ORGANIC FARMING TARGETS (SCOTLAND) BILL

EXPLANATORY NOTES

(AND OTHER ACCOMPANYING DOCUMENTS)

CONTENTS

1. The following documents are published to accompany the Organic Farming Targets (Scotland) Bill introduced in the Scottish Parliament on 30 September 2002:
   - Explanatory Notes;
   - a Financial Memorandum; and
   - the Presiding Officer’s Statement on legislative competence.

The Financial Memorandum and Presiding Officer’s statement are required under Rule 9.3 of the Parliament’s Standing Orders.

A Policy Memorandum is printed separately as SP Bill 66-PM.
EXPLANATORY NOTES

INTRODUCTION

2. These Explanatory Notes have been prepared by Robin Harper, who is the Member in charge of the Bill, with the assistance of the Parliament’s Non-Executive Bills Unit, in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by the Parliament.

3. The Notes should be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill. So where a section or schedule, or a part of a section or schedule, does not seem to require any explanation or comment, none is given.

SUMMARY AND BACKGROUND TO THE BILL

4. The Bill requires the Scottish Ministers to set organic farming targets, to produce a plan for achieving those targets and to report annually to the Scottish Parliament on progress.

COMMENTARY ON SECTIONS

Section 1: Principal duties of the Scottish Ministers

5. Subsection (1)(a) requires the Scottish Ministers to publish organic farming targets. The targets are to represent the percentage of each category of land the Bill covers that will be organically farmed within 10 years of publication of the targets. The targets must not be less than 20% of the relevant category of land.

6. Subsection (1)(b) requires the Scottish Ministers to publish a plan setting out the measures they propose to take to achieve the targets.

7. The plan and the targets must be published and laid before the Scottish Parliament within 1 year of the Act coming into force (see paragraph 20).

8. Subsection (2) sets out the three categories of agricultural land that the Bill covers. These are:

   (a) arable land;
   (b) improved grassland; and
   (c) unimproved grassland and rough grazings.

9. Subsection (3) imposes a duty on the Scottish Ministers to ensure that the organic farming targets are achieved.
10. Subsection (4) requires the Scottish Ministers to publish an annual report on progress. The report requires to be laid before the Scottish Parliament and must include information about the progress that the Scottish Ministers have made towards achieving the targets during the year to which the report relates as well as the details of expected progress over the next 12 month period.

Section 2: The plan

11. Subsection (1) provides that the Scottish Ministers must include certain information within the plan. That information is set out in the schedule to the Bill (see paragraph 21 of these Notes). This subsection also provides that the information to be included in the plan must be provided in such a way as to make clear what types of measures are to be taken for each of the categories of land covered by the Bill.

12. Subsection (2) requires the Scottish Ministers to consult before the plan is prepared. The Scottish Ministers have discretion in deciding who is to be recognised as having an interest in taking part in this consultation process. The Scottish Ministers might, for example, consult farmers, retailers, scientists and others involved in the organic sector.

13. Subsection (3) requires the Scottish Ministers to review the plan from time to time. A review must also be carried out within 3 months of the day of the poll for a general election to the Scottish Parliament. Following any review, the plan can be modified by the Scottish Ministers.

14. Subsection (3) also requires the Scottish Ministers to consult before modifying the plan. Again, they have discretion in deciding who is to be consulted (see paragraph 12 of these Notes). Whenever a plan is modified, the Scottish Ministers are required to lay the modified plan before the Scottish Parliament and publish a new version of the plan.

Section 3: Interpretation

15. Section 3 defines a number of terms used in the Bill.

16. “Agriculture” has the same meaning as in section 86(3) of the Agriculture (Scotland) Act 1948. Accordingly, it includes “horticulture, fruit growing, seed growing, dairy farming and livestock and breeding and keeping, the use of land as grazing land, meadow land, osier land, market garden and nursery grounds, and the use of lands for woodlands where that use is ancillary to the farming of land for other agriculture purposes”.

17. “Arable land” is defined so as to include land which is lying fallow as part of a normal crop rotation as well as land previously used to grow an arable crop which has been set aside under EC Regulations.

18. “Organic farming” is defined by reference to the provisions of Council Regulation No.2092/91/EEC of 24 June 1992 (as amended) on “the organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs”. The EC Regulation provides common standards for application across the EU in relation to products
described as having been produced organically. In particular, it contains a framework of rules for the labelling, production and inspection of organic products.

19. The detailed requirements and conditions for organic production can be found in Annex I and II to the EC Regulation. In order to comply with those requirements and conditions only certain farming methods can be used. For instance, fertility should come principally from the farm itself. This might involve using animal and plant manures and rotating different crops.

Section 4: Short title and commencement

20. Subsection (2) provides that the Bill will come into force on the day after the date of Royal Assent. This date will be the reference date for calculating the date by which the organic farming targets and the plan for achieving them require to be published by the Scottish Ministers (see paragraph 7).

Schedule: Matters to be included in the plan

21. The schedule sets out the information which requires to be included in the plan under section 2(1) (see paragraph 11 of these Notes):

- a statement of interim objectives towards achievement of the target (paragraph 1 of the schedule);
- an assessment of the resources that the Scottish Ministers intend to deploy, including financial assistance, to enable the target to be achieved (paragraph 2). The main source of financial assistance for organic production is the Organic Aid Scheme (OAS), part of the Scottish Rural Development Plan. The OAS plus the Rural Stewardship Scheme make up the current Agri-Environment programme in Scotland. An assessment could, therefore, include information about the assistance to be deployed under that programme;
- details of the other assistance that the Scottish Ministers intend to provide to enable the target to be achieved, including details of the information and advice that will be made available (paragraph 3);
- information about the steps that the Scottish Ministers intend to take to encourage the development of markets for the sale of food produced organically (paragraph 4(a)). For example, the Scottish Ministers could consider the development of food-poverty initiatives or the inclusion of an organic requirement within appropriate public procurement contracts;
- information about the steps that the Scottish Ministers intend to take to encourage and facilitate the marketing and local marketing of food produced organically. This could include, for example, the encouragement of farmers’ markets (paragraph 4(a) and (b));
- information about the research being carried out, and to be carried out, as commissioned by the Scottish Ministers to enable the organic farming targets to be achieved (paragraph 5);
- information about the resources required for that research (paragraph 5); and
• details of the proposed tasks that anybody other than the Scottish Ministers will have in relation to the targets and details of how that will be co-ordinated with the functions of the Scottish Ministers (paragraph 6(a) and (b)).

FINANCIAL MEMORANDUM

INTRODUCTION

22. The Bill requires the Scottish Ministers to set organic farming targets and to ensure that those targets are met. The Bill leaves it up to the Scottish Ministers to decide to achieve this and as a result it is very difficult to estimate the eventual cost of ensuring that the targets are met. In estimating the costs of meeting the targets the best source of information is the existing Organic Aid Scheme (OAS) under which sums are currently expended by way of direct aid to encourage conversion to organic farming methods.

23. There are further cost implications for the Scottish Executive in preparing, publishing and reviewing the plan which is required under the Bill. In addition, further costs might arise from methods of encouraging organic farming other than direct aid.

COSTS ON THE SCOTTISH ADMINISTRATION

Organic Aid Scheme

24. Payments to farmers converting to organic farming methods are currently paid under the OAS, with funding drawn from the agri-environment budget. As a result of modulation of direct payments to farmers (under Article 4 of EU Regulation 1259/99), the annual budget for agri-environment schemes, which currently stands at £29.7m, should increase steadily to a total of £43m in 2006/7.

25. Table 1 shows the participation in the Organic Aid Scheme at January 2002, the total organic land area at that time (i.e. including organic land not in the scheme), the target for 2012, and the annual conversion total required to meet a 20% target in each category of land.

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2 SPICe research based on figures supplied by SEERAD in answer to a member’s query, 2000.
Table 1: Targets for organic conversion by July 2012

<table>
<thead>
<tr>
<th>OAS participation at 31 January 2002</th>
<th>Organic land area in Scotland</th>
<th>Farmland area in Scotland</th>
<th>Organic conversion target for 2012</th>
<th>Additional organic conversion required</th>
<th>Annual conversion required to meet target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td>ha</td>
<td>%</td>
<td>ha</td>
<td>ha</td>
<td>ha</td>
</tr>
<tr>
<td>13,319</td>
<td>21,857</td>
<td>651,523</td>
<td>130,305</td>
<td>108,447</td>
<td>12,050</td>
</tr>
<tr>
<td>Improved grassland</td>
<td>22,662</td>
<td>37,189</td>
<td>1,187,792</td>
<td>237,558</td>
<td>200,369</td>
</tr>
<tr>
<td>Rough grassland</td>
<td>215,686</td>
<td>353,954</td>
<td>3,974,420</td>
<td>794,884</td>
<td>440,930</td>
</tr>
<tr>
<td>Total</td>
<td>251,667</td>
<td>413,000</td>
<td>5,813,735</td>
<td>1,162,747</td>
<td>749,747</td>
</tr>
</tbody>
</table>

Source: SEERAD (for OAS participation figures, total organic land area in Scotland and farmland area in Scotland)

Assumptions:
- **Arable land**: this means arable land in terms of the current Organic Aid Scheme.
- **Rough grassland**: this means unimproved grassland together with rough grazings.
- **Organic land area in Scotland**: the area of organic land falling in each of the three land categories has been calculated assuming that the total organic area is split between different land types in the same proportion as OAS participation.
- **Additional organic conversion required**: refers to the total conversion required to meet the target minus the land area already converted to organic.
- **Annual conversion required to meet target**: this has been calculated for the years 2002-2010 inclusive (i.e. 9 years) because, to meet the targets in Table 1 by 2012, all the land should be participating in the OAS by 2010, thus making it certified organic by 2012

Table 2 shows the current rates payable to farmers under the OAS.

Table 2: Existing payment rates for the Organic Aid Scheme

<table>
<thead>
<tr>
<th>Year</th>
<th>Arable (£/ha)</th>
<th>Improved grassland (£/ha)</th>
<th>Rough grassland (£/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>150</td>
<td>120</td>
<td>10</td>
</tr>
<tr>
<td>Year 2</td>
<td>150</td>
<td>120</td>
<td>10</td>
</tr>
<tr>
<td>Year 3</td>
<td>50</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>Year 4</td>
<td>50</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>Year 5</td>
<td>40</td>
<td>30</td>
<td>5</td>
</tr>
</tbody>
</table>


Table 3 shows the annual and total cost of the OAS if it attracts the participation required to meet the organic conversion targets in Table 1.
28. Table 3 is calculated by assuming that the same area of each type of land commences conversion to organic in each year between 2002 and 2010.

29. However, it should be noted:

(a) that these are not all additional costs, because the OAS, as an existing scheme, will continue to incur costs regardless of whether or not the Bill is enacted; and

(b) that at no time during the 10-year period does the OAS expenditure account for more than 50% of the funds available under the agri-environment schemes.

Table 3: Cost of meeting conversion targets through the OAS

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (to nearest £1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4,969</td>
</tr>
<tr>
<td>2003</td>
<td>9,938</td>
</tr>
<tr>
<td>2004</td>
<td>11,997</td>
</tr>
<tr>
<td>2005</td>
<td>13,958</td>
</tr>
<tr>
<td>2006</td>
<td>15,352</td>
</tr>
<tr>
<td>2007</td>
<td>15,352</td>
</tr>
<tr>
<td>2008</td>
<td>15,352</td>
</tr>
<tr>
<td>2009</td>
<td>15,352</td>
</tr>
<tr>
<td>2010</td>
<td>15,352</td>
</tr>
<tr>
<td>2011</td>
<td>10,383</td>
</tr>
<tr>
<td>2012</td>
<td>5,415</td>
</tr>
<tr>
<td>2013</td>
<td>3,355</td>
</tr>
<tr>
<td>2014</td>
<td>1,395</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>138,168</strong></td>
</tr>
</tbody>
</table>

Source: SPICe research (ref: 003012) based on figures supplied by SEERAD in answer to a member’s query, 2002.

Note: The costs incurred run to 2014 because the new OAS participants of 2010 will receive payments for 5 years, i.e. until 2014.

30. The above calculations are an illustrative approximation only. Ceilings on payments to holdings of a certain size, eligibility criteria of arable land and changes in the OAS over time will all affect the above figures.

OTHER COSTS

31. In addition to setting the target, the main provision of the Bill is to require the Scottish Executive to prepare a plan to assist in meeting the target. The Bill stipulates certain elements that must be covered by the plan, but is otherwise non-prescriptive. The Bill allows the Scottish Ministers to decide how they wish to meet the organic targets. In order that the process of meeting the targets can be scrutinised, the Bill also requires the Scottish Ministers to prepare a plan dealing with matters relating to the possible methods for ensuring the targets are met.
32. In particular, the Bill requires the plan to cover six matters: interim objectives, resources and financial assistance, other assistance, markets for and promotion of products, research, and functions of others. It will be up to the Scottish Executive to decide the resources it wishes to allocate to each of the methods with a view to ensuring that the organic farming targets are met.

33. It is not anticipated that three of these elements – interim objectives, markets for and promotion of products and functions of others – would require additional funding.

34. The second of these elements – development of resources and financial support measures assistance – is covered above. The remaining possible methods of ensuring that the organic farming targets are met – other assistance and research – might incur additional costs, and an example of this, the development of an enhanced advisory programme, is illustrated below.

35. At present SEERAD contracts the SAC to carry out an advisory programme which includes the following areas of activity:
   - seminar meetings and farm walks;
   - telephone advice (Organic Helpline, plus telephone support from other officers and departments) and an Information Pack;
   - publications, including press and technical articles;
   - establishment of a series of commercial organic demonstration farms;
   - maintenance and enhancement of the SAC Organic Farming Website;
   - training of SAC Advisers and SEERAD Agricultural Officers.

36. The budget for 2002-03 is £166,000. An enhanced advisory programme could also include a day and a half of free advice including a farm visit, as is available to converting farmers in England and Wales. Based on uptake figures elsewhere in the UK it is estimated that approximately 620 advice visits per annum could be requested as follow up to current advice request demands in Scotland. This would require an additional £160,000 per annum to service.

37. During 2001-02 SEERAD allocated £344,000 for research directed specifically at organic farming systems. By comparison, DEFRA covering England and Wales allocated during the same year just over £2.1m for organic specific research. The annual DEFRA budget equates to £8/ha of organic farmland in England and Wales, whereas in Scotland the SEERAD budget equates to £1.19/ha based on the comparative organic land areas in April 2001.

38. In addition, certification bodies across the UK are funded by DEFRA to publicise conversion schemes (in Scotland, the OAS) and provide information for the licensing body UKROFS. Payments are based on the number of certified producers. Of the total of £400,000 paid in 2001-2002 to UK bodies, approximately £66,000 is allocated on the basis of certification

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3 David Younie SAC, telephone communication, April 2002.
5 Westminster Parliamentary Question PQ720-721.
bodies membership in Scotland\(^7\). As this membership increases, costs in the form of funding to sector bodies would also increase.

**COSTS ON LOCAL AUTHORITIES**

39. It is not anticipated that the provisions should impose any costs on local authorities.

**COSTS ON OTHER BODIES, INDIVIDUALS AND BUSINESSES**

40. It is not anticipated that the Scottish Parliament will incur additional costs from considering the Scottish Executive’s annual reports on progress made towards the plan. The Parliament already has a remit to scrutinise the work of the Executive, and the Rural Development Committee, in particular, will be well placed to monitor and review the work of the Executive towards meeting the conversion target.

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**PRESIDING OFFICER’S STATEMENT ON LEGISLATIVE COMPETENCE**

41. On 30 September 2002, the Presiding Officer (Sir David Steel) made the following statement:

“In my view, the provisions of the Organic Farming Targets (Scotland) Bill would be within the legislative competence of the Scottish Parliament.”

\(^7\) John Doddie, SEERAD, telephone communication, April 2002.
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