



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Thursday 18 June 2015

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RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
23rd Meeting 2015, Session 4

CONVENER

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

DEPUTY CONVENER

*Graeme Dey (Angus South) (SNP)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Sarah Boyack (Lothian) (Lab)

Alex Fergusson (Galloway and West Dumfries) (Con)

Jim Hume (South Scotland) (LD)

*Angus MacDonald (Falkirk East) (SNP)

*Michael Russell (Argyll and Bute) (SNP)

*Dave Thompson (Skye, Lochaber and Badenoch) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Commissioner Phil Hogan (European Commissioner for Agriculture and Rural Development)

Jamie McGrigor (Highlands and Islands) (Con)

Tom Tynan (European Commission)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Thursday 18 June 2015

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Rob Gibson): Good morning and welcome to the Rural Affairs, Climate Change and Environment Committee's 23rd meeting in 2015. I remind everyone present to switch off their mobile phones, as they might affect the broadcasting system. Members will be using tablets for their work.

We have apologies from Jim Hume. We are being joined by colleagues from the European and External Relations Committee: Jamie McGrigor is already here, and we are expecting Anne McTaggart. I am not sure, but perhaps one of our own members is still to come.

We welcome Phil Hogan. I thank him very much for coming to the committee and invite him to introduce his two sidekicks.

Commissioner Phil Hogan (European Commissioner for Agriculture and Rural Development): Dermot Ryan and Tom Tynan are members of my cabinet. They are both Irish, so do not hold that against them.

The Convener: There is no harm in that at all.

It is good to see you here. We will try to cover matters between now and about 5 to 10, so we want to keep questions and answers short if at all possible.

Before we start that, item 1 is a decision on taking business in private. At our next meeting, on 24 June, we will deal with our work programme. We will plan a large amount of work on land reform and many other matters as we move into the autumn.

The second item is to welcome Phil Hogan and his cabinet members and to—*[Interruption.]* Excuse me a minute; I have been suffering from a cold. I need to do things in order—I must get members to agree that we move into private on 24 June to discuss our work programme. Are we agreed?

Members *indicated agreement.*

The Convener: Very good. I thought that we might be, but I suppose that we have to confirm such things.

European Commissioner for Agriculture and Rural Development

09:03

The Convener: We welcome the commissioner not only because the prestigious Royal Highland Show is taking place but because the new common agricultural policy, which he has inherited, is bedding in.

After I ask the first question, I will bring in Dave Thompson, because he has to go soon to deal with a local matter in the Highlands. After that, we will try to go round the table.

Commissioner, what do you think about the structure of the CAP that you have inherited? Is it simpler or more complicated? Will it be fit for purpose? What direction is it moving in?

Commissioner Hogan: Thank you very much for having me here, convener. I am glad to accept the invitation from your Cabinet Secretary for Rural Affairs, Food and Environment, Richard Lochhead, to attend the Royal Highland Show. I understand that it is one of the best and biggest in the United Kingdom and perhaps Europe. I am sure that I will be able to adjudicate on that after a long day.

As you rightly point out, I inherited the common agricultural policy from people who are much more astute than I am: the politicians, the Council of Ministers and the members of the European Parliament who agreed it all. Since I inherited it, I have never met as many people who want to make some adjustments to it, but that is understandable. It is the nature of things that not everything worked out as was intended.

We are in the process of implementation. We have already made some changes to the guidelines, which we hope will assist by providing greater clarification on problems that were emerging on the greening element of the CAP implementation. We are going down the road of a more market-orientated policy that takes more significant account of environmental issues.

The direction that we are heading in involves promotion policy, quality policy and new market opportunities. We acknowledge that the Scottish food and drink industry is outstripping all others in the United Kingdom and doing a fantastic job in exporting and in developing future potential for exports. We have some ideas on where we might be able to help with that.

I look forward to engaging with rural stakeholders and the rural community during the day. I have already met farm organisations and

key people in the food and drink industry—I had a discussion with them last evening—and I am familiar with some of the teething problems that Scottish farmers are having with the implementation. We will work together to try to tease out and resolve at least some of the issues in the coming year.

The Convener: Thank you very much for that opener.

Dave Thompson can ask his question first, as he has a pressing engagement.

Dave Thompson (Skye, Lochaber and Badenoch) (SNP): I apologise, but I have to leave just before half past 9 to go to another meeting.

My question is on what is, in many respects, a fairly simple and small issue; it is to do with the crofting agricultural grant scheme, which is for very small smallholders, crofters and so on. As I understand it—correct me if I am wrong—article 48.3 of Commission regulation 809/2014 requires any work that is done to be completed and verified before the crofter can actually get the payment. If, for example, we are talking about replacing fencing round a croft, that could cost up to several hundred pounds, or maybe even £1,000. A lot of crofters do not have that kind of money to be able to pay up front for the materials or for someone to do it and then wait a while to get the cash back. I understand why the verification procedures require confirmation that work has been done, but is there any way that that can be adjusted so that money can be paid directly to a contractor or to the supplier of the fencing materials on supplying the materials to the crofter to do the work? Alternatively, could the supplier have to wait rather than the crofter? Is there any way round that?

Commissioner Hogan: I am glad to tell you that there is some flexibility. That is up to your national authority. The rural development programme allows the national authority to provide the possibility of 50 per cent of public aid as an advance for investment projects when approving a grant, before any costs have actually been incurred by the beneficiary. That can be done if the option is included in your rural development programme. You have to decide whether to include that in the programme; if it is included, people have a chance of getting 50 per cent in advance, which would help to pay some of the up-front costs that you mention. You rightly say that many smaller producers do not have that sort of money in advance. There is potential there, but you need to talk to someone else.

Dave Thompson: I will need to rattle Richard Lochhead's cage.

Commissioner Hogan: You will have to have a word with him. Get him at the show and go over it.

Dave Thompson: Thank you—that is very helpful and useful.

Michael Russell (Argyll and Bute) (SNP): Welcome, commissioner. I hope that you enjoy your visit to the Royal Highland Show today.

The new CAP computer applications system that has been introduced this year has clearly been causing a great deal of heartache. The committee heard from people about that two weeks ago. Scots are a fearfully law-abiding people and their greatest fear in this matter is that they will inadvertently make mistakes in the new system and that Europe, in the person of yourself, will penalise them for those innocent mistakes. The biggest message that people will want to hear from you during your visit is that there is flexibility in the system and an understanding that will not lead to such penalties being imposed this year. Were penalties to be imposed in the way that people fear, that would be bad for not only individual farmers and land managers but the system's reputation.

Commissioner Hogan: That is a big issue, and I am glad that you have raised it. I have already extended the application time by four weeks to reflect exactly the concerns that you have expressed and those of people in other member states who have spoken to me about the difficulties with the 15 May timeline and in meeting all the obligations of the application for aid. In response to those concerns, I gave a very generous time extension. Some people were looking for a week. I said that a week is not that long, so we gave four weeks. I hope that we will be able to get the controls done in time to allow payments to be made this year.

In many respects, a new layer of information is required, because of the greening requirements. I mentioned that I have made changes to the guidelines this year in order to give better clarification, so that there will be a lower error rate, particularly in relation to hedges and adjacent roads. Member states often take different options; a lot of options are available in terms of equivalence—on catch crops and protein crops, for example—that allow member states to take advantage of the flexibility that we have given them. There are many choices, so what options you take and what road you go down are largely determined by the member state.

European taxpayers often want to know why we give all this money to farmers and the food industry. We must do our job to ensure that European taxpayers are satisfied that the money is protected. Therefore, there is a balance to be struck between having sound financial management and, at the same time, having a less bureaucratic system. I subscribe to what was said about the smaller producers who do not have a

hell of a lot of land and, I suppose, not a lot to gain directly from the CAP, but who must go through procedures that are similar to those that the larger producers go through.

Over the next year or so, as part of my simplification agenda we will be looking at whether we can do something to assist people who should not have to go off and use a consultant and pay all the associated costs in order to do a really small job. The penalties must also be proportionate. At the moment, they are not. You will see that my top political priority in 2015 is simplification, but it includes dealing with the type of concerns that you have expressed on behalf of farmers.

Michael Russell: Anyone who has been an environment minister—I think that there are three such people in this room—will know that simplification is much required, but it is a difficult thing to achieve. I remember a civil servant once saying to me with some frustration that I did not understand what a complex business simplification was.

What can you do in a reasonable period to ensure that people's experience of the system—which they often get very frustrated about—is simpler and more direct? I know that you have often attributed the desire to have complexity in the system to individual states, because it gives them many options. How can you bear down on that with individual member states to ensure that they offer as simple a set of choices as possible? Can you do that?

Commissioner Hogan: I certainly cannot do that on my own. I would need the legislators—the Council of Ministers and the European Parliament—to agree to open up the legislation again. What I can do this year, in the area of secondary legislation and guidelines, is make changes that will make the system less difficult to understand, as well as less burdensome on the member state and the farmer.

We must achieve a number of objectives, but we must bear in mind how the legislative process works—8,000 amendments were tabled to the recent common agricultural policy, and the document has become much more complex than was proposed by the Commission. I am not pointing the finger at anyone, because that is how democracy works. If people want their objectives to be achieved, they have to have—this has not happened sufficiently in the past—an eye on how they are to be implemented, as well as on the farmers' and the food industry's concerns about the bureaucracy and the complexity that are involved in implementation.

I have been asked to unravel some of the complexity on a policy that came into effect only on 1 January. That is a major challenge. People

have tried and failed to do that. I am going to do my best to ensure that smaller producers in particular can cope with the bureaucratic scenarios that are tied up in this policy, which has developed incrementally. On the penalty side, I want to ensure that the policy is more proportionate in the event of a mistake being made, in line with the observations that you made about the 15 June deadline. Over the past few days in Scotland and all over the European Union, I am sure that smoke will have been coming out of computers as people sought to ensure that that deadline was hit. I am glad to say that your officials have done an outstanding job in ensuring that everybody who wanted to apply was able to get into the system, at least. We hope that they were able to get in nice and cleanly and that there will be very few errors.

09:15

Jamie McGrigor (Highlands and Islands)

(Con): Mr Hogan, when you go to the Royal Highland Show today, you will see some wonderful livestock, particularly cattle and sheep. Is the new Scottish CAP system doing enough to maintain—or even to expand—the numbers of cattle and sheep that are kept in Scotland, particularly on our hills, which is where the seedcorn for the industry is produced? Despite the fact that EU subsidies have been in place for a long time now, cattle and sheep numbers have been falling, which is particularly worrying in rather more remote rural areas that depend on them for their agricultural production.

Commissioner Hogan: We have given flexibility in the latest policy for national and regional authorities to give additional support to people who farm in remote rural areas, particularly upland areas and areas of natural constraint. That is called voluntary coupled support. In addition to the normal direct payments, member states have the potential to give more money if it is felt that there is a stress in a particular sector or that there are constraints that there would not otherwise be in lowland areas. Therefore, the flexibility for people to do something about that is already built into the policy.

I know that the beef sector in Scotland is hugely important—it accounts for 26 per cent of Scotland's total agricultural output. Last night, I met the chairman of Quality Meat Scotland, Mr McLaren. Quality Meat Scotland is doing an excellent job in getting the high-quality end of the beef market into the types of market that are needed and getting it the protections that are needed through geographical indications to ensure that we have a product from Scotland that is well recognised as the symbol of excellence. I applaud

the committee for doing recent reports to see how we can do better on that.

The European Union is giving €4 billion to Scotland and, for the first time, there is significant flexibility to tailor additional support to the areas that you are talking about if there is a desire to do so. I suppose that it is a bit like the situation with the crofters—maybe you need to have a chat with a few of your people in the Scottish Government to see what can be done to tailor that flexibility to help people who might be going through a difficult time.

Jamie McGrigor: Why do you think that the livestock numbers are still going down despite the fact that there have been increases in EU subsidies? Is the same happening in other European countries?

Commissioner Hogan: European consumption of beef is going down, so we have to do a little bit better in promotional and quality assurance programmes, not just around the rest of the world but in the European Union. I have mentioned that I will send some officials to Scotland and elsewhere to look at how we can draw down funds that are available for promotion and quality in order to advance the case for Scottish beef in international markets.

Jamie McGrigor: And mutton as well.

Commissioner Hogan: Well, you only mentioned beef; I did not want to get into all the—

Jamie McGrigor: I did not; I mentioned sheep as well.

Commissioner Hogan: You did not mention mutton—although you have done so now. My hearing is not bad this morning.

Through voluntary coupled support and better promotion funds, there are opportunities available to help. We are in a market-orientated business. I hope that we can get better-quality markets for Scottish products along the lines that you mentioned.

Sarah Boyack (Lothian) (Lab): Welcome, commissioner. I want to ask about the overall objectives of the common agricultural policy. When the common agricultural policy was started, it was about food production, but we are now trying to look at food production, climate change and biodiversity. I know that more is being done on the greening elements in pillar 1, but we find when we speak to farmers that one of the hardest things for them is trying to meet a range of different objectives.

For Europe as a bloc, food production and climate change are the twin challenges. How will the common agricultural policy and the changes that we are introducing make those easier for

farmers? On the ground, a lot of farmers—particularly small farmers—struggle with the complexity of all the different things that they have to do to tick the box.

Commissioner Hogan: I agree that it is a complex policy and, as I have explained, I am trying to concentrate our efforts on simplifying it, but that will not be easy. In sporting terms, it will need a rolling maul over my five-year mandate to achieve those objectives. We aim to help producers to produce top-quality food that we can be proud of for our European citizens. If we have food left over—which we will have—we want to meet the challenges of 2050 and a world population of 9 billion. Who will feed those people? We want to ensure that European agriculture and food are well positioned to meet those objectives, and we have a moral obligation as well as a commercial opportunity to do that.

We have environmental objectives because, if we do not have good environmental practice on water quality and soil fertility, we will be cutting off our nose to spite our face for the future. We will have no agriculture; we will have barren landscapes like in many states of the United States of America, which we do not want. A territorial balance is required for jobs in rural areas. Under pillar 2, significant resources are targeted at job creation outside the farm gate.

I think that we can do a lot more to convey the view that the CAP is not just for farmers but for everybody—urban and rural people. Food does not appear on the table in the quality that it has now by accident. Traceability regimes for European farmers are second to none—for the first time we have a competitive advantage vis-à-vis other blocs of countries around the world, because we know that what we say is true and that we have systems in place from the farmer to the fork.

I want to put food security at the centre of a political dialogue in the European Union to meet the objectives that I have just mentioned. We must do that in the context of the new buzzword of the sustainable intensification of agriculture, and to meet the climate change objectives—you get a new phrase every year for what we are doing. The climate change commissioner and I are working closely together in the run-up to Paris at the end of the year, to try to ensure that systems are in place and that we implement agricultural policies that generate low carbon intensity. The beef genomics scheme in Ireland and Scotland is a perfect example of what we are planning for the future in terms of breeding programmes that will reduce emissions. We need to pull together a lot of incremental policies in different fragmented areas, and acknowledge that climate change is the biggest challenge to society. We must consider

how agriculture can contribute to reducing emissions without damaging the prospects of feeding the world's population in 2050. It is a tricky balance and the negotiations in Paris will be interesting.

As I have already indicated to Michael Russell, in my view the small farmer needs special attention to implement the current CAP, particularly regarding penalties. If the penalty rate is greater than 3 per cent for any mistake, the income of a small farmer suffers disproportionately compared with that of a larger producer. That is not fair or proportionate, and we are trying to do something about it.

Angus MacDonald (Falkirk East) (SNP): Good morning. I want to mention genetically modified crops. There is a new EU approach to regulating the release into the environment of genetically modified organisms, and there is some conflict between the UK Government's stance on that and that of the Scottish Government. Can you give the committee an overview of how the new regime operates, even though it is quite recent? How do you see it developing during your term in office?

Commissioner Hogan: Biotechnology is a sensitive political issue, as you rightly point out. Until some years ago, we approved licence applications from the United States, but the previous Commission decided to block such applications, even though they were science based. I am in favour of a science-based solution to such matters, but President Juncker has made it clear that societal concerns are being taken into account as much as the science.

That is a solution that has generated in recent times a decision by the European Commission not to allow the Council of Ministers to hide behind the European Commission. We are putting the onus back on the member states so we are really in the scrum. The member state will now make the decision on whether to opt in or opt out.

I expect you to have some interesting debate in the UK because you have differences of opinion on that issue but the decision will have to be made on the basis of each member state deciding what is best for its future. However, before we get out of the traps at all, the Committee on Agriculture and Rural Development in the European Parliament and the Committee on Environment Public Health and Food Safety will be making known their initial views on those matters in the next month.

From the feedback that I am getting, the indications are that those committees are going to be against changing the system for the growth of GM crops or explicitly promoting the notion of biotechnology in the European Union, so the old system will continue. Applications will come in from outside the EU in the normal way and

science will be the determinant on whether they should be allowed, particularly for animal feed. If we do not have some of those soya bean crops coming in as part of our animal feed, we will have a 20 per cent increase in animal feed costs. We need to make our industries more competitive and the concerns that you have for the beef farmers and the mountain areas will be accentuated even more.

Jamie McGrigor: And the sheep, too.

Commissioner Hogan: You are getting hung up on the sheep.

There is certainly likely to be no change to the present regime based on what I am hearing from the European Parliament and the Council of Ministers. We are a little bit politically schizophrenic; we do not mind eating GM crops in food if the ingredients are imported, but we do not want to grow them ourselves. I understand that; I have been a politician for 32 years.

The Convener: I have a short supplementary, which leads on to the question of world trading conditions. The transatlantic trade and investment partnership is on our minds. We have a situation where it is possible for the big suppliers of soya from Brazil to differentiate between GM and non-GM soya and some firms such as Waitrose, with all its lines in this country, insist on a non-GM source of soya. They are able to achieve that, but it seems that the vast bulk of supermarkets in this country have thrown in the towel and are allowing Cargill and other big companies to give them undifferentiated soya from Brazil. Surely there must be some way in which the EU can bring to bear its weight to make sure that it is possible for people to buy non-GM soya if they so choose?

Commissioner Hogan: Absolutely. It is not my direct responsibility. The DG santé—the directorate-general for health and food safety—and Commissioner Andriukaitis deal directly with that, but I can give you my opinion on it. Labelling is crucially important in dealing with that issue. We can reform our labelling system to meet the objectives that you have enunciated—I think that that is the way to go. We cannot get away from the fact that what you are asking for means producing a product that will cost a lot more.

The Convener: Well, that is questionable.

Commissioner Hogan: It is not questionable. It is a choice that consumers can make and it is a choice that they are entitled to have. If they want to pay a bit more, as for organic production, that is their choice, but they should know what they are buying.

The Convener: Sarah Boyack wants to follow up on that point.

Sarah Boyack: Many of our constituents have written to us about TTIP. You gave an analogy of something that will cost much more, but another is that there is strong public support for our very high animal welfare standards. There is always going to be a balance between cost and quality, but the shift to free-range eggs was very much a consumer-driven issue. I think that there is a concern—people want to know where food has come from. It was very welcome that, in your opening remarks, you talked about the strength and the quality of Scottish food products.

We are very keen that we have a fair system, in which our producers are not being undercut by a lack of traceability or different inputs to the agricultural system that are not clear to consumers. There are also concerns about human health in relation to the people who work in our food production industry. It is quite an important issue for us. Where are we in regard to the agricultural element of the TTIP negotiations?

09:30

Commissioner Hogan: First, as you can see, the United States is finding it very difficult to get agreement on anything in relation to trade at the moment. The fast-track trade promotion authority legislation is in trouble, and the US is even experiencing trouble with the Pacific countries regarding TPP—the proposed trans-Pacific partnership. TTIP is the third plane on the runway and time is running out between now and campaigning in the 2016 presidential election. That is the reality. My personal view is that we will not have a comprehensive outcome on TTIP between now and January or February 2016, but we continue to be open.

The Europeans should not be afraid of exports. Every euro of exports creates jobs—it is not the other way round. We have a flat European economy largely because we are not exporting enough. However, I am glad to say that, for the first time, European agriculture, with the help of Scotch whisky, is now outstripping all other blocs in exports. We are the largest exporter of food and drink in the world, and we are also the largest importer. We are in a key position. We are competitive now, for the first time in 20 years, and we are now able to take on the challenges of the United States. We are not afraid of the US any more in terms of competitiveness. We want to be treated as equals.

I can assure you that the standards of food and drink in the European Union will be protected in any deal, whenever that deal happens. We are not going to throw away the sacrifices that farmers have made and the efforts that national Administrations have made to provide traceability following foot-and-mouth disease and BSE.

We are under pressure from the United States on hormone beef, as you know, but we are resisting that reasonably successfully. There is only a small amount of hormone-free beef in quotas for Australia, Argentina, Uruguay and the United States. The United States can often get quite upset that it is not getting more of that quota, but that is because it is not competitive enough. That is the real reason, but the US wants to blame the European Union for not implementing an agreement that is compatible with World Trade Organization rules.

You can take it that we will be protecting labelling and standards of food as part of any TTIP outcome or any other free trade agreement, whether it is with Brazil or Indonesia. That also goes for our geographical indications—GIs—which are very important to Scotland. As I have said on two occasions when I have been in negotiations with the United States, there will be no deal unless we are satisfied on GIs. The ball is the US court to satisfy us on that issue.

Claudia Beamish (South Scotland) (Lab): Good morning, commissioner and colleagues. You have highlighted the importance of food production, climate change and biodiversity imperatives. You have spoken about the balance there. I wonder about the degree to which we can move towards a fusion, where all farmers are working for all of that at once. I am an optimist.

In that context, I wonder whether you have a view on the value—or not, in the present circumstances—of any mandatory on-farm reporting on emissions. As you know, our agricultural emissions form 23.4 per cent of our emissions, as reported last week. The issue is obviously to do with behaviour change, but behaviour change means taking people with us. What comments do you have on mandatory reporting?

Could you shed any light on how you think our committee might be able to relate to the forthcoming Paris negotiations? If we cannot be there—I believe that some of us would like us to be—we would still be keen to make a contribution as a committee.

Commissioner Hogan: The way in which your committee can make a contribution to any event, and particularly to such an important event as the climate change negotiations in Paris, is to ensure that your views form part of the member state's mandate of negotiations. You first have to influence your own mandate.

When I was Minister for the Environment, Community and Local Government in Ireland, I had regular discussions with your people here in the UK, particularly with Mr Davies, who had quite a lot of ambition on climate change matters—

perhaps more so than some other people in the UK. His views and mine were fairly close.

We must also be mindful that behavioural change does not happen easily or overnight. The best time to concentrate minds is when you are giving financial support. Indeed, it is amazing the number of farmers who can change their pattern of behaviour and the environment when a few pieces of sterling are involved. It always helps when the cheque is in the post. That is the best time to grab people's attention, which you will know from the situation on mutton.

Whether the assistance is for coupled support, direct payments or environmental reasons—30 per cent of the CAP is paid for environmental reasons—there are good reasons for that assistance, and people will take note of them. There will be a lot of gnashing of teeth about the obligations required, but people will fill in their form if there is money in it. If that happens to achieve an environmental objective, that is great.

I would have to be careful about bringing in on-farm mandatory emissions reporting. That would constitute an additional burden on people at a time when I am trying to simplify the policy. There are ways to calculate the carbon intensity on farms voluntarily. More and more farmers are getting used to that notion, and apps and new phone technologies are available for them to do that. Farmers know that having all that information when selling their products gives them a competitive advantage. Indeed, showing the consumer that they have complied with good environmental standards and being able to give the figures is a selling point. If you are getting a premium price for your product because of that information, that will be enough to make you make the behavioural change.

It comes down to the financial outcome arising from decisions that are made on-farm. If that outcome is positive, I assure you that we will see a major move towards behavioural change.

Michael Russell: I will move the discussion on a little to the issue of dairy farming. As you will know, there are substantial problems in the Scottish dairy sector, and the situation has been intensified in the really rural parts of the sector such as Kintyre and the island of Bute, which I represent. The island of Bute is the worst affected, with the lowest price being paid by a single processor, First Milk. Those farmers want to know how close we are to intervening on milk prices. The price of production is around 24p or 25p a litre while payment is around 16p a litre, and that, obviously, is unsustainable.

In that respect, I am fascinated by your phrase “sustainable intensification.” The issue has arisen in part as a result of what could be called

unsustainable intensification in the dairy sector over a long time and in part from strong world forces, including the closure of the Russian markets. First, where are we in the short term with dairy, and is there any hope of assistance for the sector? Secondly, where will dairy prices go in the medium term?

Commissioner Hogan: First of all, I acknowledge that there is a serious problem with dairy in the UK. Part of that is down to your structures. A significant look could be taken at how co-operatives and private companies behave in the market place, because there are insufficient structures to bring farmers together and allow them to co-operate in a way that I am used to seeing in other jurisdictions. Of course, that is a medium to long-term strategy that will not satisfy the farmer either today or tomorrow.

In the medium term, there will be continuous volatility, not because of the abolition of milk quotas but because of recent global market trends, particularly in the far east and Russia, which have contributed to the problems. There are also food chain issues to look at. I very much welcome the fact that the Groceries Code Adjudicator is part of the UK's legislative processes, and the European Commission is watching the adjudicator closely to see what we can learn and whether we need to lay down EU common rules and a framework for other member states. The UK and Spain are leading the way in trying to ensure that producers are not squeezed between retailers and processors, but their actions probably need a bit more time to work their way through.

I am optimistic about milk prices in the latter part of this year and going forward, because I see more opportunities opening up in the far eastern market. When you consider that there are already 150 million people in middle-class income brackets in China and that that number is going to grow every year for the next 20 years, you can see that the growing possibilities for western products are enormous—provided, of course, that we can get the right prices, which I think we can.

We are competing a lot better with New Zealand in that part of the world. The fact that New Zealand—and, indeed, California—has had a drought will give EU farmers a little bit of an advantage later on. I also suspect that the Chinese will open their powder markets again in the near future, because their stocks are low and they are in a position to start buying again.

You have articulated the worrying trend in global market auctions over the next six months, and it is something that I would prefer not to see. However, I have tools such as export refunds and private storage aid that I can use to intervene. When we opened private storage aid for cheese last

September, it did not work out great, because a lot of people who were not directly affected by the Russian market jumped in and gobbled up an awful lot of the money that was available for the scheme. That said, we have learned from that. If we have to provide such aid in future, we will take a more targeted approach.

The Baltic states and the UK seem to be suffering the most with milk prices. However, I am not going to give any commitment to intervene immediately, because I want to wait and see whether the current volatility will wash through. I hope that farmers can hang on a little longer to see what arises after 7 August, when the Russians have to decide what they are going to do about the ban and whether they are going to add to it or—as we hope—subtract from it. We will then have an opportunity to review the supports.

Michael Russell: There are some labelling issues that the Commission should at least be aware of. Labelling is a difficult issue for this Parliament, given its powers. Yoghurt and cheese are an example; cheese that is sold as Scottish cheese and which is produced in parts of Scotland can be made from milk that is imported from Northern Ireland. So far, the Scottish agricultural industry has been unable to change that process. A new Scottish dairy product brand is being launched at the Royal Highland Show either today or tomorrow, but it is important for the Commission to be aware that that kind of fluidity of presentation can be quite damaging. As far as the dairy sector is concerned, the Scottish presence needs to be stronger in people's minds.

During the committee's dairy inquiry, Robert Graham, who runs one of Scotland's more successful dairy companies, sat in the very seat in which Mr Hogan is sitting and said that although it was perfectly possible to buy, say, English butter, Irish butter and French butter in Scotland, it was very difficult to buy Scottish butter in England. We need to make sure that there is a much stronger Scottish brand, and any help that the Commission could give in that respect would be very welcome.

Commissioner Hogan: I am sorry to give you bad news, but we are not going to be any help to you on that. Commissioner Andriukaitis and I recently produced two reports that came out totally against country-of-origin labelling, because of the administrative costs and the additional costs on business. It is against the principle of subsidiarity. We are trying to reduce the burden on member states and producers, and such labelling goes completely against that. I had to remind the minister taking the matter forward on behalf of the UK, George Eustice—who I know is not enthusiastic about Europe—that we are trying to save him from himself on this issue.

Michael Russell: You should be making sure that people are enthusiastic about Europe.

Commissioner Hogan: I know, but I cannot do everything.

I have to be honest with you: your request would not have any serious chance of being successful in any EU discussion on the matter, because of the reasons that I have mentioned, which are backed up by the various recent reports that have tested the country-of-origin system. Voluntary labelling is the best way to go at the moment, and that is a matter for member states.

The Convener: That is interesting. Angus MacDonald has a supplementary.

Angus MacDonald: I am sorry to return to milk, but you said that you were unable to give a commitment to intervene on the milk price. I understand that, but I am curious to hear your views on whether there is any scope to increase intervention when serious crises such as the one that we are in now happen or when there is serious price volatility. Surely that option should be considered.

09:45

Commissioner Hogan: Yes, it is an option that can be considered. There is also the crisis reserve, which is €433 million of farmers' money and can be used to support pilot prices. The option was considered in the context of the Russian ban, but I got that changed in my first two weeks in office, because I think that foreign policy and security decisions should be paid for not by farmers alone but by the general European taxpayer. Because I succeeded in that, we have not had to resort to using the crisis reserve.

Some time ago, we had an interesting discussion in the European council of agriculture ministers. When I asked for a definition of crisis, no one was able to give me one; they were keeping their options open. That does not help, but I suppose that, politically, it is understandable that you might want to say something more about a crisis in future.

We have tools available, and we continue to keep the situation under review. However, my next chance to consider the issue intensively is when the Russian ban is reviewed, which will happen on 7 August.

Graeme Dey (Angus South) (SNP): I am aware that the EU consultation on endocrine disruptors is causing considerable concern in the Scottish soft fruit sector. I do not think that anyone in this room will question the need to limit usage, but responsible soft fruit growers in my constituency already use endocrine disruptors only as a last resort, and they restrict that usage to

polytunnels. The Agriculture and Horticulture Development Board's UK modelling forecasts that, depending on which of the suggested scenarios are implemented, crop yield might fall by between 40 per cent and 89 per cent. What is the current position on endocrine disruptors? Will account be taken of the sort of impact on soft fruit production that I have described? On a related matter, can you advise us on the latest position with regard to neonicotinoids?

Commissioner Hogan: Again, that is not my direct responsibility, but I will be glad to give you whatever information I have. The issue is subject to a European Food Safety Authority review. When will that process be finished, Tom?

Tom Tynan (European Commission): In relation to neonicotinoids, the process will probably finish around September next year.

Commissioner Hogan: So there is about a year's work to be done before anyone comes to any conclusions. The issue comes up regularly in discussions with Commissioner Andriukaitis and DG santé. It is probably best if I get the latest state of play and send you the details, because I do not want to give you information that might be incorrect.

Graeme Dey: Will that information cover endocrine disruptors, too?

Commissioner Hogan: We will send you everything.

Graeme Dey: From the perspective of your portfolio, are you aware of the damage that the issues around endocrine disruptors could have on crop production?

Commissioner Hogan: I am aware of a lot of potential problems that are currently the responsibility of others. We fully support the commissioner with regard to coming to quick decisions but, as you will know, impact assessments and evaluations take time, and that process is on-going at the moment. I will give you more details when I have them. I have a direct involvement in export issues, but I do not have responsibility for plant and animal health. Growing produce is a matter for somebody else.

Tom Tynan: We have been lobbied on two or three separate occasions, and we are engaging with DG santé on the issue. We have seen the National Farmers Union report, and we know the importance of having those products in the toolbox, but the issue with neonicotinoids is as much about the security of the bee population as anything else. At the moment, the jury is out in that regard, and that is why the EFSA review is taking place.

Graeme Dey: I would like to highlight an example to illustrate why I have raised the issue.

The impact of neonicotinoids on the bee population has led to one company in my constituency spending £100,000 on creating artificial bee environments around its polytunnels. It took a hit from that, and now its crop yield could be affected by issues around endocrine descriptors. That is where I am going with this.

Tom Tynan: Part of the impact assessment will consider the alternatives, so the toolbox will not be left bare.

The Deputy Convener: A lot of the soft fruit growers are working to develop alternatives, with some success.

Tom Tynan: Biological control and so on.

Graeme Dey: Yes, but they say that they need some access to endocrine disruptors as a fallback position.

Commissioner Hogan: I presume that they have made submissions to the European consultation process.

Graeme Dey: Yes.

The Convener: I will ask a final question, as we are short of time. An issue that is affecting people across Europe and in Scotland is the rocketing land prices in farming, which I assume are connected partly to the certainty of subsidies up to 2020. That vast increase in prices is far beyond the economic worth of the land in question, and I am sure that the situation is worse in Ireland than in Scotland. Could a significant difference be made to the levels of support after 2020 in order to interfere with the trend of land prices spiralling beyond the economic value of the land that is being worked?

Commissioner Hogan: This is a huge issue particularly for young farmers in trying to get access to land, and it must be dealt with through a mixture of policies at national, regional and European level. First, at national level, tax incentives for long-term leasing or partnership agreements could be implemented to get some young people into the world of agriculture.

Secondly, access to finance or credit is a huge problem for people who are starting out, and we are working with the European Investment Bank just now to give priority to a new fund. For the first time, the EIB will have a new fund for agriculture that will target financial support through high streets banks as designated by the EIB and provide a new source of finance for young farmers who need to invest in their farms when they are starting out and or who need to get access to money in order to get access to land.

We are very conscious of the need for generational renewal. In that respect, a suite of policies is required to operate on a shared basis

between the European Union and the members states, and we are willing—indeed, anxious—to explore such policies in order to meet the challenges that you have mentioned. That said, I do not want people's ability to gain access to finance and credit to drive land prices even further in the wrong direction, and we must be conscious of that in deciding how we tailor the product.

In the short term, in order to enable young people to gain access to land, we have to do something about long-term leasing partnerships and early retirement. Young people will not get access to land unless the older generation is secure; any change will be triggered from the older people to the younger people, not the other way round. We have had good schemes that have run their course, such as the early farm retirement scheme, which was excellent—in Ireland, anyway—in mobilising a lot of activity through partnerships. The scheme meant that people who were not old enough to receive their state pension were able to get some other form of security with the help of the European Union.

We are looking at the issue in the context of structural reform and generational renewal, and I have set out some options for the next few years that I hope will meet some of the requirements that you have mentioned, convener.

The Convener: Thank you. That session has taken us round quite a lot of the houses, and it has helped us get a flavour of what you are doing.

In Scotland, we take great pride in the achievements of agriculture and the food industry. We hope that we can get your support and a recognition that, sometimes, there might be differences in approach between the member state based in London and our particular priorities. We are communaire in Scotland, and we want to ensure that our farmers have opportunities as we move forward. Hearing the story that you have related just now gives us some hope and reassures us that you are thinking the issues through for our benefit. Thank you very much for coming to see us.

Commissioner Hogan: I thank you, convener, and your committee members for being so diligent and meeting me here on the day of the Royal Highland Show. I appreciate the interaction. I try my best to go to the Parliament in every place that I visit to hear the views of the public representatives. Having been a public representative for 32 years, I value your experience and your interaction with your constituents not just in the pub but on the farm, where you will hear all the information that is very valuable with regard to policy discourse and implementation measures, particularly as far as the CAP is concerned. I look forward to visiting

your show today and seeing the best of Scottish farming showcased.

The Convener: Thank you for that, and I also thank your support staff.

Finally, I remind members that, at the committee's next meeting on 24 June—our last meeting before the recess—we will consider four pieces of subordinate legislation, petition PE1490 on the control of wild geese numbers and our work programme.

I close the meeting.

Meeting closed at 09:55.

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