



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Wednesday 19 September 2012

Session 4

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.scottish.parliament.uk or by contacting Public Information on 0131 348 5000

Wednesday 19 September 2012

CONTENTS

	Col.
INTERESTS	1075
SCOTLAND RURAL DEVELOPMENT PROGRAMME	1076
PETITION	1104
Inshore Fisheries (Management) (PE1386).....	1104

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
19th Meeting 2012, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Graeme Dey (Angus South) (SNP)

*Alex Fergusson (Galloway and West Dumfries) (Con)

*Jim Hume (South Scotland) (LD)

*Richard Lyle (Central Scotland) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Margaret McDougall (West Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Barnes (Scottish Government)

Richard Lochhead (Cabinet Secretary for Rural Affairs and the Environment)

Jonathan Pryce (Scottish Government)

Drew Sloan (Scottish Government)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

Committee Room 4

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Wednesday 19 September 2012

[The Convener opened the meeting at 10:00]

Interests

The Convener (Rob Gibson): Good morning and welcome to the 19th meeting this year of the Rural Affairs, Climate Change and Environment Committee. Members and the public should turn off mobile phones and BlackBerrys as leaving them in flight mode or on silent will affect the broadcasting system.

Under agenda item 1, I invite Angus MacDonald to declare any relevant interests.

Angus MacDonald (Falkirk East) (SNP): I have no registrable interests to declare, but I should mention that I have a background in farming, livestock auctioneering and wholesale and retail butchering, through family businesses in the Western Isles. I hope that I can bring some of that knowledge to the committee.

The Convener: Thank you. We welcome you to the committee.

I am sad to say that we have lost Dennis Robertson. We thank him for his work and we thank Mr Q for keeping us organised and entertained. We wish them well in their new roles.

Scotland Rural Development Programme

10:01

The Convener: Under agenda item 2, we will hear from the Cabinet Secretary for Rural Affairs and the Environment about the Scotland rural development programme. For the benefit of the staff of the *Official Report* and those in the public gallery, the Scotland rural development programme will be referred to at this and future meetings by the acronym, SRDP.

As we have the cabinet secretary here, we will also take the opportunity to ask a few questions on the common agricultural policy—hereafter known as the CAP.

I welcome Richard Lochhead, the cabinet secretary, and invite him to introduce his officials.

The Cabinet Secretary for Rural Affairs and the Environment (Richard Lochhead): Good morning. It is good to be back before the committee—this is my first time here since the summer recess. I welcome Angus MacDonald, who has joined your committee.

This is a welcome opportunity to discuss the Scotland rural development programme with the committee and to answer any questions on the current CAP negotiations—I am sure that there are many.

On my far left, we have Drew Sloan, the chief agricultural officer. On my immediate left is David Barnes, the deputy director of the rural directorate and a key figure in the CAP negotiations and in the work on the SRDP. On my right is Jonathan Pryce, the director of the rural directorate. They will hopefully be helping me out with any particularly tough questions that you might ask.

The Convener: Thank you, cabinet secretary.

Do you believe that the decrease in funding will have any impact on the outcomes that are expected from the SRDP?

Richard Lochhead: That is an important question—it is quite a general question, as well.

As I have explained before to the committee, the budget for the SRDP has fluctuated since 2007. There was also a delay in kicking off the SRDP because there was a year's delay in getting the go-ahead from Europe for our rural development programme, which was an issue that impacted many countries. We opened for applications around 2008, but the money did not start going out the door until some point after that. We have had to manage all those budget issues over the past few years.

On top of that we have had the spending review and the Westminster cuts to the Scottish budget, which have impacted on all portfolios, including mine. There have been fluctuations in exchange rates, which also influence the budgets that are available in the SRDP. However, I am confident that we have generally met demand across the SRDP over the past few years.

One issue that has commanded the attention of non-governmental organisations, this committee and the media is that of agri-environment schemes. We have kept a close eye on that budget to ensure that it is generally in line with demand. The most recent application round for agri-environment schemes caused concern because people were interpreting the difference in the budget for this year compared with last year as a massive cut, but it was actually calculated on the basis of what we expected the demand to be.

Although applications in the most recent round are still being analysed and we will not have a final figure until every application has a result, I asked officials to estimate the number of successful applications. They said that we are talking about a success rate of 70 to 75 per cent—give or take—which is in line with previous years. My prediction that there would be enough in the pot to meet general demand from agri-environment schemes was therefore relatively close to the mark, in that the success rate for such schemes has been 70 to 80 per cent and the most recent round should be roughly in line with that. It is not fair to say that any cut in the budget has had a massive impact on the number of schemes that will get the go-ahead.

The Convener: We will probe that in more detail.

Once a year, the Scottish Government has the opportunity to apply to vary the co-financing rate for many of the schemes. What has been your approach during the past year?

Richard Lochhead: I will ask colleagues to talk about the co-financing figures, but I will first return to my theme of the challenges.

I am not underestimating how massive the challenge has been of managing the SRDP budget during the past few years. The budget has been heavily influenced by the co-financing rate. In the earlier years of the SRDP, more domestic funding was available, so there was a case for drawing down fewer euros through co-financing, because we were looking across five or seven years of the programme. However, during the past year or two we have increased the co-financing rate, to ensure that we use as much as possible of the European contribution to the SRDP, and because, given the financial situation with the Scottish budget, less of the domestic element has been available.

The trend during the past few years has therefore been to increase the co-financing rate, to maximise the European contribution. By the time the programme draws to a close, we want to have drawn down the European element of the funding and made the most of that opportunity, notwithstanding that that might impact on future allocations of SRDP funding to Scotland.

Jonathan Pryce might talk about the co-financing rate.

Jonathan Pryce (Scottish Government): We increased the co-financing rate in December last year. On average, we moved it from roughly 50 per cent European funding to 63 per cent. That is the average figure, which is made up of some payments that are co-financed at 55 per cent and some that are co-financed at 100 per cent.

The Convener: I presume that that makes it possible for more people to apply for the areas for which the money is drawn down.

Richard Lochhead: To be frank, it has helped us to cope with a difficult budget position in Scotland, in that we can make each Scottish pound—if I can use the phrase—go further in getting match funding from Europe.

Annabelle Ewing (Mid Scotland and Fife) (SNP): Will you tell the committee—if you have the information—where we stand compared with other member states in relation to SRDP funding at the European end? Do we receive a reasonable amount, or do we get a much higher or lower level, on average?

Richard Lochhead: The level of pillar 2, as rural development funding—as opposed to the direct payments that go to farmers—is called under the CAP negotiations, and which is clearly where the SRDP gets the majority of its funding, has been a long-running sore. We get the lowest level in the United Kingdom and the lowest level in Europe. Not only does the UK get the lowest funding of the 27 member states, but within the UK we get the lowest level of funding. We are at the bottom of the bottom of the league.

That has happened for historical reasons. Previous UK Governments did not give priority to rural funding, so the starting point was low. As you can imagine, however, it is a key point for the negotiations about the new CAP. We are arguing that objective criteria should be used for the future pillar 2 allocations, not just historic ones, because that would advantage Scotland. If objective criteria were used for the new CAP, we would gain pillar 2 funding over and above what we get just now. It is difficult to say exactly how much we would gain, but objective criteria would clearly put Scotland in a much better place.

That is a big priority. I think that you will find that all the stakeholders—whether rural organisations, agricultural organisations or environmental NGOs—are at one with the Scottish Government and, indeed, the Scottish Parliament and the committee in arguing for better pillar 2 allocations through the new CAP.

Graeme Dey (Angus South) (SNP): Will someone enlighten me as to what the maximum percentage input from the European Union is? We are at 63 per cent now; is that as high as it can go? What is the overall size of the SRDP at the moment?

Richard Lochhead: I think that I am right in saying that the co-financing rate varies depending on the scheme. In some schemes we are allowed to give only up to X per cent, and in others we are allowed to give up to 100 per cent—that is, the scheme is fully European funded and no domestic contribution is needed.

Jonathan Pryce: That is correct. We are pretty close to the maximum funding that we could extract from Europe.

Richard Lochhead: Will you elaborate on what you want to know about the size of the SRDP, Graeme?

Graeme Dey: It was estimated at £1.2 billion. Is that accurate?

Richard Lochhead: Yes, roughly £1.2 billion is what we expect to be the final figure for the expenditure over the course of the SRDP. No doubt the figure would have been higher had we managed to get the programme off the ground more quickly. As I said before, there was in effect a two-year delay at the beginning. We lost a year because of Europe's bureaucratic machine taking ages to give the go-ahead to various member states' programmes. Then, by the time we opened applications and started paying out the money, further time had been lost.

Unfortunately, we may face a similar situation with the new SRDP. We will try to avoid that as much as possible, but it is largely out of our hands.

Margaret McDougall (West Scotland) (Lab): You have partly answered my question. According to the committee papers, the likely funding is £1.2 billion, which is £400 million less than originally planned. Are you saying that that is totally because of the lateness of getting the programme going in the financial year, or was the money lost because of the co-financing?

Richard Lochhead: No, I am not saying that it is totally because of that. I do not want to give that impression. It is certainly a big reason, but it is not the only one.

Various figures were bandied about in the early years of the SRDP. I inherited the programme, and the committee will remember the story, which is that we came into government in May 2007 and the SRDP had to be with Europe by June 2007. We had time to make only one amendment to it, which was to add the new entrants scheme, because we felt that that was a priority.

At that point, the figure that was being bandied about for the SRDP—which we took on in good faith—was that the funding could deliver up to £1.6 billion for Scotland. Clearly, that will not be the case for a number of reasons.

One reason is the loss of time at the beginning—we basically lost one or two years' budgets. Secondly, we have had budget cuts over the course of the programme. As you know, Westminster has cut capital expenditure by 30 per cent from the level in the previous session of the Parliament, and that has had an impact on the SRDP, as it has had across the Government. The third reason is the exchange rate. I suspect that, early on, the figures were calculated on the best possible exchange rate but, of course, the rate has fluctuated over the past few years.

I put my hands up and say that it is difficult to pinpoint which factor accounts for how much of the gap between the early and current estimates. However, a combination of those factors has led to where we are today.

Margaret McDougall: Were there fluctuations and losses to the budget in Scotland in previous years because of the issues that you mentioned or is that a new thing?

10:15

Richard Lochhead: Yes, there were, but I could also mention another range of factors.

As you will recall, the recession hit the world, Scotland, the UK and Europe in 2008-09. All that we can do through the SRDP—particularly in the rural priorities funding, which fluctuates the most—is make offers, and we often found that, after we received applications from businesses that wanted to expand and we made offers, the companies did not take them up. We therefore ended up with underspends, because we could not recommit money to other people once we had made a pledge to a particular business.

We found that the business would go to the bank and the bank would not lend it money because of all the changes that had happened as a result of the economic situation or how the situation had impacted on that particular business. As a result, a lot of businesses that got awards from the SRDP did not take them up, which gave us a massive headache in managing the budgets.

We give businesses as much time as we can, but if we offer a company £1 million for an expansion project and it does not take that offer up, we are left with an underspend under that budget heading.

We have tried to manage that problem as much as possible by overcommitting. We have used the experience of earlier years in addressing the latter years, and we now overcommit as we expect that some companies will not accept their awards. We are constantly trying to balance that, and it is another factor in the budget.

The bottom line is that we are talking about between £1.1 billion and £1.2 billion going out the door to rural Scotland, which has made a massive difference to a lot of businesses. We are talking about hundreds of millions of pounds being pumped in to expansion projects that involve a lot of businesses.

Margaret McDougall: You mentioned that some of the projects are worth around £1 million. Would it not be better to consider more smaller projects?

Richard Lochhead: Yes—that is a good point, and we have done that. We changed the SRDP a couple of years ago to give more businesses a bite of the cherry, and we put a cap on the grants for certain schemes, which has helped greatly in ensuring that more companies have benefited from the funding. This committee has expressed views on that issue in the past, and we have taken those views on board, along with the views of stakeholders.

The SRDP is a massive scheme and we have learned a lot of lessons that I hope we can take into the future, but capping was a major issue when we introduced it.

Alex Fergusson (Galloway and West Dumfries) (Con): I want to continue that discussion a little, because the cabinet secretary has mentioned an important issue. As I am sure he is aware, one of the difficulties with the current SRDP seems to be that many small farmers and small rural businesses have had real difficulty in accessing it.

One issue that is often raised with me by people who have not managed to get the necessary number of points to access the competitive parts of the scheme relates to the exact instance that the cabinet secretary has mentioned, in which a large business has been allocated a very large award but has not taken it up. In theory at least, that resource is available.

If you suddenly find that you have £1 million available that you had previously allocated, what difficulties exist in revisiting some of the businesses and reassessing them on criteria that

might previously have just prevented an application from being successful, with a view to reallocating that money?

Richard Lochhead: I have wrestled with that issue a lot, and on a number of occasions I have personally intervened to reduce a number of the larger grants in order to bring more of the lower-scoring businesses into the pool of successful applications. That has benefited a range of businesses throughout Scotland.

I receive recommendations and, while I cannot investigate every single one, I have looked at the bigger grants and the applications that have just missed out under the scoring system. In the majority of rounds in the past few years, I have personally intervened to redistribute some of the larger grants or asked for them to be reappraised by Scottish Enterprise and other agencies when I have felt that they are not justified, in order that we could make the cash go further to help other businesses.

In representations that the committee has received—in connection with this evidence session and previously—NFU Scotland, among others, has said that it wants the SRDP to continue to support transformational projects. The SRDP's original aim was to tick a number of boxes, but one of the objectives that many people signed up to was that schemes should be transformational. If we want to transform businesses or sectors, clearly those are the areas in which a lot of the large grants applications are made.

If there are tens of thousands of small grants, they may be transformational once they are all lumped together, but most of the thinking was to have individual transformational projects, which are, by their nature, expensive. For example, 40 per cent of an £8 million project amounts to several millions pounds. The reason why there were big grants in the first place was to be transformational, and the SRDP's original objective—which was agreed before I inherited it—was to be transformational. We are always riding the two horses of supporting smaller businesses and transformational projects at the same time.

Alex Fergusson: I understand and I am grateful for that explanation, but surely it is just as transformational for a small business, such as a small farmer, to put in a new cattle-handling facility—that may be so transformational that it saves his life—as it is for a huge industrial farmer to build a brand new dairy complex. What I am asking is: who determines the definition of transformational?

Richard Lochhead: We have the regional assessment committees, and Dumfries and

Galloway has its own committee that looks at the applications from that area. Many large grants have gone to Dumfries and Galloway, particularly to the dairy businesses to which you referred. That is because the local regional project assessment committee—RPAC—looks at regional needs and, as the dairy sector is extremely important to south-west Scotland, it has said that it wants to be transformational about the future of that sector. It has therefore made recommendations to me that substantial grants should go to X business because it will be transformational. The definition comes from local advice and expertise in the area.

Alex Fergusson: Yes, but that same RPAC tells me that its hands are largely tied in how it goes about distributing the money available.

The Convener: This discussion is perhaps jumping on to another part of the debate.

Alex Fergusson: Please accept my apologies, convener.

The Convener: Not at all. We will certainly consider further that issue, and the remarks that you have made are valuable in that regard, but I think that we should stick with the demand for the SRDP funding.

Claudia Beamish (South Scotland) (Lab): My question has largely been answered, convener.

The Convener: Okay—that is good. I call Jim Hume.

Jim Hume (South Scotland) (LD): Good morning, cabinet secretary.

Our briefing clearly states, and you have agreed, that we have seen the SRDP budget reduce from £1.6 billion to £1.2 billion, which I suppose is a reduction of around 40 per cent. Previously, and today, you have stated that you have tailored the budget to meet the demand. That may or may not be the case, but I know that RSPB Scotland was critical of last year's budget, stating that demand has been "manipulated".

One of the most popular criteria was hedging and that has been taken out. That means that there is not enough for applicants to apply for under the criteria that are left, so they are not applying. What is your reaction to that? It is a point that I have brought up with you before at the committee.

Richard Lochhead: That is an important point, and I am sure that we can debate the definition of demand until the cows come home, if you will forgive the pun.

This is how the budget works. One year's budget not only covers the applications for that year but covers the demand from previous years' awards. We therefore explain to the environmental NGOs, in the clearest terms possible, that the agri-

environment budgets are set by previous years' awards. For instance, the 2011-12 budget, which can be compared with the 2012-13 budget, took into account schemes that were finishing in that year but that had been funded through previous year's awards. Does that make sense?

Jim Hume: Yes.

Richard Lochhead: We are coping not only with demand for the future but with demand from the past, and that leads to fluctuations because that will always change. We explain that it is not a cut in terms of spending X this year on agri-environment on new schemes compared with Y last year. If some schemes are coming to an end, they disappear off the budgets, and therefore the budget is set for demand at that point in time.

I know that that sounds convoluted, and I am not saying that we are not facing financial constraints because, ultimately, it could be argued that as applications have a success rate of only 70 or 75 per cent, there is unmet demand. We could approve 100 per cent of applications but, as the schemes are competitive, that will not always be possible. That is the situation that we are managing.

We are trying to give comfort to the environmental organisations—the RSPB and others—that the success rate of applications is roughly in line with that of previous years. We expect the most recent agri-environment round to have success rates similar to those of recent years. We do not expect a massive fluctuation. I hope that that shows that we are meeting demand.

Jim Hume: We could indeed argue about that until the cows come home. It could be argued that there will be an ever-decreasing circle of demand if we always look back rather than forward. You said that there was a 70 to 80 per cent success rate in applications. I have heard anecdotally that a lot of people are put off because they cannot see what criteria would fit their businesses. There is also the traffic-light system of red, amber and green, and many applications are given a red at an early stage. Are early-stage applications included in the percentages, or do you include only the applications that go through one or two stages to get the green light? In addition, do you include those who are put off altogether because of cost, time and lack of suitable criteria for their businesses?

Richard Lochhead: I will stand to be corrected by colleagues, but as far as I am aware the statistics relate to actual applications. The traffic-light system exists to help people so that they can go away and adjust their application before they formally submit it. I think that that has been helpful for a lot of businesses. If a business gets a red, that is fair enough, because at least it is being told

that there is no point in going through the application process because it ain't going anywhere. The statistics refer to formal applications, not expressions of interest.

Jim Hume: Do you have any statistics about those who do not go ahead?

Richard Lochhead: No, but I am happy to see whether they are available.

Jim Hume: It would be useful.

Richard Lochhead: We are talking about an advisory service that is there to be helpful. I understand your point that we could use those statistics as a gauge of how many people do not proceed to the application stage, but the service is there to be helpful.

Jim Hume: It could be argued that an application begins at the early traffic-light stage. If someone gets a red, they will either go back to the drawing board or just forget the whole thing, bearing in mind that they have probably spent quite a lot on help and aid to get to that stage.

Richard Lochhead: We face the challenge of having to establish criteria for people who qualify for grant schemes. It is public money that is available to deliver an outcome for Scotland. I would hope that the committee accepts that, if a business or individual comes forward with an application that does not meet the criteria, they should not be given a grant from the public purse. The money is available for a purpose and, if we start counting applications that do not meet the criteria and are not in the public interest as unmet demand, it would not be reasonable, because the purpose of the scheme is to tell whether an application meets the criteria. I do not think that the number of those who do not meet the criteria counts as genuine unmet demand, because they do not qualify.

Jim Hume: It would be useful for us to know that information because it would show what interest there is in engaging with the process.

Richard Lochhead: I will have to check, but if there are statistics on that I will happily send them to the committee.

Jim Hume: Have you looked at the criteria for the new SRDP? Will they be broadly similar to the current criteria or different?

The Convener: I think that we are straying from the topic.

Richard Lochhead: I am happy to return to that at the convener's guidance.

Jim Hume: It will be covered later, so thank you.

Claudia Beamish: On the SRDP, I want to ask about the important issue of Government bodies and others that are raising awareness of issues such as diffuse pollution. I wonder how much account is taken of demand management in that context. When I was in Eyemouth in the summer, I learned that farmers are being encouraged to look at how they might deal with the problems of diffuse pollution. Are you taking account of their being able in future to apply for SRDP funding in that respect?

10:30

Richard Lochhead: Yes. In fact, we work closely not only with the industry but with the Scottish Environment Protection Agency on those issues. You might have noticed that in recent years the SRDP has funded a significant number of slurry stores. That funding was designed to meet the specific policy objective of improving Scotland's water quality and tackling diffuse pollution. As you know, various regulations have come into play in Scotland through, for example, the water framework directive. In some cases, they have been controversial in how they have been implemented, but they are there for a good reason: to improve our water quality. In response to your question, we try to guide budgets towards outcomes with regard to environmental quality and water quality in particular.

The Convener: On the targeting of programmes, and picking up on points that have already been highlighted, I note that rural priorities and environmental schemes are competitive. As a result, small farmers might not be able to take advantage of environmental schemes in particular simply because they are not big enough to score sufficient points; conversely, large farmers are able to take advantage of more such schemes. As has been suggested, that might have an effect on transformational matters; nevertheless, we have a large number of small farmers, crofters and so on and I wonder whether the rejigging of the SRDP will be based in part on the experience of smaller farmers and crofters in trying to access funding over the past four years.

Richard Lochhead: I am very keen to reflect on small farmers' experience. I am sure that some have the perception that this is still the case—even though we made changes to address it—but one thing that I want to fix is the requirement for people to jump through the same hoops for a £5,000 grant as for a £500,000 grant. As I have said, we changed the SRDP to fix that, but certain issues remain and I am very keen for the new programme to address them.

That said, I am encouraged by many of the schemes that have been funded for small farms and crofters. On a visit to Lewis about a year and

a half ago, I met a group of crofters who submitted a joint application to the SRDP for a joint environment scheme involving all their crofts, which of course were neighbouring. We should encourage such good examples of how crofters and small farms are benefiting from the SRDP.

One very difficult question on which I am keen to hear the committee's views is how we divvy up the SRDP cake so that it is transformational. For example, should we encourage lots of farmers to work together? After all, a scheme involving 10 or 12 crofters will be more transformational than a scheme in the same area involving only one, and funding a collective scheme will have much more impact than simply allocating small amounts of cash to small farms or crofts around the country. I am certainly keen to have that debate.

The Convener: As is the committee. If we want to get farmers to co-operate with one another, that would certainly be a useful development.

My final question on SRDP funding is whether the programmes are well enough targeted to meet their objectives. I realise that that is more of a philosophical query, but I suppose that you should have gathered some evidence on the matter over the past four years.

Richard Lochhead: Unlike some of my UK counterparts, I have been in this job for several years. At least one benefit of that is that I am able to reflect on the experience of doing the job over time—indeed, I have been doing it since the beginning of the SRDP. To be perfectly frank, I think that we need to make some significant and substantial changes to the rural development programme. Of course, we can all point to some fantastic success stories across the country. I visit farming and food businesses, environmental projects and so on as often as I can and, time and time again, I hear how the rural development programme has transformed businesses and projects.

However, although that is all really good news, sometimes we need to stand back, examine the big picture across Scotland and look at the objectives, the Government's policies and what Parliament as well as the general public want to happen for the country. There are major lessons to be learned. For a start, the next SRDP will have to be a lot more focused on far fewer objectives. The all-things-to-all-people approach has been problematic and challenging to deliver, and giving a future rural development programme more of a focus and finding simpler ways of delivering the necessary support to businesses and communities will create massive opportunities for the rural economy and will benefit all businesses and the environment.

That is a general answer but it indicates that I am up for carrying out radical surgery on the SRDP of the future. I know that stakeholders might hold alternative views; some might want change but some still want the programme to be all things to all people. We need to have that debate with our stakeholders and discuss how we might deliver the two sometimes competing objectives of ensuring simplicity while having an all-singing, all-dancing SRDP. They do not go together and we might have to sacrifice one to achieve the other. Actually, we have started that debate with stakeholders and I would very much welcome the committee's views on the matter over the coming months.

The Convener: We will certainly major on that issue in due course.

We move on to the issue of regional project assessment committees. Graeme Dey will begin the questioning.

Graeme Dey: What is the current pass score for applications as set by the national project assessment committee and how does it compare with previous years?

I understand that the number of RPAC meetings per year has been reduced over the period. What are the plans in that respect for 2013?

Richard Lochhead: You have raised two issues. First, I should point out that as we are in the final stages of the SRDP, there will not be many more rounds of funding, and any rounds that take place will be very limited—they will be for very particular schemes. It is very important to continue the less favoured area support scheme element of the SRDP; I also want to continue support for new entrants and find ways of continuing woodland grants in order to achieve our forestry targets. There might well be some other areas that we want to continue but, other than that, we simply need to accept that we are in the final stage of the budgets and the programme itself.

The scoring criteria will change according to the number of applications received; after all, you use the criteria to prioritise better applications. If, for example, you receive 500 applications, you will have a higher threshold than you would have had if you had received 50—depending, of course, on the available budget. I ask colleagues to tell the committee where we are with the scoring criteria.

Jonathan Pryce: I have the table for the criteria, which, as the committee will see, vary across the different axes. In the latest business development round, for example, the cut-off was 16 or 17, with some projects falling into the buffer gap. In 2010, the cut-off was 16; it was the same in September 2011, although there was a buffer.

The scores have gone up a little, but not radically, over the past couple of years.

In agri-environment schemes, the scores have been pretty static. In 2010-11, the scores for forestry were very static, although they rose a bit in relation to supporting rural enterprise and supporting rural communities. As the cabinet secretary has made clear, however, it all depends on the number of applications and the amount of money available. I also point out that the actual and forecast spend for last year, this year and next year is as high as it has ever been under the current SRDP.

The Convener: How is the demand for the non-competitive parts of the SRDP managed?

Richard Lochhead: The land managers options part of the SRDP is something that stakeholders demanded be part of the SRDP. However, it has not been as successful as we would have liked, so that will probably be one area for surgery when the new SRDP is drafted. There has been a lack of demand for the LMOs. It is an area of the SRDP where we tried to make sure that there was something available for everyone, but we did not quite get it right. Perhaps David Barnes can say a wee bit more about the LMOs and the non-competitive parts of the programme.

David Barnes (Scottish Government): If the demand for LMOs is such that the allocation for them is not used up, that money is not lost but automatically becomes available for the rest of the programme. In effect, that means that the rural priorities element becomes the adjustment variable.

The Convener: Graeme Dey also asked whether any meetings are planned in 2013 for the regional project assessment committees.

Richard Lochhead: The number of such meetings will depend on whether funding becomes available for further rounds of what the committees deal with. Do we have dates for the meetings that are scheduled at the moment?

Jonathan Pryce: There will be dates in the diary.

The Convener: Can you please say that again? Your microphone was not on.

Drew Sloan (Scottish Government): I can answer that. The dates for the following year are usually announced only in October or November. Even if meetings were to be held, they would not have been announced by this point in previous years.

The Convener: Okay. Let us move on to the gap between SRDPs. Margaret McDougall will lead on that.

Margaret McDougall: It is believed that the process may take longer than planned and that the new CAP may not be ready at the start of 2014. Although the direct support regulation could be extended to continue funding the single farm payment scheme, the SRDP has an end date of December 2013, which means that just rolling over the current scheme would be more difficult. Does the Scottish Government have a contingency plan for SRDP schemes should agreement on the new CAP be delayed?

Richard Lochhead: That is a very good question. A lot of people are asking similar questions at the moment, and we are asking the question of the European Commission over and over again. It is very frustrating, as it is difficult to get clarity from the Commission on what assistance and arrangements will be put in place for the gap year. Commissioner Ciolos is in Edinburgh tomorrow for a day's visit and I will have a meeting with him. One of the issues that I will raise with him is the fact that we need much more clarity and help from the Commission on the matter. The issue of what arrangements are being put in place for the gap year is not one just for Scotland, but is being raised with the European Commission by all member states.

I am confident that we will find a way for less favoured area support scheme payments to continue. They are a lifeline for many farming businesses in Scotland. We will have to see where domestic funding can come in to plug some of the gaps—that is a big budget question for us that we are working on at the moment. The availability of domestic funding will help me to answer your question in the coming months. If I can identify some domestic funding, I can use that to keep certain schemes open even if the European funding is not available.

The LFAS scheme is the crucial issue, and we are seeking confirmation from the European Commission that we can continue the existing LFAS scheme for a further year. I do not envisage any major obstacles to that, but until I see it in black and white from the Commission I must continue to pursue whether it is legally possible to issue LFAS payments in the gap year of 2014. That is our priority.

I have said that I want to continue the forestry grants and the food-processing grants and to ensure that new entrants still have some assistance available to them in the gap year. There may be ways to help the LEADER programme as well.

Those are the things that I would like to keep going in the gap year, but I appreciate that it will be quite an anxious time until we get some assurances and certainty on them.

10:45

Margaret McDougall: You touched on new entrants, who are among the casualties when there is this rolling on—they will lose the opportunity to enter farming. Are you doing anything specifically to get new entrants in? It is a five-year programme, and people who are starting up often have just a five-year tenancy. What are you doing to assist with the difficulties for new entrants?

Richard Lochhead: We had our new entrants summit last week, which was very successful, and we have set up an advisory panel for new entrants in Scotland to help us not only with the CAP negotiations, but with wider issues around adjustments that require to be made to the SRDP or to do with domestic funding for other schemes. I am paying close attention to that work, and we may bring forward some initiatives in the next few months.

For the remainder of the current SRDP, as I have said, one of my priorities is to keep open the new entrants scheme. Even if there are only three or four elements, that is one that we want to continue with for the remainder of the current SRDP—I am not talking about just the gap year. I want to ensure that new entrants still have some support available to them. I also want to prioritise finding ways in which we can support new entrants during the gap year when funding for the SRDP is not available from Europe.

Alex Fergusson: I am delighted to hear that you are going to meet the commissioner tomorrow and that you will put to him the case for continuing LFASS payments. Five-year agri-environment contracts have been agreed that will require to be funded over the gap year, should there be one—there may be a gap of more than a year, who knows? However, although I am delighted that you are to meet the commissioner, what steps is the Government taking to plead the case in Brussels? We do not always have to wait for the commissioner to come here. Can you detail what representations the Government is making in Brussels, in the EU, on the LFASS payments?

Richard Lochhead: I assure you that we are putting a huge amount of effort into that. I have raised the issue many times with the Commission over the past year. As I said, other member states are raising it, too—we are not alone in doing so. I continue to raise the matter with the UK Government to get its support, as I have done at various times. It is an issue of concern to the UK Government, as well. I will raise the matter tomorrow with the commissioner; I raised it with him when we met in Wales in late July or early August; and I have raised it on many other occasions. Please rest assured that it is an absolute priority for us. Along with the proposed

changes to the CAP that are on the table, we have raised the matter with the various working groups that officials are on, where it is being discussed at the moment. We are trying to get in place a bridging mechanism for that gap year.

It all boils down to the fact that, despite the assurances that we have received from the Commission, we do not expect the CAP to be ready to implement in Scotland until 2015. We must be clear about that. Like many other member states, we are not in a position to implement the CAP in 2014, so we must prepare now for that gap year.

Jim Hume: I have a question on the same point. You have mentioned two or three things that you would like to see continued in the gap year—or gap years—such as LFASS payments, which are essential, and support for new entrants and forestry. Is there anything to prevent the Scottish Government, as a regional Government, from going directly to the European Union for a far fuller agri-environment scheme, as there is at the moment, to enable businesses to continue their good work in the gap year or years?

Richard Lochhead: First, we are also considering agri-environment schemes in terms of bridging funding. I am not in a position to say where that will end up in relation to the size of the budget, but we recognise that, rather than some schemes coming to an abrupt end, they should continue through the gap year. That is one of my priorities. I should, perhaps, have mentioned that when we were talking about priorities such as new entrants. There are four or five issues that we are considering, and the issue of agri-environment schemes is one of them.

We are making the argument to Europe that it should be putting in place a bridging mechanism so that we can continue agri-environment schemes and other schemes with European funding. The biggest constraint that the Government has is that of budgets. Obviously, if we have to pull in domestic funding to plug a gap, by definition that puts an extra burden on our domestic budgets. That is a big challenge, and will limit the extent to which we can plug the gaps during that year. We will not be able to plug them for all the schemes. We have to prioritise, and I have tried to give an indication of where our thinking is going at the moment.

Jim Hume: But surely keeping the European budget going by putting a full plan to Europe for bridging funding in the gap year or years would attract European funding and would not put any strain on the UK budget or the Scottish budget.

Richard Lochhead: We are doing that, but Margaret McDougall's question was to do with whether there is a contingency plan. I am trying to

explain that we have a contingency plan for what we will do in Scotland if there is no help from Europe. Our first priority is to get Europe to continue the funding streams for an extra year. However, I was asked about a contingency plan and I replied that we have one. Our contingency plan is to find domestic resources to keep at least some of our priority schemes going to some extent through the gap year. Rest assured that, like other member states, our first priority is to persuade the Commission that there has to be an arrangement in place for that gap year. The Commission is arguing that it will meet its current timetable for the new CAP, but 27 member states are saying, "No, you won't." We are trying to persuade Europe to fill the gap during that year.

Annabelle Ewing: It is interesting to hear some of the unionist members of the committee seeking a greater direct role for Scotland in Brussels.

Alex Fergusson: No.

Annabelle Ewing: I see that some are recanting already.

I think that it is brilliant if members are seeking that role for Scotland, but it has to be remembered that, at the moment, it is the UK that has the seat at the top table. Can we get clarity about what the UK Government is doing to seek continuation of funding for the whole of the UK? Of course, given what it has managed to negotiate in the past—as we have heard, with regard to the SRDP, we have the lowest funding in the UK and the EU—we should not set too much store by the UK's ability to negotiate for us on this key issue.

Richard Lochhead: I raised that issue with the previous Department for Environment, Food and Rural Affairs team, who are now all gone. I will meet the new team for the first time soon. We are trying to finalise details at the moment, but that meeting should take place on Monday at the environment council meeting in Brussels. Clearly, I hope to have that team's support on the issue that we are discussing.

The indication from the previous team was that the issue is as much one for England and Wales as it is for Scotland. However, my concern is that the UK Government's approach so far has been to save funds and cut budgets at every opportunity, so I suspect that the issue is more of a priority for the Scottish Government than for the UK Government. The UK Government might want to take advantage of any excuse to save funds and cut budgets, even for a year. I will be trying to persuade it to do otherwise and saying that we have to get the maximum support from Europe for the SRDP through the gap year.

I will be in a much better position to tell the committee the DEFRA team's view after that meeting next week.

Annabelle Ewing: Obviously, it would be better if we could just take control of the situation ourselves and ensure that our priorities were at the very top of the agenda. That would mean that we would not accept any cut in funding, although that might well not be the way in which the UK Government is going on this issue. Similar issues might arise in relation to the CAP later this morning.

The Convener: Indeed.

Alex Fergusson: I do not want to prolong this discussion and we have to accept the political differences between our various parties, but I am not having words put into my mouth, which has just been done. I asked the cabinet secretary about the representations that he, as part of the Scottish Government, is making to Europe. I do not think that that is out of the way in any shape or form. The Scottish Government is absolutely right to make representations to Europe, and I asked what representations had been made.

The Convener: You have made your point.

Alex Fergusson: Thank you.

The Convener: We are still talking about reviewing and monitoring the SRDP. We have a few more questions on that, if your vast array of officials can dig into the details for us, cabinet secretary.

Richard Lyle (Central Scotland) (SNP): Good morning, cabinet secretary. The committee wrote to the Scottish Government to ask for information on the work that has been undertaken to review the operation of the SRDP 2007 to 2013. The response received by the committee laid out four projects: the first stage review of the SRDP; the mid-term evaluation of the SRDP; the implementation review that was carried out by RSPB Scotland; and the project for measuring the natural heritage outcomes. How have the recommendations of the review projects been taken into account in the design of the new SRDP? Are there further details on the project to measure the natural heritage outcomes?

Richard Lochhead: There is a monitoring committee for the SRDP, which meets regularly throughout the SRDP period. The regulation requires us to hold mid-term reviews of the programme. The question about the four projects is quite detailed and I am happy to write to the committee after the meeting with some feedback on the various recommendations and where we are taking them.

At the moment, we are engaged with all the stakeholders through the working groups on the future of the SRDP. The pace at which the new programme will come about will be guided by what the regulation looks like. We have to agree the

regulation with Brussels as part of the CAP negotiation process; then, we will have a separate debate about how we want to implement it in Scotland. There will be lots of flexibility and, once we know what the EU regulation's boundaries are in relation to what we can do, we will have to decide how to implement the SRDP in Scotland. A lot of work is therefore still to be done, and I indicated earlier where that should take us within the new SRDP.

I am happy to write to the committee about the environmental assessments; I do not have any colleagues with me today who are closely involved with that work. If the committee is happy for me to do so, I will write to it with the results of the environmental assessments.

Claudia Beamish: There has been a failure across Europe to meet biodiversity targets in recent years. Will you comment on the significance of the aim to improve on the position and the measurements that are being made? I appreciate that you are going to write to the committee in detail about the four different ways in which the SRDP is being evaluated. However, I am asking for your comment so that it is on the record. I understand that the monitoring committee will report in three years and that there will be six-monthly interim reporting.

Richard Lochhead: My first point is that I fully support the new CAP playing its role in helping our respective countries to achieve their biodiversity targets and the 2020 vision. As you said, states have failed to achieve their previous targets; perhaps that tells us something. We could take the easy route and criticise countries for not putting enough effort into achieving those targets—which might be what happened in some areas—or we can look at the impacts on biodiversity, which are clearly caused by climate change and other issues. I have an on-going debate in my head about whether we are focusing on the right measures to achieve our biodiversity targets. We set targets for protecting various species and habitats—doing so is important for obvious reasons—but they can be swamped by climate change. Therefore, we must make sure that we target the right areas of Government policy, and that is why our climate change targets are so important.

11:00

That brings me on to the green debate in relation to the CAP. Climate change is not featuring nearly highly enough in the debate. We are talking about which crops and how many crops should be grown on individual farms in Europe, but we are not talking enough about the carbon impact of agriculture. We have not got that right. We should be focusing on the carbon impact of

agriculture as much as we focus on some of the abstract targets that the commissioner seems to be talking about in the context of greening the CAP.

I am trying to inject into the green debate a conversation about a low-carbon CAP. We should take the issue into account when farmers green their approach. It is not just about which crops are grown and how many areas are set aside or designated as ecological focus areas. To me, the priority is consideration of what we do to reduce agriculture's carbon footprint.

Claudia Beamish: That was helpful.

The Convener: It has been suggested that projects to do with soil and peatlands often have to go down the forestry route in order to be considered. When we talked about carbon accounting at last week's meeting, Professor Jan Bebbington said:

"It is important to understand carbon stores, particularly those on Scottish soils, not just in the peatlands but in other soil structures. I am not a soil scientist, but I talk to soil scientists who tell me that that is where a lot of the big money is at on big carbon and that keeping it locked is the key."—[*Official Report, Rural Affairs, Climate Change and Environment Committee*, 12 September 2012; c 1065.]

As the SRDP is reviewed and monitored, are we finding ways for people to access the programme to achieve such outcomes?

Richard Lochhead: We are keen for that to be part of the new SRDP. Protecting Scotland's precious peatlands is much higher up the agenda and is a key part of our climate change strategy. I am keen to ensure that the issue is built into future support.

Of course, it is not just about the SRDP; there is a wider debate in relation to carbon offsetting and so on, so we must ensure that the issue is part of the wider climate change debate in Scotland—you are heavily involved in some of those debates, convener. A lot of thinking is going on in the Government and I will be happy to update you on that soon.

The Convener: Thank you. There could have been more direct access to money for peatland and soil projects in the past. I hope that we will hear how the SRDP has played its part in enabling people to access money for such projects.

We still have time to discuss the new CAP and its effect on the future of farming, forestry and so on.

Annabelle Ewing: We have touched on the CAP this morning, given its direct impact on what we have been talking about. It is fortunate that we have time to consider some substantial issues in relation to the CAP, and I am sure that all members have questions.

The cabinet secretary mentioned the UK DEFRA reshuffle. He must now be the most experienced fisheries and agriculture minister in the British Isles, so I hope that people who have less experience will learn useful lessons from his considerable experience. What is Scotland looking for from the new DEFRA team at Westminster? How will representation issues be dealt with, given that you are the most experienced minister in the UK on this?

Richard Lochhead: Thank you for that question. It is something that I am giving a lot of thought to just now, because having spent since May 2010 trying to convey Scotland's priorities to DEFRA and having put a lot of effort into—I hope—making some progress with the DEFRA team, as have all our stakeholders, we are now, to a certain extent, back to square 1. We are having to start from scratch in the middle of a CAP negotiation and a common fisheries policy negotiation with a completely new DEFRA team. The minister for fisheries is continuing in post, but all three agriculture ministers have been replaced, so I will be making an extra effort to bring the new team up to speed on Scotland's budgetary priorities.

We want the CAP budgets to be protected as far as possible in order to meet Scotland's particular needs, which are different to those of the rest of the UK. Our agricultural profile is different, given our dependence on the livestock sector and the extent of our less favoured area status—it is much more extensive than in the rest of the UK. That brings extra requirements from the new CAP.

In my view we deserve a better pillar 1 allocation. Of course, if Scotland were a member state we would have a far better pillar 1 allocation than we will have as part of the UK, irrespective of the outcome of the negotiations. I have addressed the question about pillar 2; I think we deserve a fairer share of pillar 2. Those are priority matters that I will bring to the attention of the new DEFRA team.

I have said that I want help for new entrants into Scottish agriculture from day 1 of the new CAP, so that will be one of the key priorities that I will raise with the new DEFRA team. I will also try to have some common sense injected into the greening proposals; many of our farming businesses will be hamstrung by the proposals if they proceed unchanged.

That gives the committee a flavour of some of the key priorities that I will raise with the commissioner tomorrow and with the new DEFRA team at the beginning of next week in Brussels.

My final point is that I have been involved—quite often proactively—with some of the agriculture negotiations. That includes a crunch point when, in

the heat of the moment, we were able to bring to bear our experiences as an Administration that has been at the negotiations since 2007. It would be in Scotland's interest—and even, perhaps, the UK's—if I, as a Scottish minister, and our team were to be given a prominent role in forthcoming negotiations. I have built up relationships with other ministers across Europe and I have a fair idea of the main issues that are under debate and how they can be addressed.

From Scotland's point of view, it is vital that Scotland is in the room when the dotted lines are signed on in the forthcoming negotiations. There will be two or three key moments over the next six to eight months. The timescale may be longer; it will depend on the progress of the negotiations. In that time, agreements will be made behind closed doors, in the room, with just the presidency, the commissioner and each individual member state. I strongly believe that Scotland has to be in the room with the UK minister, with the presidency and with the commissioner, when decisions are being negotiated.

Annabelle Ewing: Thank you, cabinet secretary. You have outlined how crucial it is that our voice is heard; I imagine that farmers in Scotland would completely agree. It seems that there is a determination on the part of the Tory-Liberal UK Government—as evidenced in the previous DEFRA team—to argue for a reduced pillar 1 settlement. That is not what Scottish farmers want. I am sure they would be very supportive of you being in the room to argue Scotland's corner.

Claudia Beamish: We are all aware that the next three months are particularly important in negotiation of amendments to the new CAP. As a member of this committee and as a shadow minister, I wish you well in those negotiations.

I refer to the Scottish solutions on the greening of pillar 1. Will you expand on the alternatives that might be proposed in relation to crop rotation and permanent pasture, and also in relation to ecological focus?

Has there been modelling and testing of the payment arrangements in relation to how the area payments will be structured, so that we do not find ourselves in a worse situation than we would have if that had not happened?

Richard Lochhead: As you can imagine, I have spent a lot of time in recent months discussing the greening proposals with the UK Government, as well as with the Commission and other member states.

It would be remiss of me not to pay tribute to the outgoing DEFRA team—Caroline Spelman and Jim Paice. I had policy disagreements with them from time to time because my job is to put

Scotland's interests first, but we got on well and I felt that we had their ear—especially Jim Paice's—on most of the issues that we wanted to gain their support on. His loss was a bit of a shock—not just to the English and Welsh farming sectors, but to Scottish farming. Whatever disagreements we may have had over policy issues, Jim Paice and I got on well; I liked him. He was on the same wavelength as farming sectors across these islands. His leaving at this point in time is a loss and a shock. I wish him all the best for the rest of his time in the UK Parliament.

Greening was an issue that I often discussed with the previous DEFRA team; I will do the same with the current DEFRA team. Some issues are of particular concern to Scotland and our needs are simply not being taken into account. Brussels bureaucrats sitting in their offices have not looked out of their windows—they have not got on an aircraft often enough to come to Scotland to see our hill farms. Some of them have come to Scotland, and I am surprised that they have not taken into account what they have seen. They have to do a bit more to acknowledge the challenges that our farmers face—particularly our hill farmers—in terms of the three-crop rule that has been proposed as part of the greening proposals.

Clearly we want a number of changes to the greening proposals. I will not go through them all, because Claudia Beamish asked specifically about the three-crop rule. At the moment, the proposal is that if the farm has more than 3 hectares of arable cropping, the farmer has to grow three crops on the farm. In upland farms in certain areas of Scotland, that is bordering on the impossible. There is not much that farmers can grow; the environment might be unsuitable for growing more than one crop. The rule could jeopardise the current environmental value of hill farming—a lot of recent studies show that that would be the case.

The three-crop rule as proposed is not in Scotland's environmental interest and it is not in the practical economic interest of hill farming in Scotland. We want to see the 3 hectare limit increased, so that the rule kicks in only if a farmer has, say, more than 20 hectares. That would give more flexibility to many farms. We also want crops such as winter and spring barley to be treated as separate crops, not as the same crop—we want that kind of flexibility.

Of course, we also want not to have a situation in which a farmer may be forced to grow three different crops in what is, in effect, one field, which is what the current proposals would put in place. We want a lot of changes in the proposed three-crop rule. Many are reflected in amendments that have been tabled by Scottish members of the European Parliament. As far as the European

Parliament's contribution is concerned, we have been speaking to MEPs about the issues, so we hope that some of the amendments are successful. We are also trying to get the UK Government and other member states onside.

I am sure that the committee is aware that the current proposals cannot be implemented in Scotland: it is as simple as that. The complexity of the proposals and the difficulties in implementing them, notwithstanding the practical problems that would be faced on farms and the environmental problems that would result, mean that in Scotland we cannot implement the proposals as they stand. We cannot do it for practical reasons and the proposals would be highly damaging. That is the strong message that we have to give to the European Commission, which has to wake up to that.

Claudia Beamish: What about the modelling in relation to area payments?

11:15

Richard Lochhead: Some modelling was done in the Brian Pack report, which gave us an idea of the impact that the new CAP proposals would have on Scottish farming. We are undertaking, with the James Hutton Institute, new modelling on how we would implement the new CAP. It will be done according to the timescale for the proposals from Brussels, because we cannot model until we know what the boundaries are. The modelling will really kick in once we have to decide how to implement the new CAP, which is where the importance of the modelling lies. We are taking steps on that.

Claudia Beamish: Would it be appropriate to have pilot modelling schemes so that we have a stronger basis for feeding into the arguments from a Scottish perspective? Perhaps that has happened anyway with the first part of the Brian Pack modelling.

Richard Lochhead: Yes. I have an open mind as regards doing more modelling. We already have lots of evidence: the Scottish Agricultural College, the institutes, the Scottish Government and the industry have all been working to present all the evidence on why the current greening proposals will not work in the Scottish context. As I said, the next level of modelling must be carried out once we have the European proposals, so that we can work out how we want to implement the new CAP.

Jim Hume: I want to pursue the issue of modelling. I believe that the Welsh Assembly Government has already done modelling that land users can use to plan how to change their businesses, as we move to the new CAP. I believe that it is also using that modelling as a tool with

which to lobby the EU. You say that you will wait for the proposals to come from Europe before you do deeper work. Is it not essential that we get some serious modelling done now, as has been done in Wales, which we could use to help land users to plan for the future, and to lobby Europe, in order to ensure that we have a CAP that is fit for Scotland?

Richard Lochhead: I am happy to take that suggestion away and to look at whether there is a case for even more modelling—as well as a few case studies, as Claudia Beamish suggested—to be done. If there is, I will happily commission such work.

Jim Hume can rest assured that modelling has been done on what would be good for Scotland, as part of our negotiations. We are commissioning more modelling on how the new CAP can be implemented, taking into account what is being promoted in Europe and the outcomes that we want. It is necessary to understand what is being modelled and to get the timing right. There is no point in modelling scenarios that will not arise, but I will take the suggestion and look at what the Welsh Assembly is doing.

Jim Hume: I appreciate that.

Other countries are talking about a transition period. I think that the Irish want a 20-year transition period. They might see that as being a strong bargaining position. What is your view on having a transitional CAP for Scotland?

Richard Lochhead: That is a very good question. Until now, I have said that the period of transition will very much relate to how we can help new entrants. As we all know, there is a strong case for moving away from a historic basis to an area basis for payments because we must not, in 2015 or 2020, pay out single farm payments on the basis of what people were doing in 2002. That would be completely untenable, and we must get away from that system as soon as possible.

The big losers in the current system are new entrants. I have said that although I understand the need to have a transition period, its length will be dictated by how level is the playing field for new entrants when they come on board. If we can get them in early, take care of them and have the comfort of knowing that they will have a level playing field from day 1, and there is a case for having a reasonable transition period, I will be open to having a transition period. However, if the only way we can get new entrants in on a level playing field from day 1 is to have a quick change over however many years, that would be my preference.

I am getting conflicting messages from stakeholders on transition periods. I speak to many farmers who want an overnight transition, or

at least want the transition to happen as quickly as possible, but the NFUS and others say that we should go to 2020 or beyond before we get fully into the new system. I am loth to take that amount of time—the quicker the better. However, we must be realistic about the practicalities of moving to the new system.

Alex Fergusson: I absolutely agree with that. That underlines the importance of the points that Claudia Beamish and Jim Hume made on modelling of the new system. You rightly said that new entrants have been the losers under the historic payment system, and I agree with that, but of course there will be winners and losers in the transition to the new system of area-based payments. Do you agree that that underlines the case for exhaustive modelling so that the Scottish Government can go to Europe and argue for the flexibility that you will need in order to implement the new system in the most equitable way for all stakeholders?

Richard Lochhead: As I said, we are considering whether there is a need for more modelling, but we have built up a huge amount of evidence on the impact on Scottish agriculture of the current proposals. I am confident that we have the right evidence. The feedback that we get is that we are ahead of many other countries in Europe on building up evidence. I do not want to give anyone the impression that we are somehow behind on modelling or building up evidence. I have an open mind and will reflect on the committee's views.

The Convener: Margaret McDougall mentioned the negotiations with regard to new entrants, but I have to ask about that, too. We have heard about the need for people to build up capital to be able to take on a farm as a new entrant, so the age limit of 40 is now inappropriate. If we assume that the farming population is living longer, as the rest of the population is, that is perhaps a barrier that Europe has placed in our way to good succession and to development of the farming industry.

Richard Lochhead: I agree that many initiatives have to be taken to help new entrants. The most fundamental parts of the solution relate to the CAP—including ensuring that the single farm payment and other support mechanisms can go to anyone who is genuinely active in agriculture. It does not matter whether someone has been involved for a year or 50 years, if they are genuinely active, they deserve the support that is available.

We can take other measures that are not related to the CAP, to do with access to capital and the growing debate on the potential for share farming in Scotland. As I said, we are working with existing new entrants to try to get their views on what is required.

The Convener: We have had a good briefing and update. We are to have a videoconference with MEPs to try to find out how the 7,000 amendments are coming along. After we have spoken with them, we will perhaps get the cabinet secretary back later in the year. We look forward to that. I thank the cabinet secretary on behalf of members for what has been a wide-ranging and comprehensive discussion.

Richard Lochhead: Thank you. I should forewarn the committee that we are planning a debate on the common agricultural policy in Parliament in the near future—in a matter of days, I think—in which members will have the opportunity to make their and their parties' views known.

Petition

Inshore Fisheries (Management) (PE1386)

11:24

The Convener: Agenda item 3 is on petition PE1386, by Richard Munday, on behalf of the Torridon nephrops management group, on inshore fisheries management. I refer members to paper RACCE/S4/12/19/2. I invite comments from members on the way forward with the petition.

Annabelle Ewing: I was interested to read the note that the clerks have helpfully prepared and the submission from Dr Andrea Nightingale. She could not attend our round-table discussion on the issue, but she raises a number of interesting points. Taking into account those points and the points that were made at the excellent round-table session, I do not think that the issue is over and that we can simply close the petition. I suggest that we keep the petition open while we write to Marine Scotland to seek its response on the various important issues that were raised at the round-table session. We can then consider the response in forthcoming meetings and discussions.

Angus MacDonald: As I have just joined the committee, the issue is new to me, but I have sympathy with the petition, given that I have seen at first hand in the Western Isles the damage that can be done to the sea bed in inshore waters from towed gear. The petition should certainly be continued.

Claudia Beamish: I agree with those suggestions, partly because of the arguments that Dr Andrea Nightingale has made. Her submission states that she has received evidence from Skye and other places, and not just from the petitioners. The committee will soon deal with marine protected areas and the national marine plan. I see the issue in the broader context of concerns about inshore fisheries and how they fit into a sustainable coastal approach. In view of those issues, I am keen to keep the petition open and to see it in a broader context.

The Convener: I have to declare a constituency interest, in a sense. The remarks that have been made allow us to keep the dialogue going. It is suggested that we keep the petition open and seek a further response from Marine Scotland. Do members agree with that recommendation?

Members indicated agreement.

The Convener: Before I close the meeting, I remind members that the committee's next meeting is on 26 September, when we will take

evidence from the woodland expansion advisory group and the land reform review group.

Meeting closed at 11:27.

I thank members for their pertinent questions.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-1-4061-9585-9

Revised e-format available
ISBN 978-1-4061-9599-6

Printed in Scotland by APS Group Scotland
