ORGANIC FARMING TARGETS (SCOTLAND) BILL

POLICY MEMORANDUM

INTRODUCTION

1. This document relates to the Organic Farming Targets (Scotland) Bill introduced in the Scottish Parliament on 30 September 2002. It has been prepared by Robin Harper, who is the Member in charge of the Bill, with the assistance of the Non Executive Bills Unit to satisfy Rule 9.3.3A(b) of the Parliament’s Standing Orders. The contents are entirely the responsibility of the Member and have not been endorsed by the Parliament. Explanatory Notes and other accompanying documents are published separately as SP Bill 66–EN.

POLICY OBJECTIVES OF THE BILL

2. The long-term aim of the Bill is that there should be more organic food produced and consumed in Scotland, contributing positively to sustainable development. It is expected that increasing production would also help to reduce the proportion of organic food that currently requires to be imported.

3. The primary objective of the Bill is to increase the area of land under organic management. This is to be achieved by:
   - setting targets for the conversion of agricultural land to organic production methods for arable land, improved grassland and unimproved grassland and rough grazings land categories;
   - requiring the Executive to prepare a plan setting out the measures for meeting the targets. The plan will be reviewed and modified when necessary. Annual progress reports must be made to the Scottish Parliament.

4. The aim of the Bill is not to prescribe the way the targets are to be met, but to set out the type of information which must be included in the plan. These include:
   - interim objectives towards achievement of the targets;
   - information about resources including financial and other assistance;
   - details of measures to encourage the development and promotion of the markets and marketing of organic products, including local food markets;
   - details about research or proposed research into developing organic farming methods; and
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- information about the functions of other persons or bodies involved in the targets and the policy for co-ordinating the functions of such persons.

BACKGROUND

Definition and standards

5. EC Regulation 2092/91 provides the basic EU-wide standards for organic farming across Europe. In the UK, organic food and farming is licensed through the UK Register of Organic Food Standards (UKROFS), which accredits a number of other certification bodies including the Soil Association, Scottish Organic Producers Association and the Bio-Dynamic Agriculture Association.

6. UKROFS sets out the following principles for organic production. It should:
   - work with natural systems rather than dominating them;
   - encourage biological cycles involving micro-organisms, soil flora and fauna, plants and animals;
   - maintain or develop valuable existing landscape features and habitats for wildlife, with particular regard to endangered species;
   - pay careful attention to animal welfare considerations;
   - avoid causing pollution; and
   - consider the wider social and ecological impact of the farming system.

7. From such principles a number of minimum production and processing standards have been developed. Certification bodies must ensure their producers and processors meet these standards – though some require them to go beyond the minimum standards set by UKROFS.

Growth of the organic sector: supply and demand

8. The organic market in the UK has grown at a substantial rate. According to market researchers Taylor-Nelson/Sofres, the organic category is highly unusual in that all four key measures are expanding simultaneously (a “full house”): the number of households purchasing organic food, the frequency of purchase, the amount spent on each occasion, and the total annual spend.¹

9. Three quarters of UK households made at least one organic purchase last year – though most of the spending is by a small minority of purchasers. Taylor-Nelson/Sofres conclude that “there is still enormous scope to increase both the frequency of purchase and the amount spent per purchase”.

10. Opinion research by MORI shows the main consumer motivations to be perceptions that organic food is healthier, tastes better, is better for the environment, and is animal welfare-friendly.²

11. Sales of organic food in the UK are increasing faster than in any other European country. During the year 2000-2001 sales of organic foods reached £802m, a rise of 33%.³

12. Following evidence from multiple retailers, the House of Commons Select Committee on Agriculture found that “the whole range of their customers is now choosing organics, and the stereotype of the organic customer as middle class, urban ... is no longer relevant”.⁴

13. 70% of organic food sold in the UK last year was imported, a drop of 5% on the previous year.⁵ The majority of these goods are temperate products that could be produced in Scotland – representing a huge market opportunity for Scottish producers.

**Benefits of organic food production**

14. The Scottish Executive committed itself to “socially and environmentally sustainable development” in the Partnership for Scotland Agreement. Organic production provides environmental, social and economic benefits to Scotland (and at the UK level, in recognition of these benefits, the area of land under organic production is used as an indicator of sustainable development).

**Environmental**

15. The environmental impacts of organic farming have been carefully studied, producing extensive evidence of benefits.⁶

16. Most comparative studies show important differences in biodiversity levels between conventional and organically farmed land, with generally greater levels of both abundance and species diversity on organic farms. This is particularly true in lowland farming systems, where organic management supports a much higher level of biodiversity than conventional management, especially for those species in decline.⁷ Major benefits also seem likely in upland areas, where organic farming addresses problems of overgrazing, the loss of cropped areas, and damaging residues of wormers in faeces.

17. Agricultural pollution is lower in organic systems. They avoid the use of synthetic pesticides and fertilisers, and higher levels of soil organic matter reduce nutrient leaching and

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run-off. The contribution of organic production to water quality is reflected in the support for organic farming of several major UK water companies.

18. Organic standards require the maintenance and management of landscape features. A 1995 MAFF report concluded that “organic farmers adopt practices which benefit the landscape ... because they are technically necessary for successful organic production”. A 1999 Scottish Executive Ministerial statement said “organic farming requires the sort of crop rotation which avoids mono-culture, thereby creating a more diverse and interesting countryside. Organic standards also require the maintenance of landscape features such as hedges and ponds”.

19. Greenhouse gas emissions are lower in organic systems. Studies show CO2 emissions are 40% to 60% lower per hectare on organic farms, and methane, nitrous oxide and ammonia emission potential appears to be lower. Organically farmed land also has a high absorption potential of carbon dioxide through the build up of soil organic matter.

Consumer

20. According to Mintel, consumers are “far more positive than negative about organic foods, with a higher proportion citing the safety and better taste of organic produce than worrying about the non-uniform appearance of some fresh organic fare or believing it to be unsafe”. The 1999 Mintel survey found that over twenty times more consumers regarded organic food as being generally safer than took the contrary view.

21. Many chemical analyses of food products show that organic produce contains more vitamins, especially A and C, and trace elements. Organic production avoids the use of synthetic pesticides and reduces the risk of pesticide residues. According to the Consumers’ Association, organic meat is “likely to (have) lower levels of potentially harmful veterinary drug residues such as antibiotics”.

22. New forms of marketing developed by organic farmers have health benefits by supplying fresh fruit and vegetables direct to consumers at reasonable prices.

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8 Stolze, Piorr, Haring and Dabbert, Environmental and Resources Use Impacts of Organic Farming in Europe, a review of European national literature on the effects of organic farming on different aspects of the environment, 1999.
11 Stolze, Piorr, Haring and Dabbert, Environmental and Resources Use Impacts of Organic Farming in Europe, a review of European national literature on the effects of organic farming on different aspects of the environment, 1999.
23. Organic standards give high priority to animal welfare. Intensive housing and prophylactic use of veterinary medicines are not permitted and production systems are land-based, with outside access for animals required. The Food Ethics Council report on farm animal welfare concluded that organic systems are the ideal, and preferable to “hi-tech” approaches in their impact on animal welfare.\(^\text{16}\) Farm animal welfare group Compassion in World Farming state that “organic farming standards promote some of the highest levels of animal welfare”.\(^\text{17}\)

**Social**

24. The organic sector has had a pioneering role in strengthening local economies through local food processing, distribution and marketing – such as fruit and vegetable “box schemes”, farmers’ markets and farm shops.

25. Organic production benefits tourism through enhancing Scotland’s image as an unpolluted and healthy holiday destination.

26. There are also employment benefits of organic production: studies show that labour use is on average 10% to 30% higher on organic farms than on conventional farms.\(^\text{18}\)

**The need for targets and a long-term strategy**

27. The organic sector in Scotland faces serious problems of market failure: poor information, undeveloped business links and infrastructure, and lack of investment. Elsewhere in the UK and Europe, these problems are increasingly being addressed by targets and action plans.

28. Many EU member states have set targets for conversion, including Sweden, France, Denmark, the Netherlands, Ireland, Germany, Austria and Finland. Even where targets have not been met, they are seen as an important element of a long-term strategy.

29. Within the UK, the Welsh Assembly approved in 1999 an Organic Action Plan with a target of 10% of farmland by 2005.\(^\text{19}\) The Northern Ireland Executive has prepared a development strategy, and an Organic Action Plan for England was launched in July 2002.

30. European Agriculture Ministers (including UK Minister Elliot Morley) have committed themselves to the development of a European Action Plan - expected to be a major feature of the Danish EU Presidency later this year. The proposed target is 20% of European farmland to be organic by 2010, and an explicit objective is to reconcile regional differences in the EU.

31. For this Bill a minimum target of 20% of the land area of each land category was chosen as—

- achievable under current rates of growth;

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\(^{16}\) The Food Ethics Council - Farming animals for food: towards a moral menu, 2000.

\(^{17}\) Peter Stevenson CIWF, personal correspondence, April 2002.


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- manageable within Executive budgets already allocated for agri-environment measures; and
- in line with targets set by governments in competitor countries.

It will be open to the Executive to set higher percentage targets if they wish.

32. The application of the target to three distinct land categories was chosen to encourage balanced conversion of different types of agricultural land in Scotland. The split targets will focus the plan on sectors which are falling behind in terms of conversion and development in Scotland.

The conditions for growth

33. As of January 2002, 413,000 hectares of land in Scotland was in conversion or in full organic management – representing 7.1% of Scotland’s agricultural land area of 5.8m hectares. However, over 85% of land in conversion is rough grazing – showing a clear imbalance of farm types converting to organic.20

34. There are several serious impediments to development of the Scottish organic sector: the market and infrastructure is fragmented, with persistent problems of continuity, quality and volume of supply – leading to seasonal gluts and shortages. As a result, some products, such as summer vegetables and lamb, are sold as conventional, and retailers are reluctant to feature them in organic lines.

35. Supply chain infrastructure necessary for sector development – such as expert veterinary advice, certified feed merchandising, abattoirs, cutting and processing plants – is also lacking.21

36. The need for an action plan is widely recognised – including by several of the largest retailers. The Co-operative Group has stated, “An action plan is badly needed to boost confidence in the organic sector, to remove supply bottlenecks and to ensure the organic sector has long term financial support”.22

37. The House of Commons Select Committee Report stated “the Government has a role in analysing the organic supply chain for bottlenecks and imbalances and devising policy tools to help remedy these. There is merit in the Government setting out long-term projections of the money available for conversion and for assistance to address supply chain difficulties”.23

Funding

38. The direction of policy change in the Scottish Executive and in the Common Agricultural Policy is away from supporting production and towards social and environmental “goods”.

20 SPICE research (ref: 003012) based on figures supplied by SEERAD in answer to a member’s query, 2002.
39. The main source of financial assistance for organic production in Scotland is the Organic Aid Scheme (OAS), part of the Scottish Rural Development Plan. The OAS and the Rural Stewardship Scheme make up the current Agri-Environment programme in Scotland. Currently both are drawn from the same budget – though this may change following consultation currently underway.

40. Following review in 1998, OAS payment rates increased from October 1999. Actual spending increased from £194,000 in 1998/99 to £2.5m in 2001.\textsuperscript{24} In 2001, OAS payments formed 8.4\% of Scotland’s agri-environment budget (approximately £29.7m) and 0.57\% of the total agricultural subsidy paid to farmers (approximately £440.5m).\textsuperscript{25}

41. Until July 2002 the UK was one of only three EU Member States not to award continuing payments to organic farmers after the conversion period. UK producers have therefore found it hard to compete. In the words of the Co-operative Group, “organic conversion in the UK has been treated in a woefully inadequate way, without the government support and subsidies available to competing farmers in the rest of the EU”.\textsuperscript{26} However, with the launch of the English Organic Action Plan, organic farmers in England will be eligible for a five year on-going payment beyond conversion, although farmers elsewhere in the UK including Scotland will not have this advantage.

42. The proposed introduction of Land Management Contracts in Scotland offers a potential mechanism to reward farmers for on-going delivery of public goods. Such payments could safeguard farm incomes if, following an increase in supply of organic products, premiums decline. Greater efficiency, through increasing economies of scale, better infrastructure, and investing in research should also help maintain organic farm profitability.

43. The House of Commons Select Committee commented that “organic farmers receive a price, which may represent a premium over conventional products, but what they get is a price, not a guaranteed premium ... The farmers we met recognised this fact, and were seeking stability in contracts and pricing, rather than a guaranteed premium over conventional producers”.\textsuperscript{27}

**Implementation**

44. The Bill specifies a commencement date for the plan and targets as, one year after the date of Royal Assent. During this period, consultation with interested parties will take place in drawing up the plan.

**CONSULTATION**


\textsuperscript{24} Scottish Parliament PQ S1W21315.
\textsuperscript{25} SEERAD - Scottish Agriculture; Output, Input and Income Statistics 2001, 2002.
\textsuperscript{26} Co-operative Group, Green and Pleasant Land, 2001.
46. The paper asked such questions as:

- Should improvements be made to the way in which conversion to organic production is currently supported by the Executive?
- What other measures would need to be included in an action plan to get farmers to convert to organic production?
- Do you consider there to be problems associated with setting targets for conversion of land and food produced and marketed as organic? If so, what are they?
- Is 10 years a realistic timescale for the life of the action plan?
- How can the Scottish Executive be held to account over the implementation of the Bill and its action plan?

47. The consultation brought 20 responses. 13 were in favour of encouraging the production and consumption of organic food in Scotland, 5 held mixed views, and 2 were against. 8 consultees identified potential positive effects of implementing the Bill.

48. Some of the key issues arising from the consultation included:

- the need for more research on the benefits of organic foods;
- concern about the possible impact upon price premiums; and
- the effectiveness of targets to stimulate production and to bring about a “balance” to the sector.

49. More specific points included the observations that:

- the availability of advice and information was not entirely as stated in the consultation paper, given the existence of a programme of events and conferences to encourage training and participation of farmers;
- resources for advice, support, training and publicity in Scotland are inadequate and that provision should be improved (this was stated by several respondents, including those making the first point above);
- more resources should be made available to the Scottish Executive unit promoting organic farming, adequate to achieve the target of 20%;
- greater resources should not be spent on the organic sector if organic produce was consumed mainly by the wealthier classes;
- more and longer-term support should be given to businesses during the period following conversion;
- more scientific research should be undertaken into the benefits of organic foods and farming;
- research funding should be increased and should address real problems faced by organic farmers, rather than just comparative studies with conventional farms;
- targets for food production and marketing (cf. land area) may be problematic; and
• there is a case for an independent advisory/monitoring committee to evaluate progress towards the conversion targets, with the Scottish Executive publishing annual statistics on progress towards all aspects of the action plan.

50. On the question of research, this is factored into the Bill as an important and required element of the plan.

51. Losses of price premiums could be balanced by economies of scale, through greater efficiency, development of better marketing, and on-going stewardship payments (e.g. under the proposed Land Management Contracts).

52. The policy underpinning the Bill acknowledges that targets alone are not the answer but are an important part of a long-term strategy to boost production. The plan is a crucial part of such a strategy.

53. In response to the consultation, targets for food production and marketing were removed from the draft Bill, as being beyond the reasonable influence of the Scottish Executive.

EFFECTS ON EQUAL OPPORTUNITIES, HUMAN RIGHTS, ISLAND COMMUNITIES, LOCAL GOVERNMENT, SUSTAINABLE DEVELOPMENT, ETC.

Equal opportunities and human rights

54. It is not anticipated that the Bill will have any effects on equal opportunities or human rights.

Island communities

55. The plan arising from the Bill will consider a range of topics potentially beneficial to island communities, such as the development of local food distribution and marketing, and supply chain development.

Local government

56. Local authorities are important participants in the development of the proposed plan, with particular reference to initiatives to develop local marketing. However it is not foreseen that they would be directly impacted by the Bill.

Sustainable development

57. Organic targets and plans would be a key policy measure for the realisation of the Executive’s commitment to sustainable development agreed in the Partnership for Scotland agreement.
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