of the Scottish Government's food and drink resilience forum that James has just referred to. It meets weekly and it has been very useful in terms of no-deal Brexit, as James said, and it has swung very quickly into covid and has provided a vital line of communication on covid. We are not a part of the DEFRA Food Resilience Industry Forum, but we do feed into it and get feedback from it through our membership of the Food and Drink Federation, which is a member of that group. Two of our member companies are also regular members of the DEFRA industry group, so for us that broadly covers it. I think we are covered in all the groups is what I mean.

Q242 **Mhairi Black:** Just very quickly, then I will hand back to you, Chair—and this is more for my own curiosity—there was no real evidence of either the Food Resilience Industry Forum or the Scottish food sector's resilience group online anywhere. Is that normal? Unless you were actively involved, you would not know that these groups existed. Is that the norm or is that something that you would want to see improved?

Karen Betts: You would have to ask the Government Departments that organise them that question. All I would say is I think knowledge of them within the food industry is pretty broad. We represent a lot of companies, so does James, Jonnie represents a big industry, and they will be feeding back with our companies about what is going on. I am guessing if you are involved in a trade association, you probably know that these things are going on. But yes, we do not have a role in publicising them, certainly.

Jonnie Hall: I certainly do not think there is any cloak and dagger about anything, certainly in the Scottish context. One of the real benefits of not only Rural Scotland, but also Scotland Food and Drink, going right back into the agricultural industry—for want of a better expression—is that everybody knows each other, and that is of real value. We all work collaboratively, and that includes Scottish Government and agencies of the Government, and it has long been that way. It might not be obvious in the public domain or on social media or through different channels, but an awful lot of collaboration, if I can call it that, goes on regardless between different organisations and between Governments. It is usually a very effective system and it has proved its worth over the last 10 to 12 weeks, without question.

Q243 **Wendy Chamberlain:** Thank you to the witnesses for appearing today. I would like to move on to talk a little bit about seasonal workers and the impact on that category, which impacts on all your industries during the pandemic. Some of that has been generally a declining number of EU nationals coming to the UK, but I think there have also been issues about travel restrictions in relation to the seasonal workers pilot scheme. I know that is what I have had myself in my own constituency and from conversations I have had with farmers there. Also there have been challenges around attracting local employees. The Pick for Britain website I think has the NFUS link, which was advertising jobs in the area, but also there are concerns about bringing in local workers who may be furloughed and therefore potentially not able to complete their tenure. Mr Hall, can I ask you in the first instance, what has been the impact of seasonal worker reductions?

Jonnie Hall: In terms of seasonal workers, you are looking predominantly at the soft fruit sectors and the wider veg sector in particular. Yes, it has proved a bumpy ride over the last 12 or 14 weeks simply because of uncertainty as to what the situation would be. We already had a decline in the number of EU nationals who were coming back to Scotland, as they had done. Excuse me, I am coughing and I have no water to hand.

Wendy Chamberlain: Do you want me to move on to somebody else?

Jonnie Hall: Yes, please do that. I will come back to you. I apologise.

Wendy Chamberlain: Mr Withers, do you want to come in on that in the interim? Thank you.

James Withers: Yes, and I will try to guess what Jonnie was going to say because I was thinking my answer was going to be easy—that I would agree entirely with what Jonnie just said. Clearly the reliance on seasonal labour is critical. I think the exemptions that sit within the quarantine regulations are sensible, because you have effectively a contained bubble of individuals who can live and work in that particular place. It is critical to the supply chain obviously in soft fruit and flowers and the vegetable industry as well. It is absolutely central to it.

The Pick for Britain drive that there had been certainly resulted in a spike of interest, and I think the initiative that NFU Scotland led in connecting those looking for work with those who needed workers was phenomenal and worked very quickly. It instinctively does not feel to me like we have a long-term solution in re-energising a domestic labour force into that kind of work. It would be great if we did, but I do not think that will pan out. Moving into a future of the post-Brexit immigration environment, it will be as critical as it has always been to ensure that when we need a labour force beyond our shores, we can get that.

However, my sense is that we have avoided a potential nightmare scenario of product and crop being left rotting in the fields, because there has been quite a flexible, open approach. It has been a good example of industry doing what it can do, which is not for Government to do, but Government working quite closely as well to make things happen. We have probably snatched victory from the jaws of defeat for now, without saying the issue has gone away.

Wendy Chamberlain: I certainly advertise the NFUS webpage across my constituency. Mr Hall, is there anything else you would like to add?

Jonnie Hall: I would like to congratulate James for giving a far more comprehensive answer than I could possibly have done. Thank you, James. James was spot on. I think we are still not over the hump, if that is the right expression, because obviously covid has raised a number of challenges around seasonal workers and availability of workers. Possibly we might get into this discussion in a wee while, but we still have challenges around immigration policy, the recommendations of the MAC, issues around shortage occupation lists, and so it goes on. I know this Committee has looked at those issues in detail in the past. There are still challenges around the availability of people to service and underpin Scottish agriculture going forward, and indeed the food processing sector.

Q244 **Wendy Chamberlain:** In light of that, what would you like to see in relation to the seasonal workers pilot scheme when we come out of the pandemic?

Jonnie Hall: A significant increase in the numbers involved, without question. At the end of the day, this is largely a numbers game at the right time and the right place—not just numbers, but able and willing people who are skilled in what they do. The initial SAWS scheme was woefully short in terms of what it would cover for the UK, let alone for Scotland. The numbers have been increased. It is still very much at a pilot phase, but I still think we have to move a long way further yet to enable a proper functioning SAWS to operate in future years, to make sure that there is an incentive for folk to come to Scotland to do this work and that has to be the key.

Q245 **Wendy Chamberlain:** Finally to Ms Betts, in my own understanding, in the whisky industry a lot of your seasonal workforce is on the more tourist side, the distillery visitor centres you described, but have you experienced any challenges, you or your members?

Karen Betts: Not hugely yet. It generally is not a very serious issue for us, but we are conscious that seasonal workers are a serious issue for agriculture, as Jonnie has said, but also for us in hospitality and tourism more broadly. Our tourist centres, which employ 700 people across Scotland, can only be successful if the broader tourist sector is successful too, so yes, seasonal workers in hotels, bars and that sort of thing.

The other thing I would say on immigration is that what is important to our companies is that they can move people around. Most Scotch whisky companies employ people overseas, and it is important in terms of the vitality of talent within those companies that they can move people around within the company. We very much want that to be possible after Brexit.

Q246 **Douglas Ross:** Good afternoon, panel. Could I quickly pick up on a couple of points? Ms Betts, you were speaking about how quickly your industry adapted to produce hand sanitiser. Could you perhaps comment on HM Treasury's response? How quick was Treasury to look at the duty issue?

Karen Betts: It was really good. It was a fantastic team effort. I have to say it was a stressful few days, or probably a bit more than a few days. Of course there are all sorts of regulations around the production and movement of ethanol, because it is highly flammable—indeed, so are some of the other ingredients that go into hand sanitiser—so it was important to us to get a bunch of regulatory easements from HMRC at an early stage. There were emails pinging backwards and forwards, there was a bit of confusion here and there, but in general I would say that between HMRC, DEFRA and our sector, people did really well in exceptional circumstances.

Q247 **Douglas Ross:** This is to Ms Betts again, and I will come to Mr Hall as well. I represent the constituency of Moray, and Moray has more Scotch whisky distilleries than anywhere else, which is why I was so angry at the extra "e" that was in the Order Paper today. I was obviously here in Moray at the time when there was a real push by the Scottish Government to basically stop as much distilling as possible. Their argument was that whisky in itself, which matures for three years before it can be called Scotch, is not an essential item. Do you, Ms Betts and then Mr Hall, think there was a lack of understanding about the knock-on effect that would have on the overall supply chain? We have already spoken about the problems that have now been stored up for our farmers, not just this summer, but potentially going into their sowing season as well.

Karen Betts: We did have some detailed early conversations with the Scottish Government. I absolutely understand that health has been the priority in this crisis, and it is of vital importance to our companies that they protect the health and safety of their workforce. We have a fantastic health and safety record. I think that the Scottish Government were looking to make sure that industries slowed down as much as possible or closed if they could. We did talk to them and I know the NFUS talked to them about some of the knock-on impacts of doing so.

From a supply chain and farming point of view through to a market share point of view, our companies were very keen that it did not become easier to buy a bottle of American whiskey or Irish whiskey in the UK than it would have been to buy a bottle of Scotch whisky. That was accepted by the Scottish Government, that we are an essential part of the food and drink supply chain. That essential production went on once we had explained the measures that we put in place very quickly in terms of perspex screens and additional hygiene, all of those things, to make sure that our workforce can stay 2 metres apart to protect their safety and to suppress the transmission of covid-19.

Q248 **Douglas Ross:** I will come to Mr Hall. However, even when you did that, we still had the Cabinet Secretary in Scotland writing to MSPs saying that distilleries were not part of the essential workforce. Even when you had given the Scottish Government all this information, they were still writing out and it was circulated widely in Moray that distilleries should not be operating as far as possible, despite distilleries being the one industry that was probably the easiest to socially distance because at the actual production stage there are very few people involved.

Karen Betts: My take on it is that there were an awful lot of complex decisions for Governments both north and south of the border to take in very short periods of time, in almost an emergency situation. What I think we can learn from it is that there is work for the Scottish Government to do—and the UK Government to do, to a degree—to understand the integrated nature of the industries and of the key industries that drive Scotland's productivity, as we do, and will hopefully drive an export-led recovery. To that extent, we would support the recommendations in the review that Benny Higgins published for the Scottish Government on Monday, which talked about a more detailed conversation, a more informed dialogue between Government and industry.

Q249 **Douglas Ross:** Mr Hall, I was going to take you up earlier about whether there was any lack of understanding. Yes, it was a simple message to say alcohol was not essential, but it is not just grain being harvested, but also the by-products that go into animal feeds and so on.

Jonnie Hall: I do not think there was any misunderstanding or lack of understanding. We engaged with Fergus Ewing as the Cabinet Secretary for Rural Economy and Connectivity very early on on this. He also had a meeting with the chairman of our Combinable Crops Committee. They are the guys who are key to supplying the grain, particularly the spring barley. I think Fergus Ewing understood the concerns we had. Equally, he was robust from a Scottish Government point of view for exactly the reasons that Karen has just set out about the need to put in place solid and demonstrable social distancing practices in any work environment.

Yes, at times we found that slightly frustrating, but we work with SWA to continue to press our point. I think it was understood by Government, but at the end of the day they had to make a decision based on a public health crisis rather than it being an economic or social crisis. Obviously all three of those things are very clearly interlinked.

I think you do make a very good point around the knock-on effects for distillery co-products in terms of the availability of draff, pot ale syrup and all those sorts of things, which then ultimately literally feed into our livestock sectors. It just goes back to that interdependency. I think everybody has realised through this covid crisis how vulnerable we are. When one part of the whole food and drinks mechanism, if you like, is thrown out of kilter, it has all sorts of unanticipated and unpredicted consequences.

Q250 **Douglas Ross:** Mr Withers, you gave evidence I think this week in the Scottish Parliament to an inquiry, and you spoke about the financial effects on the food and drink industry. Another person giving evidence was Jimmy Buchan, the chief executive officer at the Scottish Seafood Association. Because our inquiry is looking specifically at how the UK and Scottish Governments responded to coronavirus, Mr Buchan said that in the early stages—and he was speaking about the early stages—there was total confusion from the Scottish Government and traders were not given the correct guidance quickly enough. Was that an impression that a number of your members had, particularly around key workers? We saw in England that food and drink workers were clearly identified by the UK Government as key workers, yet here in Scotland we had 32 different authorities putting up 32 different lists. I certainly had a number of complaints here in Moray that key workers did not include food and drink workers at the earlier stages.

James Withers: I think the reality is that guidance was being written on the hoof by everyone. No one had an off-the-shelf guide on how to deal with this, neither the industry nor—

Q251 **Douglas Ross:** Sorry, just on that, Mr Withers, when the Scottish Government announced theirs, the UK Government had already produced their guidance on key workers, so there was a document there.

James Withers: Yes. Sorry, I thought you were talking about what Jimmy had referenced, which was wider guidance on operating. On the key worker issue, yes, a different approach was taken north and south of the border. South of the border there was a general view that food and drink processing and manufacturing was an essential service and therefore workers should have access to childcare. In Scotland it was left to a wider interpretation and 32 individual local authorities got to make that decision. That created problems in, I would say, probably the first seven to 10 days, where particularly you had larger sites that would draw their workforce from different local authority areas, where you might have some of them deeming them as essential for childcare and others not.

In actual fact, it had virtually zero impact on operations because, I think unexpectedly to us all, the level of take-up of that childcare provision in hubs was very low. I say that as someone whose wife worked in one of those hubs, who was expecting potentially up to 10% to 20% of the school population; it was below 1%. The initial confusion did not translate into reality because the numbers of people taking that provision was so low.

Yes, in hindsight and with what was addressed down the line, anchoring food processing and manufacturing into category 2 was critical, and that then subsequently happened. The initial move to give it to 32 individual local authorities I do not think would be repeated now, and it was one of those I think you chalk up as lessons learned.

Q252 **Douglas Ross:** Thank you. I have a final question. The Committee has looked at language quite a lot. Mr Hall, last month the First Minister, Nicola Sturgeon, was described by some in the farming community as being out of touch because she announced in the Scottish Parliament that she was easing the early stages of the restrictions and that farming could get back to work. Subsequently her officials clarified what she was saying, but I have read some of the comments from people in the farming community. That was seen as being a bit of a blow to our farmers, who have worked so hard during the early stages of the covid crisis.

Jonnie Hall: Yes, and that is how we interpreted it. There was a poor bit of drafting of the First Minister's comments by somebody who has probably been given a thick ear for it, I would think.

Douglas Ross: She does not do that, we are told, so we had better be careful.

Jonnie Hall: No, we are not allowed to do that, sorry. I am talking about somebody who is an adult, so maybe a thick ear is not too bad.

Q253 **Douglas Ross:** The only reason I raise it is that we have spoken about communication and getting a clear message out there. It did appear for a short period that the First Minister thought farmers and farm workers were also covered by the early stages of the restrictions.

Jonnie Hall: Yes, it caught us all by surprise because we thought, "Hang on a minute, we have effectively been doing what we can, and quite rightly so, from day one. Why are we suddenly being cited in a statement about being able to go back to work?" I assumed, and we assumed, that it was just a drafting error and it came across badly, but move on.

Q254 **Deidre Brock:** Welcome to the panel. It is terrific to have such great witnesses along to this inquiry. I wanted to ask about what is clearly going to be the double whammy of covid and Brexit on the food and drink industry. Could I ask you to describe the impacts of coronavirus on the existing challenges of Brexit in relation to food and drink? Could we start with Ms Betts?

Karen Betts: There would be two issues that I would highlight there. First, when we were doing our no-deal planning last year, an amount of whisky had been pre-shipped to Europe to help ensure that we had sufficient supplies in Europe if there was no deal. What has happened in the covid crisis, because the industry was so disrupted from March over the last three months, is that much of those additional stocks that were on mainland Europe have been shipped on to distributors and retailers and have sold. That flexibility that we had bought the industry last year in pre-shipping does not exist anymore. I think it will be very difficult to replicate it now, given the constraints of covid one way or another.

The other thing that I would highlight is that in Brexit now, the thing that is the most important to our industry is that there is a very clear system for the movement of goods across borders. We are an excise good. We move in duty suspension. That means that movements of Scotch whisky and other alcohol are more complicated than other goods exports and imports. HMRC is now working on what the new system will be for next year. Our main plea on that is that it shares planning at as early a stage as possible and that it is given to companies in sufficient time that we can test it and then feed back any issues and glitches to HMRC before it goes live. It gets very detailed at this point, but when you get into excise codes, a wrong digit in a code could upset three weeks' worth of exports, and none of us want to go through that when exports have already been disrupted by covid.

Deidre Brock: Thanks for a very good answer. Mr Withers.

James Withers: I suppose to put in context how important Brexit is and a good transition into some kind of new trading arrangement, of the £1.8 billion of Scottish food I mentioned that we sold to the rest of the world last year, £1.2 billion went across the water into the European Union. It is 70% of our trade. We started the year with the risk of a no-deal Brexit being probably the biggest thing we had worried about in many years, before covid then hit. The real fear is that we just start getting into a recovery phase post-covid and then face the impact of an effective no deal.

I suppose the biggest issue, aside from potential disruption and additional bureaucratic costs, which are significant, is the tariff regime. In our red meat industry, almost all of its exports go to the European Union. When you are facing tariffs potentially 40% or 50% higher than they were before, there is a huge risk facing a sector just, as I say, in export trade trying to get back on its feet.

For our seafood industry, the tariff threat is much lower. It might be between 3% and 20% tariffs, depending on the species involved, but it is about that disruption piece where you have product that for every single hour it loses on transport, almost, it is reducing in price. You have to get it to that French market within 24 hours.

Brexit was going to be a huge hurdle to be overcome anyway if we do not get a tariff-free trading regime. On the back of covid, there is no glossing it, it is a huge concern.

Deidre Brock: Thanks, Mr Withers. Mr Hall.

Jonnie Hall: I would like to not echo Karen's and James's comments, but complement them. Deidre, you referred to a double whammy. I call it compounding. The question has to be asked whether there is sufficient bandwidth within Government to deal with the massive challenge around sorting out an orderly Brexit process that gets us into that position of effectively frictionless trade with the EU and so on, so that we get to a point where we have a workable relationship with the EU going forward. Alongside covid, how do you balance those things out?

I think there are still some huge challenges around all sorts of issues in relation to not only how the global tariff applies, but how that then squares up with the common external tariff of the EU, which clearly was announced by the UK Government about three or four weeks ago. It looks at face value that it aligns pretty closely. Nevertheless, we still have concerns about how that might be changed over time for the 11,000-odd agrifood items in it as we go into trade deals with others, and no doubt we will come on to that.

Fundamentally, the Brexit negotiations were going to be challenging enough. I still think and I am still concerned that we have some internal issues to address around what we do as the UK. There still appears to be little or no movement around commonly agreed regulatory frameworks and how they might apply in the internal UK market. That is a particular concern for Scottish agriculture. Scottish agriculture, as we know, is devolved, but the internal market is not devolved. Therefore, we want to be playing to the same rules as the rest of the UK. We still have some grave concerns about where we are going to land in all this.

Yes, we have No. 10 saying that 31 December is an absolute watershed moment but, having said that, only last week or the week before there was an announcement that import checks on goods coming from the EU, certainly for agricultural goods, would be put through more of an implementation phase and that probably would not happen until about April next year. That is not being done on a reciprocal basis by the EU, so we are gravely concerned about how this will pan out in practice.

Q255 **Deidre Brock:** Thank you very much, Mr Hall. Therefore, in terms of all of these discussions that clearly you have been having with the two Governments, does the food and drink industry feel that it is clearly communicating with the UK Government particularly about risks around Brexit and the coronavirus, as well as suggesting policies that might help to mitigate those risks? Do you feel the industry voices are being taken into account in the decision-making in the UK Government?

In particular, Mr Withers, I had a meeting recently with the chief executive of the Scottish Wholesale Association. I think you will be familiar with some of the concerns it has at the moment and the difficult time many of its members are going through at the moment, with little support from the UK Government or even—I would suggest from the sound of things—proper acknowledgement of the difficulties they are undergoing. Without support, many of those businesses may well be forced to close, and I do not think many people, including people within Government, are aware of the difficulties in relation to the supply chain to restaurants and hotels, public services, hospitals, councils and so on that many of those wholesalers supply, and obviously the knock-on impact on costs and so on. I wonder if you are able to maybe talk a little around that.

James Withers: It is difficult to know how to answer this because Brexit is unlike any other issue that we or I have dealt with as an organisation before, in that it is driven by a political philosophy. That is difficult for organisations like mine because normally we deploy things like economic facts and the logic of disruption of supply chain, but there is a sense that the end in itself is Brexit and whether it is a deal or no deal, the good that is attempting to be achieved is just Brexit and exit from the European Union. The normal mechanisms of trying to influence policy, and probably what would be a normal discussion about whether it is appropriate to extend the transition period or not, just do not feel as relevant in relation to this topic as they perhaps would for others, if that makes sense.

I would say that certainly as far as we are concerned, absolutely nothing has happened for the last four months on Brexit. In terms of preparation, discussions, progress and understanding of what 1 January 2021 looks like in terms of discussions either with Scottish Government or UK Government, for very understandable reasons—because we have all been focused on a global pandemic—there has been absolutely zero progress. Conscious that five days' time is roughly the deadline by which you would have to apply for a transition period, it does feel as though we have lost a large chunk of the year trying to prepare for the biggest fundamental change in our trading environment in our lifetime. I think that just fuels some of the uncertainty. There is a feeling as though we can explain what the practical impacts would be, but it is not going to help get ourselves prepared for an effective no deal on 1 January. There is just no way we can be prepared for that.

Deidre Brock: I do have another question to go on to after this that I would love to hear answered, but, Mr Hall, just quickly, your comments in relation to my question.

Jonnie Hall: I will just add to James's comment. Certainty is everything that Scotland's food and drinks sector needs right now, certainly from an agricultural producers' point of view. Time and time again when we ask for certainty about what will happen as we move into 2021, we do get a response from UK Government Ministers, "Well, we will leave. What more certainty do you want?" That is a bit like saying, "Okay, we will push you off a cliff edge. That is pretty certain, isn't it?" It is not necessarily the answer we want.

We remain very concerned about the challenges that we as an industry face. We still want to see the internal UK market working as effectively as possible so that Scottish produce is available across the United Kingdom, and we are producing that to the same internal standards and regulatory frameworks. Equally, we want to grow export markets and, as James said, our biggest export market remains the EU, so we still want access there.

Q256 **Deidre Brock:** Thank you, Mr Hall. Just one last question, pretty much for you all, I think. It is around the Agriculture Bill. I wanted to ask you whether you felt that Scottish concerns around the Agriculture Bill and food standards had been taken seriously by the UK Government. Do you think the consultations with the agriculture sector were adequate? What key issues do you think the UK Government might have missed?

Mr Hall, particularly for you, there was a debate in the House of Commons last night where it was claimed that all of the EU protections are being written into UK law by the Withdrawal Act and that the NFUS supported an amendment to the Agriculture Bill that could have damaged farmers' abilities to export. It is quite interesting that the Minister answering the debate did not back up those claims about the NFUS, but they seem like odd claims to me. I was wondering whether you had perhaps watched the debate and what you made of those claims.

Jonnie Hall: It is always quite enjoyable being used as a political football. It means you are of interest and value to somebody, I guess, because people cannot play football without the ball. There is no differentiation here between Scottish agricultural interests and the rest of the UK's agricultural interests. Ourselves and the other farming unions across the UK are as one on the issues around standards. We all know that we have endeavoured and continue to endeavour to get standards written into the Agriculture Bill that is currently going through the Westminster parliamentary process.

Just this week I have been meeting with colleagues from NFU England and Wales around potential approaches to put in place a trades and standards commission. We get the arguments. We understand the real technicalities around food standards not being the same as production standards—you cannot enforce production standards in somebody else's territory, and so on. We do think that there should be an opportunity for the Parliament of the UK to have scrutiny over trade agreements that could undercut domestic production, because the standards that farmers are asked to meet are different and therefore their cost structures are different. That is not necessarily the same as the food on the shelves being of any different standard in terms of its safety.

Q257 **Deidre Brock:** I suppose the grave concerns that many people have had—many people have been in touch, in my constituency certainly, about imported food standards and their impact on our food producers—and the suggestion that they were simply the result of misinformation, which was something that was suggested last night, is incorrect and not a view you would support?

Jonnie Hall: I can speak as a consumer of food and I can speak as somebody who is representing the interests of food producers. I think those two arguments are pretty much closely aligned. Number one, food consumers, no matter who they are, want to know whatever they are consuming is 100% safe. We do have mechanisms in place. We have FSA covering England; we have Food Standards Scotland covering Scotland. We need to ensure that whatever goes on the supermarket shelf is safe food, absolutely.

Thereafter, there are questions around how that food has been produced, to what animal welfare standards, to what environmental standards and things around that, which I think again consumers have a right to know, because consumers ultimately have a choice. I think we still need to bottom out that particular debate and argument. I have no doubt that food being sold in the UK will continue to be absolutely safe and it will be regulated and it will be governed by the likes of FSS. However, how do we ensure that the standards to which it is being produced are the standards that our producers have to comply with?

Q258 **Deidre Brock:** Indeed, the scrutiny of those production methods is a big concern. Mr Withers, just very quickly, perhaps I could get your take on this.

James Withers: Sorry, I muted myself, as my dog seemed to be keen to make a contribution.

I think Jonnie has covered it. I think they have led the charge on standards. I agree entirely. I would add to what Jonnie says that consumers ultimately, as well as the safety thing, want to make an informed choice. My last resort option would be that if we are going to end up with food products coming in here that are produced to standards that would not be allowable in the UK, you would have to bolt that in with clear labelling legislation where any of those differences were transparent so consumers can make an informed choice.

Chair: Thank you. I have to say that, as a Member of Parliament, I have never known my inbox to be so full of people genuinely concerned about food standards. I think that is what we have all received and secured in the course of the past couple of weeks. I know that Douglas Ross wants to come in with a supplementary question.

Q259 **Douglas Ross:** I think it is important, to follow on from what you said about the large number of people who have contacted MPs of all parties about this, to clarify things. I think Mr Hall failed to mention a couple of questions. If I can just word them in a specific way that only requires a yes or no answer, on misinformation, are you aware of any vote in this Parliament by MPs to reduce standards?

Jonnie Hall: No.

Q260 **Douglas Ross:** No. On the question that Ms Brock asked that you did not answer, are the current regulations on animal welfare standards, food safety and environmental standards part of the EU Withdrawal Act, which will come from the EU to the UK statute at the end of this year?

Jonnie Hall: Yes.

Q261 **Douglas Ross:** Yes. Finally, is there any other trade agreement by any country anywhere in the world that imposes standards on another country?

Jonnie Hall: A slightly longer answer to this: we both know that that is not the case.

Douglas Ross: No. Thank you, that is all I had.

Q262 **Chair:** Thank you for that. It would make evidence session Select Committees in the House of Commons very much straightforward if we got yes/no answers from all of our witnesses who appear. I do not think we have ever had that before, so well done, Douglas, for securing those types of responses. I was a little bit intrigued last night when I heard the talk of opposition groups, campaign groups and Opposition parties spreading misinformation, but we will maybe leave that alone just now. I know that there is still an ongoing debate around this particular issue.

I want to ask very briefly about something this Committee has looked at a number of times in a number of different inquiries and reports that we have produced. That is the idea of GIs—geographic indicators for people who are watching out there. I know we have discussed this, Ms Betts, when we met last time and you were relatively secure in the Scotch Whisky Association about your level of comfort about what was happening with that. I just want to know if that is still the case with you, given what has happened particularly around Brexit and some of the covid emergencies.

I want to come to Mr Withers with that too, just to see if he has any views about whether we should continue to take an interest in this and how big an interest that should be. Is there anything you would suggest to us about how we try to progress this as an agenda? Just brief responses, because we are coming to the very end of this session. We will start with you first, Ms Betts, with that.

Karen Betts: As you know, Scotch whisky's GI is absolutely key to its value. The whole GI network is a very important part of the way we protect Scotch whisky's intellectual property around the world. We do want to ensure that our GI protection in the UK and the EU continues without a hitch after Brexit, but at the moment the withdrawal agreement should allow this to happen without any problems and the final FTA should confirm that. What we are waiting for now is details from DEFRA on the UK's GI register.

James Withers: We would envy, across other sectors, where whisky has got to. I think having that GI enshrined in UK legislation as well as elsewhere is a strong suit. Having GIs built into future trade deals would be very valuable. I think what needs to happen around GIs as well is the industry needs to do much work in policing that GI. GI is only as good as your ability to police it, and I think that is what Karen's sector does extraordinarily well. They have a high level of relationships with the legal world in helping them do that. If you walk into a supermarket in New York just now, you will find Scottish-style smoked salmon and it will be wrapped in tartan. You will flip that over and you will see in the small print that salmon probably came from Chile or Norway. I think the industry has a huge job to do to try to police that because the more we invest in our brand, the more open we are to people riding on the back of it.

Karen Betts: I would absolutely echo that. Those rights are only as good as your enforcement of them, any civil legal right.

Q263 **Chair:** You, as the Scotch Whisky Association, have been pretty vociferous in your enforcement and protection of your intellectual property, and we congratulate you for that.

Karen Betts: We are very zero-tolerant and we are very careful about that, but we have a relatively small team of lawyers. We have five lawyers and a paralegal who do it.

Chair: Thank you for that. I am conscious we are now past the 4 pm mark, on which I was keen to end the session, but I know Andrew Bowie wants to come in with a short question, hopefully.

Q264 **Andrew Bowie:** Yes, a short question. Thank you very much, Chairman, for indulging me. I know all members of the Committee share my confidence that we will get a deal with the European Union by the end of the year and that they have confidence in the Prime Minister's ability to do that. I also know that everybody shares the exciting opportunities that will be afforded to us in terms of striking new trade deals when we do finally leave the European Union properly. Bearing in mind what we have spoken about, recovery from coronavirus, how important is it for Scottish food and drink that we get these trade deals signed and in place as soon as possible? I might start off with Mr Withers.

James Withers: Probably less important for the food sector than it would be for the whisky sector, for example, where they face punitive tariffs in some other markets. The majority of our potential to exploit export opportunities is not held back because of trade barriers.

The one thing I would say is the red meat opportunity in the far east and elsewhere is still huge. That is about legacy from BSE and outdated restrictions. If we can get some progress on that, which has been at a snail's pace now for 20 years across all different colours of Government and Administrations, that could be a real potential opportunity. For many of our sectors it is not specific trade barriers that are there, it is about getting companies to be ambitious to export and us supporting them with good export programmes.

Karen Betts: In terms of our recovery, market access and trade deals run in parallel. As I said earlier, sorting out some of those market access issues, whether it is the 25% US tariff or the 150% India tariff, is important to our recovery to make sure that we have fair market access to those great consumer markets out there. In parallel, yes, the trade deals are important. They will run generally at a slower pace and they will deliver benefits in a slower timeframe, but yes, obviously they are important too. A good deal with the EU is an important part of that.

Andrew Bowie: Which is what we are going to get. Mr Hall, I wondered if you might be able to—

Jonnie Hall: Coincidentally, Andrew McCornick, President of NFU Scotland, and myself have a meeting with the Secretary of State for the Department for International Trade tomorrow afternoon, so we will see what Liz Truss has to say then. I am sure it will be all positive. We have met with her in recent weeks as well. Clearly DIT has been very clear in where it sees opportunity for Scottish agriculture, particularly in a US-UK trade deal around beef, lamb and dairy products in particular. We remain to be convinced because we are still waiting to see the analysis that DIT has undertaken to give it that confidence.

Chair: Thank you all. That was a fascinating session with three people who are very much in command and on top of their briefs and great champions of their particular sectors. I am pretty certain we will see you once again at the Scottish Affairs Committee, maybe even in person. Let's hope that will be the case. Thank you ever so much again for your time here today.

Karen Betts: Mr Chairman, can I make two final comments? The first is one that I did not manage to get in, but important to us in terms of recovery is the Budget outcome, whenever the Treasury holds a Budget later this year. We think that a cut in excise tax is going to be critical to help stimulate consumer spending, to help support the on-trade to help us get out of the worst impacts of covid-19.

My second point is just about briefing for this Committee. We were asked by one of your Clerks to make sure that there were no children and dogs disturbing the session, and I just wanted to mention that to you because I thought it demonstrated rather a lack of empathy for the position that families are in right now. I chair a lot of meetings internal and external to my organisation and I would never say that to somebody. If a child interrupts a meeting, they will need a parent's attention and that has to take first priority, so they might want to rephrase that bit of their brief.

Chair: Absolutely. I am seeing Mr Ross shaking his head in affirmation, given that we had the delights of his young child at our last week's session. We will look at that. You are absolutely right to chastise us on that particular issue.

Douglas Ross: To clarify, I am nodding my head, not shaking my head.

Chair: Thank you for that, and thank you very much for your attendance today.