

Scottish Affairs Committee

Oral evidence: [The future of Scottish agriculture post Brexit](#), HC 1637

Monday 28 January 2019, Oatridge Agricultural College, Scotland

Ordered by the House of Commons to be published on 28 January 2019.

[Watch the meeting](#)

Members present: Pete Wishart (Chair); David Duguid; Hugh Gaffney; Danielle Rowley.

Questions 184 - 262

Witnesses

I: Jonnie Hall, Director of Policy, National Farmers Union Scotland, Russell Smith, Chair, Scottish Crofting Federation, Eleanor Kay, Agriculture Policy Adviser, and Kate Rowell, Chair, Quality Meat Scotland.

II: Professor Michael Keating, Professor of Politics, University of Aberdeen and Director, ESRC Centre on Constitutional Change, Dr Ann Bruce, Senior Lecturer, Science, Technology and Innovation Studies, Edinburgh University, Paul Flanagan, Director for Scotland, Agriculture and Horticulture Development Board, and Steven Thomson, Senior Agricultural Economist, Scottish Rural College.

Written evidence from witnesses:

- [NFU Scotland](#)
- [Quality Meat Scotland](#)
- [Agriculture and Horticulture Development Board](#)
- [Scotland's Rural College \(SRUC\)](#)
- [Professor Michael Keating](#)

Examination of witnesses

Witnesses: Jonnie Hall, Russell Smith, Eleanor Kay, and Kate Rowell.

Q184 **Chair:** I thank the College today for accommodating the Scottish Affairs Committee. It is the first time we have visited here so we are very much looking forward to our sessions and having a roundtable with some of the students later on. For the purposes of this inquiry, agriculture in Scotland, we are very grateful to our guests this morning. For the record, please say who you are, who you represent and anything by way of a short introductory statement.

Kate Rowell: Good morning. Thank you very much for asking me here. My name is Kate Rowell. I am the Chair of Quality Meat Scotland. Quality Meat Scotland is the levy body in Scotland, as I am sure you know, and our strategy is to help develop a sustainable, professional, resilient and profitable red meat industry and to contribute to the £30 billion target set by Scotland Food and Drink for 2030.

Eleanor Kay: Good morning. Eleanor Kay. I am from the Scottish Land & Estates. I am the Agricultural Policy Adviser. We represent the voices of rural businesses throughout Scotland and we are mainly looking to encourage a vibrant, thriving rural economy.

Jonnie Hall: Good morning. My name is Jonnie Hall and I am Director of Policy with National Farmers Union Scotland. NFU Scotland's interests in all of this discussion have been highlighted over the last two and a half years by a desire to see a positive outcome from the Brexit process in moving ourselves out of the shadow of the CAP and developing policies that are appropriate for Scotland's needs to build a vibrant, profitable agriculture and one that underpins our food and drink sector.

Russell Smith: My name is Russell Smith. I am here representing the Scottish Crofting Federation. I am the Chair of the Agricultural Working Group and I have a croft in East Sutherland, where it was certainly snowing yesterday. As well as a flock of North Country Cheviots, we have a caravan site and a self-catering cottage.

Q185 **Chair:** I am grateful. To get things started, I have a couple of general questions. It would be helpful if you could describe how agriculture in Scotland is different from in the rest of the United Kingdom. We have loads of stuff in front of us that tells us about less favoured areas and the proportion of the land that covers in Scotland, but in your own view, what sets it apart from the rest of the United Kingdom? We will come to some of the issues about common frameworks in that but if you could tell us in general. Maybe you could help us, Mr Smith, given that you represent the crofters here.

Russell Smith: I think the major difference is that Scotland is much more grazing orientated. We do not have so much arable land in general



HOUSE OF COMMONS

and once you get up to the crofting counties in the north and the west I think Shetland is about 100% grazing and Western Isles about 98% grazing, so there is very little arable. A lot of it is extensive grazing, so it is rough grazing. It is your typical heather and moorland. Along with that, there is an emphasis on livestock farming rather than arable, but in the north and west there is a lot of problems with distances to travel, distance to market. That all adds costs. Within that, because of the nature of the ground and the climate, there is very little opportunity to change what you are doing. You raise sheep or cattle or you don't and that is about it.

Q186 **Chair:** The figures we have here are 5.7 million hectares, 92.4% of Scottish land, is classified as LFA. Are you familiar with those figures and does that sound about right?

Russell Smith: We have always argued that the original LFA areas were drawn too widely and took in some areas that were less "less favoured" or more favoured.

Q187 **Chair:** What do Scottish Lands & Estates think of those sort of figures? Do we need to look at Scotland differently?

Eleanor Kay: The agricultural sector as a whole in Scotland is clearly different from England, especially in the grazing figures, and the access to market is significantly different to that of England. It is quite clear that the sector is very different when you look at the figures and the more community-focused nature of Scottish agriculture.

Q188 **Chair:** A bit of a different type of question for Mr Hall: how will the UK-wide common frameworks that are envisaged help to accommodate the differences that we have here in Scotland?

Jonnie Hall: When you are looking at common frameworks, you are looking at the regulatory controls and other standards in animal health and welfare, environment and issues such as that. Much of the discussion about common frameworks is about trying to respect the internal UK market in the post-Brexit situation and that remains very important to Scottish agriculture's interests.

I agree very much with Russell Smith with regard to the predominance of our grasslands and rough grazing areas. I would also make the very clear point that Scotland has an extremely diverse agricultural landscape and profile and I think that in itself sets it apart from the rest of the UK in the sense that we produce soft fruit and vegetables and seed tatties and spring barley for our whisky production as well as dairy products and fattening livestock and so on. We have a complete range of agricultural interests and developing and fitting an agricultural policy to such a diverse agricultural landscape has always been a huge challenge for Scotland. How we have made choices within the common agricultural policy over a number of years to get the right outcomes has been difficult.



HOUSE OF COMMONS

The diversity of Scottish agriculture is a strength but at the same time it is quite a challenge when it comes to developing common frameworks with the rest of the UK and devolved policy that meets Scotland's needs. It is something of an Achilles heel and, therefore, I think we need to tread very carefully when we are talking about common frameworks with the rest of the UK that we do not undermine Scotland's interests in that process. At the same time, it is absolutely vital that Scotland's devolved capacity to set agricultural policy for its own ends remains intact in a post-Brexit situation. That is why so much of the discussion about Agriculture Bills has become so important.

Q189 Chair: I know that we will definitely want to come on to some of the detail of that later on this session. Maybe Ms Rowell could help us with the initial question about what is so different. We are moving from CAP. Is there anything from the CAP that we would want to retain, any of its features and what it does?

Kate Rowell: As Jonnie said, the LFA part of it has been quite a success. My figures here are 85% is LFA, so we are talking roughly 85%, 90%, compared to only about 17% in England, which does show how different Scotland is from England and the rest of the UK. We employ 64% more of our population in agriculture compared to the rest of the UK, so there is a lot more people. The number of people is another thing that has to be kept in mind. There are 50,000 people dependent on the red meat industry throughout Scotland and livestock is 38% of our agricultural input in Scotland. Livestock is predominantly more important to agriculture and the economy in Scotland than it is in England.

Q190 Chair: Our figures here have 67,000 people employed in agriculture, which is 8% of the rural workforce. Are these the sort of figures that you would recognise? It is just as well we are pretty well briefed on these issues.

As we go forward, are there any changes that could be made immediately to improve the way that the system of agriculture works in Scotland? I know we have the Agriculture Bill going through Westminster, which Mr Hall has referenced, and it now appears that we will be getting a Scottish Bill. I know of the work that has been done by Agriculture Champions and some of the consultation work that has gone on from the Scottish Government. If there was one thing that you see would make an immediate improvement in the way that we do things, what would that be? I will ask Mr Hall that one first.

Jonnie Hall: I think the most important and urgent thing is a degree of certainty. I know that may be wishing for everything all at once but given that—

Chair: Welcome to our world.

Jonnie Hall: And our world too. The turmoil surrounding this whole process has bred a huge amount of uncertainty as a consequence and right now the industry is lacking in a huge amount of confidence. I think



HOUSE OF COMMONS

the Scottish Government, to be fair, have done the right thing in setting out something of a pathway, through its stability and simplicity consultation, in trying to stabilise the situation, to bring a degree of certainty before we see any significant change from where we are under the common agricultural policy. But nevertheless we, as the union, would say that we have to go beyond the stability and simplicity principles. Yes, we want a degree of relatively tranquil agricultural policy but at the same time we know that we need to move on.

If there is one key principle that we are seeking out of this whole process it is that we move away from essentially area-based support payments, whether it be through the basic payment scheme in Pillar I or LFA support in Pillar II, and we move the focus over time to being more focused on actions. It is not just down to the occupation of land. It is more about how that land is farmed and crofted and the actions that are undertaken so that we can drive a more productive agricultural industry, one that delivers more for the environment with public goods and so on. As a consequence, it makes the industry in its different sectors less reliant on direct support and more market-focused.

That is not going to happen overnight and it is not going to be without casualties, but that is the sort of transition that we need to start on at some time. Stability in the first place but at some point we have to make change and the steps towards that change are going to be very important from, say, 2021 onwards.

Q191 Chair: Ms Rowell, stability and simplicity was introduced in the summer of last year. Do you agree with Mr Hall—I saw you shaking your head there—that these are the sort of priorities that we should be looking at as we go forward?

Kate Rowell: I do agree. I think it is very important that this transition is gradual. There is no point in just carrying on with what we are doing at the minute for a long time and then suddenly changing it. Jonnie is quite right, these changes need to come, productivity needs to be increased, we need to be doing more for the environment, but we can't just say, "Right, tomorrow you have got to change everything you do". It has to be a managed transition over quite a long period of time or else there is going to be chaos in the agricultural sector.

Eleanor Kay: I absolutely agree. For any industry to prepare for change it has to know the direction of travel from Government and at the moment we are lacking that. While we do have an Agriculture Bill on the cards, we don't know when it is going to come and we also don't know what the Government's intentions are in what they want to support. The fragility of Scottish agriculture is not solely down to Brexit. Of course we know that. There are many issues that needed sorting, like supply chain and demographics as well as infrastructure and the challenges of delivering not only a thriving tenancy sector but also the diversity and climate change targets that we have set ourselves.



Change is inevitable, and the industry is aware of that, but the impact of this change on the sector and parts of the sector has to be fully recognised, understood and then managed to ensure that the transition is as steady and seamless as possible.

Q192 Chair: In the Agriculture Bill there is a clear programme and timetable for moving on beyond the common agricultural policy and the payments made to be much more in keeping with what farmers and producers are going to do with the environment and improve the environment. Do you think that is the way forward, Mr Smith?

Russell Smith: First, I would like to come back to the point about certainty. The agricultural support side of certainty in that would be very useful. The other side of crofters and farmers' income is the price you get for the produce you put in, which in our case is mostly store lamb, and that is going to be or could be hugely affected by Brexit. We find a lot of uncertainty among our members and the overall tone is quite despondent. Twice as many people are despondent as are confident about the future in a survey we did recently. Until we get some idea of whether we are having a no-deal Brexit, what the tariffs are going to be for lamb exports to Europe—personally half our income is from lamb sales and half from the support payments. To get certainty you have to solve both sides of that equation.

The other point I would make is what can you do to stabilise things at the moment. If the support side of it goes down, we will continue to see more animals going off the hills and that will lead to depopulation and all the bad things that go with that. We need some assurances that in the longer term the total amount of money coming in is going to be roughly the same.

Chair: I know that we are definitely going to get into some of the overall funding arrangements and packages and quantum, and we will come to that in due course

Q193 David Duguid: Mr Hall, you mentioned in your opening remarks that we are leaving—using your words—the shadow of the common agricultural policy. Could you summarise quite briefly what you see as the main advantages of coming out of the CAP and what the UK Government in particular—because we are talking from the UK Parliament—need to do to best capitalise on those opportunities?

Jonnie Hall: For 46 years now UK agriculture and Scottish agriculture has lived within the auspices of the CAP and it has gone through many iterations in that time. In many ways it has provided certainty with support payments and access to the single market and the protection of the customs union and so on, but I ask the question: has it really done Scottish agriculture any favours over that time? Has it driven a dynamic agricultural industry? Has it driven a desire to deliver what the market wants? Has it enabled new and developing businesses to expand and grow or has it thwarted those individuals in their efforts to grow their



HOUSE OF COMMONS

businesses? Has it encouraged innovation? I would say no, it has probably stifled innovation. To quote George Eustice, which I don't always like to do, it has often incentivised inertia.

We want to move beyond that. We want a much more dynamic, resilient and productive agricultural sector in Scotland that meets the needs of the market but also delivers on a whole raft of public interest as well. I think there is an opportunity to move out of the shadow of the CAP but as others have said, and I totally agree with, we need to do that in a very managed way.

Going back to the Chairman's point, there is a clear direction of travel and a transition process set out in the UK Agriculture Bill for England, and to a degree for Wales and Northern Ireland. I am not suggesting for a minute that we go along that same trajectory but we still do need a pathway for Scottish agriculture. We are looking for that from the Scottish Government's intention to bring forward a Scottish Agriculture Bill and we need to understand what the scope and the process of that will be. As I said earlier, the stability and simplicity rationale is all good but it only takes us so far. We need to move beyond that. The CAP has been a huge comfort blanket in many ways, but at some point we are going to have to unravel ourselves from that and move forward. We have to accept that it is going to be quite a tough and difficult process for certain industries and certain sectors, but in the long, long term the prosperity of Scottish agriculture will only be realised if we take this opportunity.

Q194 **Chair:** Before we move on, I am quite fascinated by some of the comments from Mr Hall. You talk about incentivised inertia. What specifically were you thinking about and referring to when you said that?

Jonnie Hall: The CAP, as I said earlier, is predominantly about supporting areas of land and not how it is farmed. Since 2005 and the first iteration of decoupled payments in particular, right through to the 2013 reforms of the CAP and the basic payment scheme, essentially it has been the occupation of land and meeting certain minimum activity requirements on that land, and some of those are simply the maintenance of that land. It has not exactly encouraged farming operations and management of agricultural interests in a way that has been market focused and has driven innovation and productivity gains.

That support structure has enabled individual businesses to effectively tread water in many ways. They have not had to work hard or rethink how they operate in order to stay ahead of the game. In some ways it has stifled some new entrants getting into the industry simply because the occupation of land is the key to unlocking support. We would like to see actions that unlock support. Whether those actions are more in the public interest or more about driving productivity or more market focused, that is where we think future policy should go.

Q195 **Chair:** That is extremely helpful. You are right, we don't know what is



HOUSE OF COMMONS

going to be included in the Scottish Bill yet. All we know is that there is going to be one and it is going to be informed by some of the consultations that have been going on. The Scottish Government have said that they will differ from the UK Government by linking public funding to performance outcomes as opposed to the sustainable environmental gains that are detailed in the Agriculture Bill. Is that the sort of thing that you are going to be looking for when it comes to going forward?

Jonnie Hall: Yes, I think that is absolutely right. Obviously there is a lot of detail to be worked through on what that might mean, but essentially while we need to safeguard our environmental interests in terms of water quality, biodiversity and our contribution to tackling climate change and so on, there have to be elements within a future Scottish Agriculture Bill that drive productivity gains, incentivise adoption of innovative practices and so on.

We have a scheme in Scotland already called the beef efficiency scheme, which has been much bemoaned and much criticised, partly because of the way it has been rolled out. If you strip it back to the principles of what farmers are being asked to do, in principle terms it is sound. If you could roll that sort of approach out across other sectors, you are driving costs down, you are looking at better margins and then you are improving the resilience of individual farm businesses to be less reliant on support and more market focused. Ultimately that is where every one of our members wants to be in the longer term.

Q196 **David Duguid:** Thanks for that. It was not as brief as I had hoped but a good summary of some of the advantages we should be looking for.

Jonnie Hall: I am never brief.

David Duguid: Mr Smith, moving on to crofting and talking about UK common frameworks, in your opinion what measures of flexibility will we need to look for to meet the requirements of Scotland's crofting needs in particular?

Russell Smith: The first point to make in general about the common framework is that we believe, and our members believe, that the common framework should be agreed between the four nations and not consulted upon or imposed. There needs to be Scottish agreement.

Q197 **David Duguid:** What do you see as the difference between agreed upon and consulted?

Russell Smith: There are a lot of Government consultations where the Government ask the public their opinion and then does not take it up. There is a possibility that the same thing might happen with DEFRA and the Scottish Government and the Welsh and Irish Governments.

Crofting, as you know, is completely different. It is possibly more to do with multiple outcomes that we need to build into some sort of common



HOUSE OF COMMONS

framework, so it is not just about production. It is about the social aspect, the community aspect, population retention, the environmental aspect, carbon capture, all this sort of stuff. All these have to be somehow included in a system, so it is not just about production or the use of land.

But having said that, our members, as Jonnie was saying, do like production and they want to be rewarded for what they are producing not for just occupying the land. Again, it is how do you work that in, whether it is the beef efficiency scheme or something like that. What we are very keen on is anything to do with health, health efficiency schemes, anything that could be involved to bring that on, which will improve productivity and the whole animal welfare stuff. That is what consumers says they want anyway so we would like to go more down that line.

All this must bear in mind that we do want to drive forward productivity but in the crofting areas a big part of our selling point—and I am QMS will bear this out, if you look at their adverts all the pictures are of sheep on moorland with Suilven in the background, there is a North Country Cheviot with Suilven in it, and that is what they are selling. It is an extensive system, high nature value and that needs to be promoted, partly because we don't have any choice of how else to do it. You can't farm intensively in most of the Highlands and Islands. You can't switch to growing wheat or barley. You have to extensively range beef and sheep and that is a good thing because that is your marketing ploy. That is what we are selling.

Q198 David Duguid: That is all good. I will open it up to the rest of the panel. What should we be bringing back to the UK Government as the main particular issues that we need to think of as what is specific to Scotland? There has always been a fear that there will be a top-down, London-centric imposition of an agricultural policy across the UK. In the briefest possible terms, what would you suggest are the main aspects of each of your areas of expertise that we should be taking back to the UK Government in that respect?

Kate Rowell: I would say that the main difference is the people. Agriculture is more than just the farmers. I am a farmer myself. The money comes into us. We don't keep most of the money. It goes out to the ancillary people around us. In huge parts of rural Scotland if the farmers are gone there will be many other parts who are connected who go as well. That is possibly something that sets us apart from how things are in most of England.

From a personal point of view, policies need to be very flexible to work, especially in Scotland, and down to individual farm levels. For example, we have been in environmental schemes for many years. One of the things that we were doing was keeping grass for grazing wader birds and we did that for 15 years in environmental schemes. In the last round, our area was excluded from those schemes. We could not do it anymore, having done it for 15 years, and that is because the area was not



HOUSE OF COMMONS

included. I would suggest that you have to focus all these environmental schemes down at individual farm level or else you are not going to get the outcomes that you want. One size fits all is why people wanted to come out of Europe and we don't want to replace that with a one-size-fits-all policy in the UK.

Q199 David Duguid: I think it was you, Mr Hall, who quoted in our previous session that we don't to replace a one size fits all with another one size fits all that does not actually work. Ms Kay, do you have any from a Land & Estates point of view? You represent a wider rural economy.

Eleanor Kay: Our general view is that common frameworks are certainly needed but they can be as flexible or as formal as the subject matter requires. It has to be a collaborative discussion between each nation to ensure that there is the right amount of flexibility in policy divergence to suit each country. It is not just Scotland versus England. It is how, as the UK, we can ensure that our internal trade is as possible as we need, because we do need to trade with each other. We need things on organic farming accreditation, animal health, plant protection products and minimum standards for commodities, everything that means we will be able to trade with each other. But it has to be an open discussion and it has to start as soon as possible. We can't wait. There are lots of things we already work together on, where we already have common frameworks, and in reality there is nothing stopping us continuing with those.

Q200 David Duguid: On that point, do you think there are existing common frameworks that are used across the UK across the industry that we can use as an example?

Eleanor Kay: I think quite a few of them already exist. Even in carcass classification there is an acceptance that there is a slight variation but it is, "That is fine, we accept that there is deviation but they are aligned". We are adults. We ought to be able to do that quite easily.

Jonnie Hall: Fundamentally, the asks for the UK Government from our perspective are quite simple. We do need commonly agreed frameworks that safeguard the internal UK markets. We are operating at the same standards, as Eleanor has just alluded to, on a number of fronts. That is the case now under the CAP and we need to ensure that continues in the future, but thereafter the delivery of agricultural policy has to be devolved. Today under the CAP each of the four quarters of the UK implements the CAP in different ways from each other but within that common framework. That is the sort of thing we want going forward, so a one size fits all is no good for the UK. Another quote of mine is that what looks good for Cambridgeshire wouldn't necessarily look good for Argyll. I think we need to respect that and reflect that.

It is absolutely critical that Scotland continues to retain the power for policy setting and how we target funding to get the right outcomes. Whether that power comes through a schedule in the UK Agriculture Bill



HOUSE OF COMMONS

or, which is now more likely, through a Scottish Agriculture Bill driven through the Scottish Parliament, we must have that. The fundamental thing thereafter is a question not for DEFRA or indeed the Scottish Government but probably for Treasury in how do we fund this. Clearly the UK benefits significantly from being a member of the EU when it comes to delivery of agriculture and rural support by the CAP and that will discontinue at some point in the future as things stand. Therefore, we need a commitment from the UK Government that says, "We are going to safeguard a level of funding that is ring-fenced for agriculture and rural interests, as it is today, and it will be allocated on an objective basis across the United Kingdom in order to meet the different needs".

That allocation fundamentally opens up a conversation about the ongoing convergence review and the Bew report or the Bew committee panel that is ongoing now. I think the work of that particular group will be hugely significant in setting the course of how funding will be allocated across the UK in the future.

Chair: On that note, we have a couple of questions on the Bew review, unless you have not finished.

Q201 **David Duguid:** I wondered if Mr Smith had anything to add to that line of questioning.

Russell Smith: I generally agree, for once, with Jonnie.

Q202 **David Duguid:** I will finish off with one last point. Mr Hall, on what you were saying about comparing Cambridgeshire with Argyll, would you accept that we need to be able to compare Aberdeenshire with Caithness and Sutherland, so there is a difference within Scotland as well?

Jonnie Hall: Absolutely. I totally reflect that. We are the first to say that in order to protect the internal market in Scotland, let alone the UK, you could not have agricultural policy that is so perpendicular in one part of the UK that it basically distorted that internal market. We have coupled support payments existing in Scotland, the calf payments and the ewe hogg scheme for region 3 land predominantly. No other part of the United Kingdom has coupled support payments, but at the end of the day there is never going to be enough money to distort the market in that respect.

We will continue to require elements of coupled support for certain sectors that are socially and economically important and it is not so that we can ramp up production. It is just to try to put the brakes on the declines that Russell referred to earlier and that would really threaten our capacity and our performance in the red meat sector as well. Having the capacity to do that is going to be really important. The argument we have always had with DEFRA is that whatever the outcome of this process, whether it is UK-driven or Scottish Government-driven, the tools have to be in the toolbox. Whether they are used or not is another matter but we still will require options at least to have things like coupled support and less favoured area support, which is so critical to the ongoing viability of many farms and crofts.



HOUSE OF COMMONS

Q203 Hugh Gaffney: On the basis of what you have just spoken about, how have you been reassured by the announcement of the Bew review on the future funding settlement for agriculture in different parts of the UK?

Jonnie Hall: The first thing I would say about the Bew review is “at long last”. This is something we have been asking for since 2013. We go back through many DEFRA Secretaries of State in asking for this.

This came about because, as we all know, the rules for allocation of funding across EU member states differed in 2013. The UK’s average payments were below 90% of the EU average, all because of Scotland’s very extensive land area that took the UK payments down, and that enabled the UK to benefit from this uplift of around €220 million over the seven-year period. Very clearly, much of that, if not all of that, was down to the fact that Scotland has the lowest payment rate per hectare across the EU at about €130 per hectare whereas England, Wales and Northern Ireland’s payment rates are above the 90% threshold.

We have long argued that there needs to be a much clearer and more objective allocation of funding from the CAP but going forward from UK Treasury in how funding is allocated to each of the devolved Administrations. The very clear issue is that this would not be taking money away from English farmers, Welsh farmers or Northern Irish farmers. This is about the dividend that we have gained as a UK member state within the EU. That funding will become very critical going forward in order to fund and underpin the sorts of measures that we would like to see develop.

The Bew review is going to be very important in baselining future allocations. We have to move away from the historic allocation—which now is extremely historic, going back to 2000, 2001, 2002—as to why Scotland gets only 16.3% of the UK budget. How you do that is going to be an interesting issue. There are many different ways you could cut the cake and we need to ensure that there is a degree of fairness in how that is done and it needs to be done in a very objective way. Hopefully the Bew review will come up with some clear recommendations upon which we would like to see the UK Government act.

Q204 Hugh Gaffney: On that basis, are you satisfied with the terms of reference of the review?

Jonnie Hall: The terms of reference were a bit of a disappointment when we first saw them, to say the least, because they quite clearly state that the Bew review will not be looking historically, it will not look within the 2014 to 2020 period, it will only look at the period 2021-22 and it will not look beyond 2022 either. I do think it would be beyond comprehension if the outcome of the Bew review made clear recommendations about how funding should be allocated within that 2021-22 period and then was completely ignored from 2022 onwards. The UK Government are on record so far as saying that they will commit to the same level of funding



HOUSE OF COMMONS

for farm support to 2022 or the lifetime of the Parliament, and that is another question in its own right, I guess.

Nevertheless, in order to plan and to scope out relevant policy across all of the United Kingdom, and especially within Scotland, having a clear indication of the finances that might be available is going to be very important indeed. One thing that we are seeking from the UK Agriculture Bill is a multiannual budget for agriculture and rural support because that is how we currently operate.

Q205 **Chair:** Did you say multiannual budget?

Jonnie Hall: Multiannual. Under the CAP at present everything is done on a seven-year basis.

Q206 **Chair:** You would see that as a yearly allocation?

Jonnie Hall: We have concerns that when you bring funding back to the UK, because both the UK Government and the Scottish Government operate on annual budgets, we would have only an annual budget cycle, which would be very difficult to plan for administrators and farmers and crofters alike. We would like to see at least a five-year annual budget put in place. There is an amendment from Neil Parish to the UK Agriculture Bill that is calling for that in particular. We would like to see that pursued so that it covers the whole of the UK and ensures that there is a guaranteed budget over a number of years and, therefore, Governments and farmers and crofters have certainty about funding allocations.

Q207 **Chair:** Are there any particular principles that you would like to see underpin the funding allocation across the UK?

Jonnie Hall: Our preference at the moment and looking at this in a degree of detail given, as we have all commented on, the degree of less favoured area land, one of the allocation keys could be to look at the LFA designation across the whole of the United Kingdom. Clearly Scotland has a significant amount of the UK's LFA area. Given that the importance of support is greater in LFA areas, no matter how diverse the LFA might be, that is one possibility. It would be very objective, non-historic and it would almost certainly give an uplift in support to Scotland.

Q208 **Chair:** The money would follow the areas that need that support, like LFAs. That is a principle that you think would be worthwhile including in how these five-yearly—as you are suggesting—funding allocations would be administered?

Jonnie Hall: That is one thing we are looking at, but there are other allocations you could come up with as well. The last allocation we would want at all would be the Barnett principles.

Q209 **Chair:** I am just having a look at the Bew review and the terms of reference. I think we all share your disappointment with the fact that it is not looking historically and things like convergence have gone and the UK Government have made it consistently clear that they are not going to



HOUSE OF COMMONS

revisit that. The Minister told this Committee that when we saw him last time. The other thing it has said is that the money would not be Barnettised. That is not in the terms of reference but that is something that the Minister has conceded and Lord Bew has also said that is the way that he is going to approach this issue. That was presented as good news. It would have been a disaster if agriculture had been Barnettised and it would be down to 8.9% of available spending. Do you have any views about that? We have heard from Mr Hall. Does anybody else want to give us their views about how this is going forward and particularly some of these issues to the quantum of the funding and how it is distributed?

Russell Smith: The terms of reference of your Committee talk about environmental, agricultural and socioeconomic makeup. I think if they take account of those things that is the way it should be going, so it is not just agricultural output. It is looking at the whole thing and that would include carbon retention and population retention and all these things as well. That is a great statement and we are reassured by that statement but we reserve judgment until we see the final results. Of course, the other part of it is not just how you divide up the cake; it is the size of the cake that matters specifically. We don't want to see any reduction in that.

Q210 **Chair:** You get 16.3% now. Is that what it is? How much do we have of the landmass of the United Kingdom? Almost a third?

Jonnie Hall: It would be getting on towards that. We are about 45% of the UK's LFA.

Q211 **Chair:** Bew does have the opportunity to review the percentage overall share that each nation gets. That is clearly part of what he will be undertaking. I would imagine NFUS will be advocating in the strongest possible terms that a more favourable outcome would be required and desired.

Jonnie Hall: We will be doing exactly that when the opportunity presents itself in what we understand will be in a few weeks' time.

Q212 **Hugh Gaffney:** How has the uncertainty around the future funding settlement for agriculture affected farmers' ability to plan for the future? 2022 is a stopgap, but how do you plan for the future?

Jonnie Hall: It is a glaringly obvious thing to say but it merits saying that agriculture and farming and crofting is a long-term game. If you are making decisions today about even whether you put the bull out to your suckler cows, you are not going to see a return on that for probably three and a half years for the time it takes to go through the process, produce a calf, get that calf to the right weight and then sell it. That is just one small example of the sort of requirement for some certainty.

If you look at the situation we find ourselves in now, it is not just the issues of future support and what funding might be available. It is also



HOUSE OF COMMONS

the issues of trade and what sort of operating environment we will find ourselves in. Obviously we have the extremes of the no deal, WTO default, which would be absolutely catastrophic, right through to something close to a customs union and some sort of access into the existing single market. But how that will pan out we just don't know at the moment, so that is a further uncertainty. We have other uncertainties about things like access to labour and all sorts of other issues that this Committee has said.

There is a whole raft of uncertainty and that makes business planning almost impossible in any context but particularly in the farming and the crofting situation where you are looking at annual cycles over a significant number of years. For decisions you make today about investment in buildings, infrastructure, machinery, you have to have a solid basis on which you can plan. If you go to the bank seeking support, an overdraft or a loan because you want to make an investment, as any business might want to do, and the sands are shifting under your feet permanently, it is going to make that process very difficult indeed.

Q213 Hugh Gaffney: Does anybody else have any comments on that, like you just mentioned future finance?

Kate Rowell: QMS identified right after the vote that lack of investment could be a major issue and I think that has been borne out. Anecdotally, I have spoken to many farmers who have put on hold plans to build a shed, buy a tractor, increase a suckler herd, because they just don't know what is going to happen. Even the past years has been bad news for the agricultural industry. If that uncertainty continues, you are going to continue that cycle. Going forward, capital investment is going to be a huge issue because this investment has stalled. Decisions are going to need to be made quite quickly as to whether people stay in farming, they downsize, increase, and we have been treading water really.

I completely concur with NFUS that we need certainty and we need it very quickly. Jonnie is right, it is such a long-term game. You buy a bull and you are expecting that bull to work in 10 years' time. Ten years is a long way away and annual funding decisions are no good for us.

Eleanor Kay: I agree that the uncertainty does not help. Something like 67% of Scottish businesses, not just agriculture, have not done any Brexit planning. They have not even thought of how they are going to adapt and respond to the Brexit challenges. But I do think the industry is capable of rallying itself—probably not everyone. I imagine that the middle 50% will stay and wait and see what is going to happen and what comes out in the wash. The industry does have a history of evolving and responding to the challenges it faces.

It will not be easy and that is why the support they need has to be forthcoming from Government. They have to be encouraged to plan their businesses, to look at their efficiency, to understand the markets they might have to start trading in. There needs to be support to encourage



HOUSE OF COMMONS

businesses to start preparing, because there are things they can do, but at the moment that information is not coming to them.

Q214 **David Duguid:** The word “uncertainty” probably comes up a lot more than “certainty” to be fair. In a separate session, we heard from the seafood producing industry and across the panel that day it was, “If we know what the outcome of the current negotiations are going to be, at least we could make plans based on that”. I know that in agriculture, and certainly in meat production, the cycles are a lot longer than they are for fish, but is that something you agree with, that if we knew what was happening we could plan?

Kate Rowell: That is absolutely true from our point of view in the red meat sector. If the trade deals go the wrong way or we come out with no deal, which would be a disaster, the sheep industry is going to go down. You have a decision to make. You have a farm: what do you do with it? Do you go further into sheep, do you go further into cattle? If there was some certainty, people could start making those decisions. At the minute, nobody knows.

Q215 **David Duguid:** Mr Hall, you expressed a spectrum of possibilities from no deal, WTO arrangement, to something resembling single market, customs union. Going back to the withdrawal agreement that was agreed between the UK and the EU, roughly how far across that spectrum would you suggest that was?

Jonnie Hall: It was significantly far away from the no-deal situation to make us feel reasonably confident that what was on the table was at least a start. It still had its imperfections and huge questions around it but at least it was something. As things stand, nobody has any idea of where we might be, whether we crash out on 29 March or we end up with some sort of deal that we can work through over the next almost two years to 31 December 2020, by which time we will find out what the longer-term arrangement might be with the EU. Equally important is what avenues might be opening up into different markets and how much exposure that might give us on the one hand but how much opportunity it might also give us. These things remain very unknown. I agree with Kate that on the market and trade side of it the uncertainty is huge, but I think that in some ways almost puts greater pressure on the agricultural policy and support side.

This is where I would agree 100% with the Scottish Government. While there is that huge uncertainty, giving some stability for 2019-20 into 2021 becomes even more important. If the operating environment, god willing, looks absolutely fantastic and it provides Scottish agriculture with new opportunities and we seize those opportunities—yes, we will have to gear ourselves up for those—great, we can almost, dare I say it, move ourselves away from support payments and those certainties that we have clung on to for many years. But the reality is more likely to be that we will be in a very uncertain situation for some time to come because any trade deal is likely to take years to negotiate anyway. I believe that



HOUSE OF COMMONS

the reliance on support in the interim of one form or another—not necessarily as we know it today—is going to increase and might well increase for certain sectors as they go through a very turbulent time.

Q216 Chair: I noted the letter that went from all the presidents of the various NFU across the United Kingdom asking to have no deal taken off the table. Have you received a response to that yet?

Jonnie Hall: Nothing written.

Chair: Nothing written as yet?

Jonnie Hall: Nothing written as yet. It was very much a plea from the farming unions across the United Kingdom, which was also reflected by the food and drink sector in Scotland and by wider swathes of the economy across the UK from the CBI in Scotland to the Institute of Directors to all sorts, basically trying to say, “At least let’s not go down the no deal”.

Chair: It was just out of interest. I don’t want to get into a long debate about the withdrawal agreement and the political declaration, so we might just leave it there and move on Danielle Rowley.

Q217 Danielle Rowley: We will bring it back to funding. How aware are you of the agritech funding that was part of the UK Government’s industrial strategy? Do you think that it has been easy for Scottish farmers to access that?

Russell Smith: From our surveys of members, no one has ever heard of it.

Kate Rowell: I agree with that. I had not heard of it. I looked into it before today. I can’t see any individual farmer being able to apply for anything in that.

Jonnie Hall: An observation about the industrial strategy was that agriculture and largely food production were omitted when it was first kicked off, which puts in perspective where we are viewed as an industry. Agritech funding is vital but it is probably not likely to go directly to the primary producer. It is more about underpinning our fantastic research institutions and so on and how that can be transferred, if that is the right word, into more effective and efficient practice by individual farmers. I think that is the route that we have to go down, but funding for that research and development is going to be key.

Q218 Danielle Rowley: Is it a common problem that there are schemes there that perhaps are not well enough advertised or that people are not able to access?

Russell Smith: I think if we are not aware of them then we don’t know it is a problem. Obviously it is, yes, these things are. One of the issues is that money needs to go into research. In extensive livestock farming, such as most of our members participate in, there is probably not that



much scope for technology. We are looking at health schemes that might include traceability, to which there could be a technological solution. Can we have drones to check our livestock in the hills? But there is a lot of things that need to be done. Broadband would be an obvious thing. If you had that in remote rural areas it is technology that is going to improve all sorts of aspects of business, not just agriculture. You could start thinking about mobile abattoirs, which again would be a big boost to the livestock industry in remote areas and allow people to add value to their product, but whether that comes under technology I don't know.

These are the sort of innovations, as well as improved ferry services and good roads and things, that would be of more benefit to our members.

Q219 Chair: I am not sure that is the case. I visited the Hutton Institute, which is in my constituency, on Friday. They have secured £62 million for this new plan of vertical gardens, which is an amazing piece of technology and innovation. I would suggest that from all the responses to Ms Rowley's questions about this fund, the front face of agriculture is not particularly well linked into what is happening in the technology sectors where all this amazing work is going on. £90 million of funding is available for the scheme that Ms Rowley asked about, but you don't know what is going on and how to access it.

Eleanor Kay: There is a real disconnect between fundamental research and on-ground application and it is a big problem. Having come from a knowledge exchange background, I hear a number of issues on a farm where I think, "There are seven-year projects going on about that. Why don't they know the research is happening so that they can get involved in it?" I think a lot of farmers would actively want to get involved in research projects were they to know they were happening. That integration of actual application on the ground with research projects needs to be promoted and stepped up.

Jonnie Hall: I totally agree with that. I think one of the keys goes back to our discussion about how we focus future support going forward. If we target funding towards the application of new techniques, innovation, productivity measures, and incentivise farmers to do that, the response and the uptake will be that much better. When 90%-odd of your support payments are just because you occupy some land, it goes back to my point earlier about incentivising inertia. We do have fantastic technological advances in animal health and welfare and other production systems and so on, but Eleanor is absolutely right that we have been woeful as an industry at connecting to that and taking up those measures, partly because of: where has the drive been to do so? I think we have an opportunity here to do something.

Russell Smith: Some of the things that did work in the past at a very local level, things like benchmarking as part of the land manager's options and some of the health schemes that were in that, were well taken up because they were easy to apply for and they applied to any size of unit. If you are running 135 Cheviot ewes on an extensive hill, you



are limited in what is worth doing in applying things, but if something is easy to apply for, sure, we will do that. We will sit down once a year and we all get benefits out of that.

Kate Rowell: I absolutely agree with that, but one of the things that we as an organisation have come up with as a stumbling block is that the people to deliver that knowledge exchange are not out there. We have been dreadful as an industry at getting people in at all different levels. We have sat back for years and just let it happen and there is a real dearth of people who can do this knowledge exchange. There is a lot of researchers but, as Eleanor said, it is getting that research on to the ground. Things like the James Hutton Institute are fantastic but your average farmer looks at that and it is a different planet. It is nothing whatsoever to do with them. It is that connection that we really need to foster.

Q220 **David Duguid:** Ms Rowell, I think you have hit the nail on the head. I was about to comment, and maybe I should have declared an interest earlier, that I am the son of a beef and arable farmer who is very set in his ways, much to the frustration of my brother who is trying to follow on behind him and wants to examine some new ways of working. My question was going to be: is that an issue with your more traditional, set-in-their-ways farmers? I am getting the impression from what you are saying that it is also an issue where if not at Government level then at least the wider population don't necessarily think of agriculture as an industry, as something you could apply innovation to. The influence is more with Parliament than with the general public. Do you think there is something we could do as a Committee to try to encourage the Government to view agriculture as something that innovation and technology could be applied to through the Business, Energy and Industrial Strategy Department, for example?

Jonnie Hall: I think absolutely, yes. Farming and crofting have an absolutely vital role in being custodians of the countryside and the environment and so on, but at the end of the day we are operating about 18,000 businesses out there, all with a different focus on what they are doing. If we drive them as businesses they are far more likely to also deliver the other things that we are increasingly expecting them to do. There is a very old cliché, which I use a lot, about you can't be green when you are in the red. If you drive profitable agricultural businesses, that can afford the capacity to do more in environmental delivery. Environmental delivery and productivity are not mutually exclusive at all. If you look at things like soil health and nutrient management, productivity in agricultural output, more dry matter from your grassland and your silage or whatever it might be, it is also about being efficient in your nutrient use so that less is leaching into the water courses or going up into the atmosphere.

That sort of very basic application of science is what farmers have always been good at. Remember there was an agricultural revolution way before



an industrial revolution. We have always been adopters, but obviously as a population we have also had this large rump that has had to be sort of cajoled into doing something. We do have some laggards who will never change their ways—maybe your dad, if you don't mind me saying—but then let's incentive people to change and move on.

Chair: Danielle Rowley, it is a long time since you asked your initial question, which has sparked so much interest.

Q221 **Danielle Rowley:** I am interested in what kind of schemes you think would be good to be targeted. Mr Smith, you mentioned health and animal welfare. What do you think would be useful for agriculture in Scotland to see some targeted funding?

Jonnie Hall: I have just touched on one simple thing that I think almost every farm and croft in Scotland would benefit from, because there has been a significant lack of investment in it for a long time. That is basically soil health. Everything we do effectively begins and ends on what we are standing on. Whether it is Russell's hillside in East Sutherland or parts of East Lothian, you still have to manage and look after the prosperity of the land.

Yet because there has not been enough fat in the job, particularly from the marketplace, and all the support that has been captured by farms over decades has paid for working capital and paid the bills and all the rest of it, one thing that is crying out to be done is investing it back in our soils and get our soil health back. As I said earlier, that would improve the productivity, whether you are growing grain or producing silage on your in-bye ground, whatever it might be. That would help the business, but it would also contribute hugely to significant environmental challenges that we face, notably around things like climate change.

Russell Smith: If I can turn your question around a little bit, as we were saying, there is lots of good stuff coming out of the research institutes and I think the emphasis needs to be on how do you get that to the farmers, the people literally on the ground. Farmers and crofters are very good at innovating, but they will only do it if it is proven that it is a benefit. Someone needs to get out there and say, "Yes, if you do not plough, if you do whatever, or if you do this health scheme or if you do such-and-such, then you will see these positive benefits" and then people will do it.

Eleanor Kay: I was at an SRUC presentation where the lecturer said that if every livestock farmer had a set of weight scales, if they were bought a set of weight scales, that would increase productivity, because if you are not measuring what you do, then you don't know if you are getting any better. That is a very simple thing, a one-off grant that you apply for and get some weight scales and that then could lead you into further benchmarking and at least knowing where you are so that you can try to improve.



Kate Rowell: I would add to that. I think it is anything that supports them using tools like whole farm management planning, fertiliser use efficiency, live weight gain, anything that enables data to be collected and then analysed. Better decisions being made will ultimately, although you will not get everyone to do it, raise the average of the whole industry. It gets you the increased productivity, but also the resource efficiency. They understand the economics of it and they can deliver those many biodiversity environmental benefits that we know they deliver but we just do not seem to record them delivering them.

Jonnie Hall: Data and better decision-making is absolutely fundamental, as Eleanor has just said. One thing we do have in this day and age is that every farmer I know carries a smartphone. A lot of them—and an increasing number of them—are using them to help manage their businesses in all sorts of different ways. It is something as simple as that that might be—

Chair: I am conscious of time and I want to talk to you about some of the immigration-related issues, but I think this is fascinating. Thanks, Danielle, for that. It is part of our terms of reference as we are looking at this inquiry, but I think we need to examine and understand more the relationship between the coalface of farming, if you want to call it that, and some of the technology and other solutions that are available to farmers, but thanks for that.

Q222 **David Duguid:** I was researching some farming technology stuff there. Moving on to migrant labour, something that we have talked about before: how reliant at the moment is Scotland's agricultural sector on migrant labour from the European Union?

Kate Rowell: Can I answer that first? Having taken up this position about four months ago, the first month was spent going around processors, abattoirs, which I had not done for a long time. I went around six or seven in a couple of weeks. At every single one the biggest issue they had was labour. That was the biggest issue. Everyone was saying, "There are plenty of animals on the ground. We have the physical capacity to deal with more and we have the market for it. We do not have the people to do the job".

Q223 **David Duguid:** What would be the specific roles?

Kate Rowell: Everything. In butchers, in slaughterhouses, everything, they cannot get the people. They were no longer talking about skilled labour, they were talking skilled as in the applicant had been in a processors before. That was their level of skill.

Q224 **David Duguid:** This is right now we are struggling, while we are still an EU member today?

Kate Rowell: Yes, absolutely. In one place there was a cattle line and a sheep line. They could only run one at a time, because that is all they



HOUSE OF COMMONS

had the people for. They had the capacity to run both at the same time and double their output, but they could not because of the people.

The other thing in abattoirs is the vets. You need to have an OV on the premises to run processors, but 95% of them are European and they do not come above the £30,000. These vets are not being counted as skilled.

Russell Smith: Also vets in private practice would be the other area that we would highlight.

Q225 **Chair:** Ms Rowell is of course a veterinarian.

Kate Rowell: Yes, I am a vet.

Q226 **David Duguid:** That was going to be my next question about which specific roles we are seeing shortages and pressure on at the moment. But one of the questions I wanted to expand on was what sort of trends are you seeing? Are you seeing any trends of labour from the EU? Obviously Brexit or the idea of Brexit is having an impact, but are there any other reasons why the labour force is dropping off?

Eleanor Kay: I think it is the value of the pound more than Brexit. We had a labour issue long before Brexit was even a thought. A lot of it is the value of the pound. While the value of the pound and the value of the hourly salary has increased, relative to the exchange rate, in turning it into a euro, it has possibly stagnated, if not reduced. That obviously has a large impact, whether they come to the UK or whether they go to Germany or somewhere else in the EU.

Q227 **David Duguid:** I have heard anecdotally through my father again, who talks on a regular basis to his local abattoir, and one of the challenges he has been told about has been that the economies of the countries that these people come from are improving as well, and coupled with the value of the pound, they are feeling less inclined to come all the way to the UK.

Eleanor Kay: It is less attractive.

Jonnie Hall: There are definitely greater employment opportunities on the continent, so Polish workers are going as far as Germany and not having to go as far to the UK. As Eleanor says, the exchange rate has had a significant impact.

From our perspective, we have been very concerned about this for a long time now. Clearly you can cut this in different ways. There is the seasonal and the permanent issue, there is the on-farm and the off-farm, as Kate referred to, and then there is slightly more grey area of skilled versus competent. We are very concerned, as we have put in our written evidence, about the recommendations of the MAC, the Migration Advisory Committee, which has basically ignored all of that. Therefore, going forward we are already picking up significant concerns, particularly from



HOUSE OF COMMONS

our soft fruit growers in Angus and veg producers up and down the east coast. The availability of labour for what is now a much extended season compared to years gone by in particular will change the decisions about their investment and what they produce.

At the end of the day, while that is a small sector of Scottish agriculture, it is nevertheless very valuable in the revenues that it generates for Scottish agriculture and punches above its weight in the value that we get from soft fruit and veg. Right now it is under threat, not because of the market, not because of support, but entirely because of the labour issue. Decisions will be taken now about future investment or indeed, "Do we stop doing this and put the land back into cereals?" or whatever it might be.

Q228 David Duguid: Finally on the labour issue from my line of questioning, some of us visited a soft fruit farm last year. One of the things we were told was that before the labour market opened up in places like Romania and Bulgaria, a lot of their labour used to come from places like Ukraine and Moldova and outside of the EEA. Do you see an opportunity as we open up the immigration policy for this to be a more level playing field for the whole world? Will that open up more opportunities?

Jonnie Hall: Yes. Just to illustrate that, every response that we put down to anybody about the labour issues, we always refer to non-UK. We do not talk about EU/non-EU, we just talk about non-UK, because it is important that we look beyond the EU to the likes of the Ukraine going forward. We should not necessarily be discriminating in that sense, that it is about EU, non-EU and UK. It is just non-UK. These people play not only a hugely important role to the agricultural industry and other sectors of the economy, but also what they bring in culture and their contribution to society.

Q229 David Duguid: Of course hopefully the economies of all countries around the world will improve to such a point that they do not need to come to Europe or to the UK to work. My question was going to be about what do we need to do to upskill our own workforce. Is it a matter of upskilling or is it a matter of numbers?

Jonnie Hall: It is a degree of both. In the short term it will be a numbers game, but in the longer term, we are in an institution that is all part of that skills and education are going to be so important for the industry going forward, training the right people to do all sorts of more technical, more complex jobs going forward. I get frustrated equally by noises that we hear from down south about the fact that, "Mechanisation and technology can replace workers". I am afraid there is no substitute for the human being in many respects and we are still reliant—

Q230 Chair: We are very conscious of the time. There are just a couple of questions I have on this. Of course today we are debating the second reading of the Immigration Bill and there will be a parliamentary decision on that at about 10 o'clock this evening. One of the main features of the



HOUSE OF COMMONS

Immigration Bill, of course, is the ending of freedom of movement, which you guys have all made contributions about and made your feelings abundantly known. But one thing that you have done, Mr Hall, was on the pilot seasonal workers scheme, the 2,500 that are going to be allowed into United Kingdom on a two-year pilot basis, in your correspondence you have stated that you think that this is deficient. I represent not Angus but the berry fields of Perthshire and I think 2,500 would probably just about accommodate some of the areas there. What did you say in your correspondence to the Government and what are you looking for in a seasonal workers scheme?

Jonnie Hall: The numbers just do not stack up. That is glaringly obvious from the situation we have found ourselves in today, talking about basically an allocation or a quota of 2,500. You are going to be left with key shortages of seasonal workers at key times of the year, leaving fruit and veg unpicked, unharvested, to essentially rot, and therefore decisions going down the line. In future years 2,500 might be enough, because there will be fewer producers in those enterprises, but that is not the position where we want to be.

We have always advocated going back to the original source scheme, the seasonal agricultural workers scheme, which was developed for Romania and Bulgaria when they were accession states to the EU. We have always maintained it would be quite easy to dust that down and rejig that for the modern day.

Q231 **Chair:** I remember very well the old SAW scheme. I was a Member of Parliament when it was in operation. We asked Minister Eustice when he appeared before this Committee just how the pilot scheme would be administered and how it would be rolled out across the United Kingdom. We did not get much clarity about it in a response, but he did suggest it would be targeted to areas in certain parts of the country. I do not know if you know any more about what is being proposed and suggested, but is there a chance that this might get rolled out and we might find that Scotland does not get any of these seasonal workers?

Jonnie Hall: It sounds as if Mr Eustice has had about as much joy getting information out of the Home Office as we have, which has been a frustration throughout this process. No, is the answer.

Q232 **Chair:** Lastly, maybe to you, Ms Rowell, part of the White Paper that is going to be debated today says, "The White Paper includes proposals that would create a time-limited route for temporary short-term workers". This is over and beyond the seasonal workers scheme pilot that was announced by the UK Government. But then it goes on that it looks for intermediate skills, and I think it was you who mentioned the £30,000 pay requirement that would be associated with this. Beyond seasonal workers, how big an issue is this for the rest of rural Scotland in agriculture?



Kate Rowell: For the rest of the red meat industry, which I represent, you are not looking for somebody to come in for six weeks in the summer. If you want a shepherd, you want a shepherd who is maybe going to stay for 30 years if they are very good. You want young people that you can train up, who are not going to be earning £30,000 when they want to come in. The processors are looking for people to stay on a long-term basis. All these businesses are run year round, year in, year out. A seasonal workers scheme doesn't really contribute anything. We need people who can come here and stay here and make their lives here, because the UK population do not seem to want to. There are not enough of them. That is another point we should maybe be—

Q233 **Chair:** One of the issues I think is that all these farms are in very prosperous areas. I know that in my own constituency in Perthshire, we have unemployment of less than 2.5%. I suspect that in the more prosperous areas around Strathmore, it is probably less than that and there is not that availability of labour. But we have noted your correspondence, Mr Hall, on this issue. It is something that we will keep a close eye on. You know this Committee's interest in this scheme and I think we have recommended twice now in various reports that something is put in place. As we go through this inquiry, we will be looking at this further. I know we have run out of time. It has been—

Russell Smith: Just one final point is that—

Q234 **Chair:** Yes, please. I did not know there were seasonal workers in crofts, but—

Russell Smith: There are not, but you are talking about the rural economy and tourism is very important for a lot of crofters and for farmers.

Chair: Yes, totally, absolutely.

Russell Smith: That also depends quite a lot on seasonal workers.

Chair: Thank you for reminding us of that very important issue. We are at the end of the session. Fascinating, as always, when we get a whole cross-section of agricultural interests at this Committee. If there is anything else that you feel you can usefully contribute to this inquiry, please give us any further submissions and they will be gratefully received. Thank you. Can we have our next guests, please?

Examination of Witnesses

Witnesses: Professor Michael Keating, Dr Ann Bruce, Paul Flanagan and Steven Thomson.

Q235 **Chair:** Ms Rowley is still to join us, but I know that time is short and we do not want to detain you unnecessarily. Thank you very much for



HOUSE OF COMMONS

appearing and helping us out with our agriculture in Scotland inquiry. For our records, please say who you are, who you represent and anything by way of a short introductory statement. We will go, as traditional, from left to right. Mr Flanagan.

Paul Flanagan: Thank you. My name is Paul Flanagan. I work for the Agriculture and Horticulture Development Board. While QMS are the levy body in Scotland for red meat, we are the levy body in Scotland for dairy, potatoes, cereals and horticulture. Our aim in AHDB is to inspire our industry to succeed in our rapidly-changing world. While we are a non-departmental body, we are restricted in what we can talk about on policy, but we can detail some particular challenges we recognise in Scotland and recommend solutions.

Dr Bruce: I am Ann Bruce. I am a senior lecturer at the University of Edinburgh with a specialism in innovation in sustainable food systems.

Professor Keating: Michael Keating from the University of Aberdeen, the Centre on Constitutional Change. We have been doing a lot of work on Brexit and the devolution settlement in the UK. Agriculture is one of these areas and I have been looking at scope for flexibility for the devolveds in agricultural policy. I have been looking at frameworks and at finance and I would particularly like to say something about finance in the course of this.

Chair: We will most definitely want to hear from you on that, Professor Keating, and also the frameworks.

Steven Thomson: I am Steven Thomson from Scotland's Rural College. I am an agricultural economist who has been looking at agricultural policy issues for the last 20 to 25 years. I also have a role to play within the SEFARI Gateway Team, which is the knowledge exchange team from the Scottish Environment, Food and Agriculture Research Institutes, which is a Scottish Government-funded strategic research programme, where I also work on specific issues to do with rural industries. I am also a non-executive director at SRUC.

Q236 **Chair:** Thank you ever so much for those concise contributions. A general question to get things started so we can see what we can do to interest further debate and discussion. What do you believe are the priorities for Scottish agriculture? Obviously we are leaving the European Union and we will no longer be subject to the common agricultural policy. We have seen the Agriculture Bill at Westminster and now we have plans for a Scottish Bill to take agriculture forward. What do you think we should be doing and what should the priorities be? We will start with you, Professor Keating.

Professor Keating: On hearing your previous session, I would go along with what the witnesses there were saying. It is moving away from the support-based system to more of a production-based model of agriculture, thinking about how that could be done. Then in relation to Scotland, thinking about the particular requirements of Scottish



HOUSE OF COMMONS

agriculture, because it is more dependent on support than agriculture in most of England. There are specific conditions here, and agricultural policy and rural policy more generally might have a different remit in different parts of the United Kingdom. Particularly here there is a question about maintaining the population in fragile communities and there is a strong social and cultural dimension that may be absent in other parts of the United Kingdom. It is also true in Wales. Thinking not just about agriculture but the rural policy, the rural economy more generally, those connections may be a little bit different in Scotland from what they are elsewhere in the UK.

Dr Bruce: I would pick up some of the things that Michael Keating said. It is thinking about particularly the island and upland agriculture, not just about food production but about the whole food system, whether it is support for mobile abattoirs or other such things, as were mentioned in the previous panel. It is thinking about things in a one health system that is looking at not just environment and animal health but also human health, whether that is human nutrition or the wellbeing of farmers, the mental health wellbeing of farmers.

Paul Flanagan: I would agree about land and reliance on direct payments. Picking up two other areas, Scotland will need to continue the access to non-EU markets. Particularly for the potato sector we cover and the exports there, getting continued access to markets such as Egypt and Morocco is particularly important for the sectors we cover. Also the availability of labour. You touched on that just at the end of the last session. Finally from me—not just in Scotland, it is UK-wide—would be agricultural productivity, again picking up some of the debate there about how we work with research institutes. How we get that back on to farms would be an issue not only for Scotland but I think UK-wide.

Steven Thomson: There is a huge variety of issues at play here, all of which are interlinked to some degree. I think we tend to forget at times that it is the trade issues, the labour issues and then the support policy mechanisms within agriculture. While we talk about future agricultural policy needs, it is embedded within trade and labour issues or immigration issues.

The key thing that we have to have in Scotland is the flexibility to deliver at local area and at Scottish level, where we do have different priorities. We certainly have far different cost structures to the rest of the UK, simply because of peripherality. We must be able to take account of that. We currently can't take account for that in the LFA payments. There are a whole host of issues with regards to how we go towards an area or a payment system that pays on outcomes, particularly if those outcomes are related to product production. While the WTO rules may hamstring us somewhere there, there certainly is scope for us to make changes, but we should not throw out everything that the CAP has given us and reject it as an evil, because there is scope to maintain some of what they have.



HOUSE OF COMMONS

Q237 **Chair:** When you are looking at the CAP, what features of it would you think would be worth preserving?

Steven Thomson: I think there needs to be maintenance of some basic level of income support, so a basic payment light, as you may have, so reduce the area-based payments. That would give you some baseline income support. Then a second tier, which would be all of the things that the previous session was talking about: innovating; adoption of new technologies; helping people diversify their businesses so they are not purely reliant on agricultural activity; become more productive; embedding themselves wider within the food system.

Q238 **Chair:** Mainly the stuff that Pillar II really does, because when we discuss CAP we very rarely get into Pillar II, it is all about the direct payments, isn't it?

Steven Thomson: Absolutely. We kind of forget Pillar II when we have this discussion. We get engrossed with Pillar I, the coupled payments and the direct support payments that we have. We forget that Pillar II is the targeted element; it is the element that allows you to have that targeted support that is delivering outcomes. While some of them are not particularly well defined just now, whether we keep with a two-pillar approach, I do not know, but there are certainly elements of that approach that have merit.

Q239 **Chair:** Thank you for that. Professor Keating, you mentioned the “f” word, the frameworks, in part of your opening remarks. I think there is a commitment from the UK Government that regardless of these frameworks, there will still be flexibility for the Scottish Government to pursue what they consider to be their priorities. There are 24 frameworks in play now, I think, when it comes to agriculture and environment, even though there is talk that some may be being thought of as unnecessary because the Welsh Government are involved. Is there the opportunity to have that flexibility in how the UK Government are approaching frameworks and what type of flexibility do you think that Scotland requires?

Professor Keating: The UK Government have approached the frameworks in a very strange way. There is general agreement, of course, that we should have a level playing field in regulation. Support is perhaps a little bit more difficult, but there has to be something there that governs unfair competition among the various different parts of the UK. But instead of talking about general principles, the UK has these existing powers, lists and lists of powers—114, 142, I don't know how many there are now—in little bits and pieces and excruciating detail. Instead of saying, “What is the overall objective here? What is the idea? What is the UK internal market all about? What is the basic principle underlying the difference in the support?” we have differences in support at the moment. What should be there? That is one problem, so whatever list you get up could be both too narrow and too wide. We do not know if we have trade deals, whether with the EU and third countries, what other



HOUSE OF COMMONS

requirement will come up through them. The frameworks might have to change all the time and be updated. We need to know how they are going to be made.

The other problem is the concept of frameworks and what they mean, because the existing EU frameworks follow a particular regulatory style. They are negotiated intergovernmentally, they come down, they take the form of general principles and directives and so on. They are enforced by the Commission. The courts have a role. There is a principle of subsidiarity and proportionality to make sure they do not become too detailed. We have nothing whatever like that in the existing UK devolution settlements. If we are going to have frameworks, we really need to think about that.

We also need to think about who makes the frameworks. Are they top down? Are they made by the UK? Is it the intergovernmentalism that we have at the moment that gives the UK Government the last word? What role should the devolveds have in the making of those frameworks? Whether they are legislative or non-legislative is a secondary consideration. The important thing is if they are legislative or non-legislative, they should be agreed.

Q240 Chair: There is a lot in that and we are doing another inquiry into intergovernmental relations where hopefully we will be debating some of the big themes that you have mentioned. Given what you have said, it is pretty easy to understand how you could have political disagreements and fallouts about this, which seems to have happened over the issues to do with frameworks. What do you see as the way forward to try to resolve some of the deadlock that we have?

Professor Keating: If I could just add to that, I will come back to that. We are getting other frameworks coming down through the Agriculture Bill and through the Environment Bill as well, a separate process, so it becomes really confusing. Instead of having all these different mechanisms and all these different consent mechanisms, we need to think about what is the role of the devolveds in these new competencies and these competencies more generally. Have a system, some system—and we can talk about the details—where there is a forum in which the various Governments can consider broad policy issues as well as detailed matters, in which there is some kind of arbiter, there is some place there where somebody can provide a common evidence base and then there can be an agreement. Some people say, “The Welsh Government have suggested this. We should have a voting mechanism”. There may be merit in that, but some way in which we can avoid simply the UK having the last word always.

The point you make is absolutely right. Some of these matters are just technical, but some of them are very political and they involve matters of political judgment. You cannot do that simply through a mechanism. You have to have a political forum to deal with that.



HOUSE OF COMMONS

Q241 **Chair:** Thank you for that. Dr Bruce, when we are looking at the UK's Agriculture Bill, it seems to be moving on from CAP payments to a form of payments that would reward good environmental practice and sustainability. We have heard comments from the Scottish Cabinet Secretary that he is looking to pursue a policy that would reward increased productivity. What do you see as the way forward for Scotland? What do you make of what the Agriculture Bill in the UK is doing? What do we need to do in framing what we will do to move on from direct CAP payments?

Dr Bruce: I am not sure that productivity and environmental concerns are necessarily conflicting. The word "flexibility" was used a lot in the previous panel and I think I would agree with that. As was said, the areas within Scotland vary hugely in their resources and what they can do and the skills they have. If you want people to innovate, you need to give them the flexibility to be able to do what they think they are capable of doing and to pursue ideas that you may not have thought of.

Q242 **Chair:** Mr Flanagan, do you have any views about the flexibility debate or the type of payments we should be putting in place as we go forward?

Paul Flanagan: I think productivity is particularly important UK-wide and also for Scotland. I would agree with Ann Bruce that productivity is not mutually exclusive from environmental measures. If you look at the agricultural productivity in the UK—we did a report in AHDB last year—we are averaging at 0.9%, compared to 3.5% for the Netherlands and even 3.2% for the US. We are significantly behind from a productivity perspective. Given that the productivity per hectare in Scotland is lower than England and Northern Ireland, we are below that in Scotland. I think that is a particular area we need to address.

Q243 **Hugh Gaffney:** Will the direct financial support need to continue as a component for future agricultural policy?

Paul Flanagan: If you look at the sectors that are the largest within Scotland, which is the red meat sector and I suppose cereals as well, they are particularly reliant on the support from the EU. If you want a sustainable sector going forward, that is clearly something you have to look at. I am slightly restricted in how I can answer that, given the position of AHDB, but if you are looking at a sustainable sector in Scotland, I think direct support is something, certainly in the short to medium term, that will have to be looked at.

Q244 **Chair:** Mr Thomson, you were saying that this would be required. What are your views about the future funding?

Steven Thomson: I think some kind of income support is required. As we know, agricultural prices go through huge fluctuations on an annual basis, which means that it is really challenging to average out your profits. You can go through three or four years of depressed prices. Some kind of baseline support would enable at least that continuity of business to make sure that the farms are generating a profit. The key challenge is



HOUSE OF COMMONS

in the livestock sector, which is extremely reliant on agricultural support payments. One thing that we tend to never really get around to discussing is that those support payments essentially underpin cheaper food within the country. It is either taxpayers paying farmers through an agricultural support mechanism or consumer prices have to rise in order to reflect that. We never seem to get around to that discussion. Then if you have freer trade, of course that potentially depresses prices further.

It comes back to what we were talking about earlier: what social outcomes do we want from agricultural policy as well? Remember that without the farmers or land managers, whoever they may be, on the ground we cannot deliver some of those environmental outcomes that society wants.

Q245 Hugh Gaffney: To follow up, if you do not do the baseline, what can be done to make agriculture more sustainable and self-sufficient? You talked here about prices going up, which would have an effect on every consumer. Is there anything else that can be done?

Steven Thomson: Within the sector, some of my colleagues have been doing work on resource efficiency use, so technical efficiency of farming. There is huge variety in each of the sectors. We kind of generalise when we talk about farmers and crofters as one thing. Remember there are incredibly part-time farmers and you have those that are agri-businesses within this description of what farmers are. Within that, you have a huge range of how efficient they are and how business orientated they are. There is certainly scope across the sector for people to increase productivity.

Jonnie Hall referred to it as a blanket. I always refer to it as a pillow. CAP payments have been this soft landing pillow that you land on, because it sometimes has stifled people, or not stifled, it has meant that they have not had to innovate as much as they perhaps could have in the past. There are opportunities there. There are opportunities for people—not everyone, for some people—to do more added value, to have more integrated supply chains, where if you are a livestock producer producing store animals that you work under contract with a finisher and generate relationships across the supply chain much more than what we currently have.

Q246 Hugh Gaffney: If there was not a baseline, would some of these farms close?

Steven Thomson: 100%, unless you replaced it with something else. If you replace it with something else that is purely outcome focused, the nature of agriculture means that the weather patterns come in, natural events sometimes take their course, disease outbreaks, animals die for various different reasons. The weather can have tremendous effects on your output and your outcomes, so if you are totally outcome focused, we have to have flexibility in that to account for nature as well.



Paul Flanagan: In answer to that question, we looked at the characteristics of the top 25% of farmers across all the sectors we operate in and we also did a piece of work with QMS, particularly in Scotland in the livestock sectors. There were eight characteristics of those top 25% of farmers. First, minimise overhead costs; second, set goals and compare budgets; third, compare yourself with others, so benchmarking is critical; fourth, understand your market requirements, so the same as Steven talked about; fifth, detail every aspect of what you do; sixth, a mindset for change, and you talked a bit about this in your last panel; seventh, continually improve people management and specialise.

But at the top of that, from an industry perspective, I talked a bit about productivity and where we sit and that we have plateaued a bit there. That is despite Government putting quite a significant amount of money into research spending, £450 million a year. There is also the industrial strategy fund of £90 million. But the challenge we have is it is very fragmented. A lot of that research money goes to blue sky research rather than research you can immediately apply on to farm. We need that research to be much better co-ordinated and the innovation perspective. There needs to be a greater co-ordination of knowledge exchange: using that research, working with the research institutes, getting it on to farm, using people who can understand farmers and making sure you have the network of that.

Undoubtedly there is skills for farmers. We need to make sure that that is continually coming through, that there is lifelong career development of skills. Also we look for opportunities in farmer-to-farmer learning as much as humanly possible, because from all the research we know that is the bit that cuts through. A farmer will see an event on someone else's farm and think about that, listen to the farmer who had the event and then implement that back on their own farm.

Q247 **Danielle Rowley:** To stay on the theme of innovation and productivity, the feeling that I got from the last panel was that you can have schemes around innovation and you can invest in technology, but you need to make sure that the basics are right for each farmer. It feels like they are not at the moment and that will not help with the research. Would you agree with that? How do you think policy could be more innovative and support productivity?

Paul Flanagan: What we need in agriculture is—I know Government have looked at this in some other sectors—a what works centre. Mr Wishart talked about the James Hutton Institute, an organisation in his constituency. When I took on this job six months ago, one of the first people I went to see was Colin Campbell there. The way that he and that organisation approach research and getting that information back on to farm, the way they approach restriction of funding that may be coming from Government and how they are outward looking is critical.



HOUSE OF COMMONS

Organisations like AHDB, SRUC, QMS that go out and run events, whether that is monitoring farms who run with QMS or some of the strategic farms who run on the dairy side or on the potato side, whether we do that, we need to work with the research institutes. We need to make sure we can help them translate that information back on to farm from a practical perspective, but at the beginning of that, we need a plan. There is no point doing some blue sky thinking and having that sit on a shelf for a while. That needs to get back on to farm and then we can improve the productivity. That will have a positive impact on profitability and I think it will have a positive impact on environmental measures in Scotland as well.

Dr Bruce: The evidence is that if you involve farmers in developing the ideas that you are going to research, it is more likely to be something that is appropriate for them. But there are also issues, there are times when people are more open to change. Generational changeover is one of them, but if you do not have somebody who is going to take over the farm, you want to do things slightly differently. If you are an older farmer you are going to be wanting innovation that is going to make your physical burden less. There are different sorts of things that are going to help different sorts of farmers.

A lot of great ideas are coming out of universities and research institutes, but they are not always applicable on the farm because they do not always take into account the restrictions that they are working to. I would agree that weigh crates would be fantastic, but that is an extra thing to do. You have to see the benefit of that. You will have to be convinced that spending the extra time when you are already pushed for time is worth it, and to sit down and look at those numbers and what they mean and what you do with those numbers. It is not enough just to weigh them, you have to also use the data.

Steven Thomson: It is a very interesting subject matter and of course the Government have invested quite a lot of money in a series of networks with farmer-to-farmer demonstrations and that innovation is occurring on that farm and people can see what is happening.

Beyond the agritech investment, there has just been an announcement of 28 innovation farms across the country, which are teched up and will be used as demonstration tech farms. We sometimes forget that the science base comes into our products pretty quickly. There is work ongoing about automatic weigh crates at water troughs for cattle with imaging. There is a whole host of stuff. The beef efficiency scheme, which Jonnie Hall referred to previously, is genetic selection of animals. It is using the science base in a policy environment.

It does occur and it does occur in different ways. It is sometimes just not so obvious to the farmers that that technology is coming out of a research base. It is coming through a machinery dealer or somebody who is within the supply chain, so there are different ways in which technology



can come through. It is a two-way process. There has to be a willingness among the farmers and the crofters to change. If you do not have that you are not ever going to have effective knowledge exchange and improve that productivity, so it has to be a two-way process, which always comes back to do we need a carrot or a stick?

Q248 Danielle Rowley: Are there any innovation schemes that you would like to see targeted by funding?

Steven Thomson: I am a firm believer that we should not be funding people to do what technically is best practice, but I certainly think there are times where the capital investment requirement is a burden that probably puts people off taking up technology. Enabling them to get that support to get over the hump, as an illustration, would allow them to invest in technology that can help their businesses going forward. Whether you do that through a grant scheme or a loan scheme or some kind of mix between is for policy to decide on. I think we sometimes forget that good business is done on making sure that things give you a positive return and we should not look away from cheap loans as a way to fund this as well.

Dr Bruce: Not all innovation is technological, so you can do things in different ways. There is social innovation as well, but one of the things that I have noticed from talking to people who are doing innovative things is that they have often been enabled to go somewhere else, whether it is to go to James Hutton and see the vertical farming or go to New Zealand, or whatever. They have seen ideas that they can then take back. It is not just a technology flow, it is also an ideas flow. Vertical farming is often thought of as being in an urban situation, but why can't you do it in a more remote situation to feed the local population and the tourists and so on?

Steven Thomson: It is a generalisation when we say that farmers do not innovate. There are some amazingly innovative farmers out there and they should be congratulated for what they are doing. Some of them are leading the science and forcing science into adopting new things, in your constituency with some of the fruit farms they are undertaking and funding their own research in order to develop new methods. We should not generalise the whole industry as those that do not uptake innovations.

Chair: One of the major funding streams the Hutton Institute managed to secure was for the Barley Hub, which was a fantastic bit of collaboration—and I am sure Mr Flanagan would agree—between the sector and the research institute that designed the package that hopefully will come to fruition now that the cities deal money is going to be applied, so we are looking forward to that. I hope that this Committee will be able to go to the Hutton Institute in the course of this inquiry to ask them further about some of these technological issues that I think are interesting us in how we are looking at this inquiry.



Q249 David Duguid: I want to bring you back to common frameworks in a second, but to finish off on the technology innovation conversation, we heard from the previous panel that there is at least a perception of a lack of engagement with the Department for Business, Energy and Industrial Strategy. Is that something that you would agree with? A secondary question to that is: if we can make the industry be seen as more of an industry, more exciting, innovative and technological, do you think that would have a role to play in attracting more young people into the industry?

Paul Flanagan: Really good questions. On your first question, because of the geographical distance from some of these organisations in agritech, there is a perception that Scotland is a little bit out of the loop. That said, you have one of the hubs for Agri-EPI that is not too far away from here, in Edinburgh, and while they have 28 farms throughout the UK they have nine specifically in Scotland. The AHDB is now managing those farms UK-wide, maybe because of somebody who used to work for us at AHDB, Gavin Dick, and we are working pretty closely with them. Their focus is very much on the research side of it and checking different systems and working out how they can close the gaps between the results some people are getting and the results other people are getting. Our interest is how do we get that and use that for knowledge exchange.

From an agritech perspective we are part of the Food and Drink Sector Council, and we are picking up this information on the agritech centres and trying to pass that back through Scotland Food and Drink. We have somebody on the Scotland Food and Drink board who can facilitate that information.

More broadly, on your second question, there is a significant challenge in how people perceive careers within agriculture and, to be honest, how we broadly in agriculture promote ourselves to the wider world. The areas that we have been talking about in the last five or 10 minutes about agritech and innovation technology would not be front of mind when people think about agriculture. All of us have a responsibility to pull that out. I know James Hutton and SRUC, are good examples where they have specific projects on genetics or whatever that they can get out, but we need to promote ourselves much better and we need to have that from an education perspective on the radar of career guidance people in schools and potentially in the curriculum of careers in agriculture.

If we can promote ourselves better we can demonstrate that it is possible to make money out of agriculture where maybe some of the stories and people's subliminal consciousness of farmers is a loss-making business. If we can do that better, it is more likely that people will consider a career in agriculture, but I think the innovation technology angles to this are critical as an interest hook for people who are considering careers.

Dr Bruce: As a comment on the agritech thing, I was once involved in a proposal but I never went in. The timescales in which to put these collaborations together is extremely tight and if you are starting to do



HOUSE OF COMMONS

something new it takes time to get the people together to work out what you can realistically do and then often the lead partner has to be industry. I think it is a big ask for industry to put in these proposals. The one I was involved in failed because industry pulled out of it in the end because they decided not to go ahead.

Q250 David Duguid: Maybe that is an area that we need innovation in to help compress the timescale.

Dr Bruce: Yes, or to get the right sort of collaboration together.

Steven Thomson: The key thing, and Ann Bruce makes a very good point there, is the timeframes. We have to remember that these projects for the first three years were basically in an establishment phase. It has been a case of capital expenditure, getting these things up and running, from which hopefully you get the outcomes from that investment that will flow in future years. We all know that research takes time and then getting the information and results out to the industry also takes time. In future years you will likely see adoption and greater adoption coming from technology. We have to remember that beyond that the Scottish Government invest quite a lot of money into science base on an annual basis and that science continues to flow through the sector.

Q251 David Duguid: Going back to where I was heading on the common frameworks, Professor Keating first of all, how should frameworks be designed and implemented most effectively to avoid inhibiting Scotland's ability to set its own agricultural policy?

Professor Keating: By starting with some general principles, the internal market, regulatory needs, because regulatory needs are common, and then seeing how that will apply. The UK Government started off with an unfortunate move, which was to try to rereserve an awful lot of competencies and they still have a bit of that in their formula. I think if we took that off the table completely, because the powers are going to go back anyway, they promised us, and say, "The question is, what are the needs?" that would be very useful. It would also be useful if there was some capacity somewhere for a shared knowledge base; what are the implications of things, do we need harmonisation and regulation and where, rather than counterclaims. This is something that is lacking in our intergovernmental machinery right across the board.

This is really how the EU works, and then put into that things like competition policy, which is in a different box but is going to affect agriculture. Environmental policy has another Bill and that is going to come into agriculture as well. Then you realise that these common frameworks will need to be updated.

The model of trying to redistribute the competencies to get it right is not going to work, because this is a shifting field. Then recognising that there are areas where there might be disagreement, particularly where social and economic criteria start to conflict or where in England there might be



a more market-oriented approach to rural policy and here there might be a greater social dimension: what is the legitimate scope for disagreement there?

If we did it that way I think a lot of these problems could be resolved, because I do not see there would be disagreement on most of them, and highlight those areas where there is disagreement. Then, what would the mechanisms be? There has to be some decision-making mechanism, and I keep on repeating this but it is critical, which says the UK Government cannot just play the trump card every single time. There has to be some kind of process there.

Another thing that arises out of that and is closely related is where does England fit into this? We know where the devolveds are coming from, but who speaks for England? It has happened in the past when there has been a need, and there is a lot of experience of this in agriculture because there has always been the need to have a single voice going into Europe. Sometimes there has been a mechanism, a junior Minister speaks for England and it has never been properly codified, but you need to disentangle English interest from the broader UK interest. That is going to become much more important now.

Q252 David Duguid: I have a follow-up question to that. At the moment with the UK being a member state of the EU, the EU Commission acts as a kind of arbiter, it centralises everything and acts as an arbiter if there is any conflict between different member states. The simplistic question is: why can't the UK just take that role? I think the fact that England does not necessarily have its own voice within the UK, as Scotland, Wales and Northern Ireland in theory do. Is that what you are saying?

Professor Keating: That is partly it, and you cannot just replicate the EU model because there are 27 member states. There will be 27, there are currently 28, so there is no question of one of them being bigger than all the others put together. Also, because the European Commission has a role that we do not have—and probably nobody wants to have in the UK—it has the sole right to initiate legislation, it has regulatory powers and so on. Nobody has talked about reproducing that.

What they have been talking about is the need for somewhere in the Commission that is above the contending parties, that is independent, that has a knowledge base that can, where necessary, arbitrate and facilitate solutions and come back with suggestions. That is what we do not have in our present settlement.

There is a paper by the Royal Society of Edinburgh—and I cite this because I was part of the group that produced it—that suggests something like that. We are not saying they are going to be over and above and they are going to overrule, because these decisions must be taken by responsible politicians.

Q253 David Duguid: Where was that paper from?



Professor Keating: It is the Royal Society of Edinburgh. It is on their website. Realising that politicians ultimately are responsible, nevertheless there is a role for somebody who can arbitrate, facilitate agreements and provide a common knowledge base.

Q254 **David Duguid:** I think we are all aware of the potential conflicts, the potential problem, but what would you suggest the role between the UK Parliament and the devolved Administrations should be in scrutinising the operation of the common frameworks?

Professor Keating: That is a very important question, because once you get into these common framework and intergovernmental relations you lose transparency and accountability. That is very important and I think it is up to the Parliaments themselves to call their Ministers, because ultimately they will be responsible and they cannot blame it on someone else. You are responsible because you are part of that. There is scope for joint inquiries among the various devolved legislatures and Westminster. That is underexplored and there are political difficulties there, but there is potential there as well. It is something that is going to be increasingly important.

Q255 **David Duguid:** Is there anything else that you can think of about the relationship between the UK Government and devolved Administrations? I think the Chair has already mentioned that it is a matter of a separate inquiry over a general review of those relationships, but what specifically in relation to future agricultural policy should we be considering?

Professor Keating: The role of stakeholders as well and communities feeding into this. This is not just a matter for politicians. That is critically important. It becomes extremely complex. Then there is the fact that the system is indeed becoming so complicated. We have five different consent mechanisms, apart from the Sewel convention. I have here six different types of frameworks, legislative frameworks, non-legislative frameworks, sector bills, bilateral deals, ad hoc deals. It is becoming very difficult for the citizen to follow all of this. You say you are going to have an inquiry on that and it is certainly due because some simplification is in order there so that people can understand the basic principles underlying all of this.

Steven Thomson: The point that Professor Keating makes about how we distinguish between the UK Government and the role of them looking after English interests came to light with the Agriculture Bill where everybody started saying, "How does this affect Scotland? Why is Scotland not included?" It is a very English-focused Bill, but still has some elements of UK. My concern going forward is that because they have jumped the gun they are suggesting this is the way forward for the rest of the country, and that discussion about where our principles are and what our objectives are for policy have not really been considered.

Going back to the framework, it is absolutely essential, as others have said, that we have common rules regarding pesticides, plant protection



HOUSE OF COMMONS

products, veterinary medicines, animal welfare, animal health, environment. These are the rules of the game when you are coming to farming businesses and wider land management businesses and providing a legal competitive advantage, and one devolved Administration over another would certainly cause problems.

Q256 Chair: Then there is the bone of contention of the Agriculture Bill. The UK is a signatory to the WTO but implementation of WTO policy is the responsibility of the Scottish Government and there are two sections of the Agriculture Bill that have proven to be the big political dispute in all of this. The Scottish Government's view about the flexibility that they feel they should enjoy is to offer the type of support that they think is appropriate and relevant to Scottish agriculture. We heard from the previous panel about coupled payments being an example of that. What do you feel we need to do in order to try to ensure that we get a solution for both Governments? Can we make a breakthrough and a way forward for this?

Steven Thomson: Some common sense would be the number one thing, but sometimes it is too much to hope for in all these instances. We need to have that flexibility. If the UK Government suddenly said that we cannot have coupled payments because they see it as a blue box or an amber box issue then that is really going to hamstring the Scottish Government in how they see fit to deliver the needs for Scotland.

When we are talking about the needs for agriculture in Scotland we tend to generalise this by talking about the beef industry or the sheep industry. Remember there is an upstream supply chain, people selling inputs into these industries and you get a downstream processing sector and you have all these haulers. It is a massive sector when you start thinking about who is engaged in it. To suddenly change the rules of engagement would potentially have wider rural economy impacts that I do not think people are really thinking through. They are not joining all the dots of their actions, so somehow getting some consensus is going to be vital in all this, particularly in the WTO issues and making sure that we do have the flexibility.

Interestingly, the UK Government are already talking about that some of their proposals in the Agriculture Bill would have to be amber box, so the rules of the game may be changing already.

Q257 Chair: It is certainly a moving feast, as we say, when it comes to the Agriculture Bill. I do not know if anybody else has any particular views.

Good, then we will move on to the subject of the day, which is immigration, with the Immigration and Social Security Co-ordination (EU Withdrawal) Bill second reading being debated in the House of Commons and due to start in a few hours' time. I think Mr Duguid and I were both hoping to make contributions in that and we will see how we get on with that.

You have seen what the Immigration and Social Security Co-ordination



HOUSE OF COMMONS

(EU Withdrawal) Bill is seeking to bring forward, which is the ending of freedom of movement. What does this mean for Scottish agriculture? Maybe you could help us with that.

Paul Flanagan: From our perspective, the biggest impact is on horticulture. That is where the greatest challenges are, where you have seasonal labour for soft fruit picking, non-UK people tend to come into the south of the country and then move further up. That is where the issue would be and I think even last year with the challenges of not enough pickers to pick the crop, so it is particularly challenging. In that situation you are left with how can you improve the efficiency of the people you have or how can you put in some kind of innovation or new technology that is going to replace that? The challenges of doing that over a short period of time are probably insurmountable.

Medium term it is potentially doable. I know there is a number of events that SmartHort is running trying to merge with some technology companies to do that, but in the horticultural sector it is going to be particularly challenging.

Q258 **Chair:** Looking at some of the statistics that were supplied by NFU Scotland, it is 10,000 non-UK nationals in seasonal positions per year. The one that surprised me is 80% of vets in approved meat establishments come from outside of the UK and 33% of permanent staff in the dairy sector are non-UK. These are huge figures. What we could possibly be seeing here, unless we get some sort of solution—I know the Government's intentions and the figure that is most commonly quoted—is an 80% reduction in EU nationals coming to Scotland. How does the sector pick this up? Maybe you could help us with that, Mr Thomson.

Steven Thomson: We did some research for the Scottish Government that finished last year, in which we conservatively estimated 9,200 seasonal workers, unique ones, because remember they move between farms as well, and the majority of them are coming from Bulgaria and Romania. Unemployment levels in those countries, particularly youth unemployment, have come way down.

The exchange rate effect was picked up in the previous session. Essentially they have taken a 20% to 25% cut in their take home pay. This is not unique to UK; it is not a Brexit issue. It is happening across the whole of the EU. Migrant labour that came from the eastern European countries is drying up and has dried up over the last couple of years. What is different is how EU countries or member states are reacting to it. Spain is bringing in more Moroccan workers. Poland is bringing in more Ukrainian workers. The Irish were very quick at bringing in or introducing a visa scheme last year. All of these things were as a result of the immediate shortage, whereas we have been faced with two years of shortage, a 20% reduction in applicants.

What happened last year was when you speak to the soft fruit industry that they had to employ older and older workers with fewer English skills



HOUSE OF COMMONS

and probably not such effective workers. We were talking to farmers who were leaving 30% of their crop in the ground. This is not just for soft fruit, it is also for the vegetable sector and the potato sector where there is an awful lot of grading. Labour providers are the people at the hard end of this because they are just in need from the farmer, so they are basically trying to fill gaps for the farmer. When you speak to the Association of Labour Providers, the scale of the problem is vital.

People talked about the dairy sector. There is an increasing reliance on EU workers as full-time workers in the dairy sector. In the meat and fish processing sector, the haulage sector, everything to do with the agri sector, we are becoming increasingly reliant on this workforce, whether it is seasonal or full-time. The message is clear that these people are starting to return home. Where is the next generation coming from? Scotland could take up the 2,500 visas that were announced, so how is it going to be allocated across the UK? I don't know. If a single worker comes and stays for two months out of his six months, is that whole visa gone? There is a whole scope of issues that arise from this one topic.

Q259 Chair: We did try to secure some sort of response from the Minister, to get details about how this pilot scheme would operate. He did seem to suggest that it would be through an individual contractor. On the point that you make—and certainly we looked at this as a Committee—about how other European countries are dealing with those issues, looking further afield, people are talking about the Philippines and Sri Lanka as possible sources of seasonal labour. I do not know whether anybody else has views about the pilot scheme that we are seeing in place just now and what we could do, if we can do anything, to encourage foreign labour to come to the UK, given that we are going to be ending freedom of movement. How does the sector respond to these labour challenges?

Steven Thomson: It was picked up in the previous session that the old SAW scheme had workers from all over the place, particularly Russia, the Ukraine, Belorussia, lots of places. If we had the flexibility to have a similar type scheme you would have an influx of people, because the minimum wage, their average wages, in those countries falls below what they currently have in Romania and Bulgaria. One of the issues you have on farm is suddenly everything has to be multilingual. You are going to have to have some incredibly good facilitators in pulling together all these different languages.

I think it was a point that you raised earlier on, that these people are not all just in the field picking. If you look at some of the big fruit farms just now, these people are running the businesses. They are in the management structure. They have stayed for a number of years. They come back year after year and are an integral part of a successful agribusiness, multi-million turnover businesses, and these people are helping manage and run the businesses, so it is not an unskilled labour base that we are talking about. Some of these people give up very good jobs to come here and are very well educated and are willing to come



HOUSE OF COMMONS

here as a career choice and as a future place to live and we forget that as well, that they integrate into wider society. They come maybe as agricultural workers but they end up working in the building trade, in the hospitality trade, wherever.

Q260 Chair: Lastly from me and to assist us as we go forward with financial support in terms of agriculture, we know the views and the plans of the UK Government, which is at the heart of their Agriculture Bill, which is that support will follow greening environmental schemes. We have heard the Scottish Government talking about matching that with productivity. What do you think should underpin any sort of future funding support from Government?

Dr Bruce: I will come back to what I said in the beginning. Think about the whole thing as a system and do not necessarily separate agriculture from tourism and all the other things that are going on. If you think about it as a system involving the food, the upstream, the downstream, the social aspects and the tourism aspects as well as the environmental aspects, you have a much more holistic picture rather than having it segregated into little bits.

Professor Keating: Could I say something about finance again and about Barnett, which I have been studying for 40 years since it first came in? Barnett does not mean you get your population share. Barnett means you get what you got last round adjusted by population and there is a big difference because Barnett would be good news for Scotland because we keep that big difference there. We are not going to get it, but we are going to get something like it. Whatever comes out of Bew, it will be the first ever needs-based mechanism for distributing finance in anything ever in the United Kingdom. That is really new, and they tried it back in the 1970s with a needs assessment formula and they just could not work it out. It is not purely a technical matter. It is highly political and involves all kinds of judgments. Whatever happens in Bew, it will go to the Treasury and they will make the decision. That is the way it works here.

What we will end up with is almost certainly something like we have already, because that is how politics works. You push and you pull and liberals get to work and you retrofit the numbers, but a share of a much smaller pot, because they are withdrawing support in England and with the agreement of Wales direct support completely. That means the budget will go down, and that is the big challenge, however you distribute it. What strings will that come with? That is the question. Barnett is not just a formula for determining the amount but it is a block, it goes into a block. Picking up Ann's point here about what you do with the money: would we have the flexibility to shift it to some overall rural development policy or whatever or is that just for agricultural mechanisms?

Q261 Chair: Bew has ruled out Barnett.

Professor Keating: Yes, but we are going to end up with something that looks like it, because that is just the easiest thing for Treasury to do. That



is why we still have Barnett 40 years later, but it will be a smaller amount. We know, if you look at the details of Barnett, there is a fair amount of political adjustment and smoothing out of things, but does it come with strings? Is Scotland able to say, "No, we have a different conception of policy linking into supply chains. We just do not want to do those kinds of things". Then there is the Pillar II that was mentioned earlier on. What is going to happen to that? We have the shared prosperity fund coming from the UK and there has been some talk that the structural funds will go into that, possibly Pillar II of the agricultural as well, and we have the cities deal and so on.

We have a proliferation of little funds for bits and pieces as a result of this drift in intergovernmental relations and I do not think it makes for good policymaking. It does not make it possible for Scotland to say, "Here are the priorities. Here are the resources". That is to be followed but I would be very concerned about how that is going to work out.

Q262 **Chair:** It is going to have to be the last word, Mr Thomson, because we have run out of time.

Steven Thomson: Picking up on that point about the shared prosperity fund, it is vital that that is rural-proofed and that rural areas do not lose out from the types of leader funding, if some of the wider rural development funds go in there.

The key thing for all of this is that we understand what outcomes we are trying to achieve for this money and making it more transparent to the members of the public as to what their tax pounds are paying for, whether that is environmental protection or production of food. I think it is vital that we have the flexibility to do more than just one or the other. We have to be able to do both at the same time. We have to reflect the needs or the nature of Scottish agriculture and its land, remembering that we are endowed with environmental quality, which is acknowledged by international agreements that restrict land managers in their choices.

Chair: Absolutely, and thank you for reminding us of that. It was fascinating as always and thank you very much for your contribution. If there is anything else that would be useful to help with this inquiry, please get it submitted to us. For now, thank you very much.