



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 4 February 2021

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
4th Meeting 2021, Session 5

CONVENER

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DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

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*Kenneth Gibson (Cunninghame North) (SNP)
Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP)
*Ross Greer (West Scotland) (Green)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)
*Beatrice Wishart (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Charlie Adam (NFU Scotland)
James Withers (Scotland Food and Drink)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

Virtual Meeting

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 4 February 2021

[The Convener opened the meeting at 09:30]

European Union-United Kingdom Trade and Co-operation Agreement

The Convener (Joan McAlpine): Good morning. Welcome, everyone, to the fourth meeting in 2021 of the Culture, Tourism, Europe and External Affairs Committee. Our first agenda item is the EU-UK trade and co-operation agreement. I welcome Charlie Adam, vice-president of NFU Scotland, and James Withers, chief executive of Scotland Food & Drink. Thank you for coming to give evidence.

The NFUS gave a number of warnings before 1 January, when Brexit started, and its helpful briefing suggests that a lot of what it warned of has indeed come to pass. In particular, I was concerned to read about the effect on meat products. The briefing gives an example of the amount of paperwork that is required to export pork to the EU. I ask Charlie Adam to share that for the record.

Charlie Adam (NFU Scotland): Thank you, convener, and good morning, committee.

I checked that example this morning with Andy McGowan of the Scottish Association of Meat Wholesalers. The particular examples that he gave were of a load of pig meat initially requiring 27 stamps, and one single load going to four member states, requiring 96 stamps. That clearly takes a great deal of time and effort, and therefore cost and delay. In addition, it seems extremely pedantic in this day and age that we have not managed to achieve an electronic pre-notification method or some other way of dealing with such issues without such a lengthy process.

The Convener: Before Brexit, the impression that was given was that a lot of this would be dealt with electronically. We were told that that was what would happen.

Charlie Adam: I presume that what we have is a function of the limited time within which people were able to prepare properly when the agreement was made. I hesitate to say this, but there may be an element of bloody-mindedness: certain people are sticking to the letter of the law to the nth degree.

The Convener: Your submission talks about the effect that that has on export volumes in the meat industry. Do you want to say any more about that?

Charlie Adam: Yes. I checked my figures this morning and we are only at about 25 per cent of normal volume for meat products. Where it could, quite a lot of stuff went early, but we are still only at 25 per cent. People are trying to get stuff in—more pork than beef and lamb, I gather—but even they are having limited success. The volume is down, but it will increase. However, unless the current issues are resolved, the delays, costs and problems will increase—they might even quadruple if we were ever to get back to 100 per cent. However, I am hearing that that may never happen: some of the smaller producers may simply give up trying, or may lose their markets. There are a number of issues around that, which I might go into if I have the chance.

The Convener: You can go into them now. Twenty-five to 30 per cent of volume is enormous. Unless that improves, I imagine that farmers will go out of business.

Charlie Adam: I do not think that it is likely that it will stay at 25 per cent purely as a result of people not trying to trade or giving up; I think that there has been a reduction in volume simply because of the initial changeover. I would expect volume to increase fairly quickly; my point is that it may never get back to 100 per cent. There are a number of reasons why that might not happen. One that has been mentioned relates to what is known as groupage, which is when a number of smaller producers share a truck for deliveries and either one part of that load is rejected and they all suffer, or they send a load over in a half-full or quarter-full truck. I heard of one example recently where there were just six pallets on a whole articulated truck. That obviously involves a huge cost and a certain amount of risk. For smaller producers, for whom groupage is probably the only economic way of getting their material across, the problem is considerable and could lead some of them to give up.

We may be told that the issues are teething troubles or are down to Covid, but it is important to emphasise that that simply is not the case. There are serious structural issues and problems that need to be addressed. It is also about urgency. The UK Government says that these things will be addressed and that changes are due to come in April, but that is too late. If people have lost business in the meantime, they may not get it back. Their customers will go to other suppliers. Once you lose business, it is very hard to get it back. I emphasise—no doubt James Withers will, too—that the situation represents a real threat to achieving our strong ambition and the target set

for Scotland Food & Drink to double turnover by 2030.

The Convener: Of course. Thank you for that. It is very worrying and I am sure that members will want to drill into that later on in the meeting.

The meat industry is obviously affected by export health certificates. I ask James Withers to talk us through and maybe give us a step-by-step guide to the barriers that food and drink exporters face.

James Withers (Scotland Food and Drink): Good morning, and thank you for the opportunity to give evidence on what has been an absolutely dreadful first few weeks of trading in this post-Brexit world.

The position is best summarised by saying that it was as easy to sell products to Madrid as it was to sell them to Manchester in the run-up to the end of the transition period, when you could have sent a pallet or a lorry-load with just one cover sheet—a single piece of paper. However, now there are 18 different steps that an exporter needs to negotiate and another eight steps that an importer needs to negotiate. That is a real nightmare, particularly for products that have a limited shelf life and need to get from the north of Scotland down to markets in France within, say, 12 to 24 hours.

We are testing a new multibillion pound trading system in real time, and things are going wrong. If only one of those steps goes wrong, you can lose the value of that product altogether and suffer huge financial damage as a result. If I started listing the problems, we would run out time. There have been dozens and dozens, from companies struggling to get the right certificate, to French information technology systems falling down at Dunkirk and Boulogne, logistic companies' IT systems falling down, and UK Government IT systems for the national transit system and Her Majesty's Revenue and Customs falling down. Loads are held up because stamps have been put only on the front page of a document and not on every page, and there is still an on-going debate about whether forms should be filled in with red ink or blue ink.

Because there was zero time to test any of the systems—indeed, the final border operating model was not published until about 5 pm on Hogmanay—we have hit all of these issues in real time. That is why Charlie Adam talks about how thin the volumes are on red meat. On the seafood side, we have seen about £1 million a day in lost sales so far. The problems are multiple and they are not at the same point, so it is very difficult to quickly target the solution. It is like whack-a-mole: a problem crops up and you hit it on the head and fix it, and another two crop up at the same time.

The Convener: It is unbelievable that there is a fight about red and blue ink. Do you have any more detail on that?

James Withers: There has been an on-going debate about what colour of ink should be used. You think you have the right colour of ink and you are told that the signature needs to be in a different colour from the colour of the letterhead. Part of the challenge, particularly on the other side of the channel, is that there are a lot of young, inexperienced customs agents. You can get a view on ink colour one day, but the next day, when they change shifts in Boulogne-sur-Mer, Calais or Dunkirk, you get a different interpretation. It is extremely difficult for businesses to plan.

This has been an issue not just for small businesses. Even big, multinational companies with export departments that have export paperwork in their DNA because they sell to North America and China have found systems falling down and loads getting held up. It is not just about ink colour; it is about whether the names of fish species need to be translated into Dutch on forms. A catalogue of problems has been racking up day by day. This is what happens when you have no time to test systems and you just throw businesses to the wolves—that is what it feels like to a lot of them.

The Convener: Do you see the situation getting better or worse? There are still systems to come in at the UK end.

James Withers: I think that people will get used to the paperwork, but there is a fundamental question as to whether the new export model is sustainable at all for many food exporters.

There are a number of reasons why things will get worse before they get better. Some of the Great Britain-Northern Ireland grace periods are due to lapse, although a request has gone in to extend them out to 2023. Potentially more products will fall under the official controls. At the moment, products of animal origin—red meat and seafood—are affected. If products that contain ingredients of animal origin—dare I say butter in shortbread?—start requiring EHCs, which, come April, is a risk, you will have enormous demand, which the system probably will not be able to cope with.

Import controls will also start on products coming from the EU to the UK—that is due to commence in April. A grace period was given to EU export businesses; sadly, the same grace period for UK exporters was not granted. When those import controls happen, companies that rely on ingredients coming from the EU will potentially face problems. The crucial point is that, because haulage is such a circular industry, we might then start to see the first ripples of a shortage of

haulage availability, exacerbated by rising haulage costs come Easter. We can see problems coming in the same way that we saw problems coming at the end of the transition period at the end of December 2020. The warnings at the end of last year were ignored and we just fell into this disastrous new operating environment. We cannot afford warnings being ignored again, or else the problems will be exacerbated as the year goes on.

The Convener: As you know, the committee backed your call for a grace period when you made it at the end of last year. Are you still asking for mitigation or a grace period? What would you like the UK Government to do to fix this?

James Withers: The most critical thing that we need is dialogue with the European Commission. We would absolutely support a pause in some of the checks as a recognition that Government systems both here and on the other side of the Channel have not been ready. That is not just costing businesses here millions of pounds, but letting our customers down. Unless we get some fixes very quickly, we are in danger of seeing the start of a permanent restructuring of EU supply chains away from Scotland and the UK, despite our having spent a decade building up our brand in those markets. The critical action that we need is political engagement with the European Commission.

We know that we are out of the EU and now a third country. What has become clear in the past four or five weeks is that the EU's third country import system, particularly for food, was never built for a country such as the UK. It was never built for groupage—the consolidated loads—which Charlie Adam absolutely rightly identifies as a massive problem. It was never built for a country that is so integrated already into European supply chains. It was never built for the fast movement of large quantities of perishable products. It is a system that was built to send 40-foot containers of frozen lamb half way around the world, where one company fills one container that is going to one destination, and, frankly, because the product has a longer shelf life, getting held up a wee bit is not a problem.

We have seen political will to act on GB-NI issues and the Northern Ireland protocol in the past few days. That is welcome. The same systemic issues also exist for trade over the short straits, which is the artery for £1.2 billion of Scottish food exports every year. We need the same engagement to see whether we can achieve what the EU needs—we understand what it needs—but in a way that is more streamlined, quicker, less complex and certainly not as costly.

09:45

Claire Baker (Mid Scotland and Fife) (Lab):

The description that we have heard of the trading arrangements is quite a bleak start. James Withers talked about the need for political dialogue with the European Commission. Currently, we are operating with a European model and will not bring in a system for imports until April, so we are taking a different approach from the EU. As I understand it, the cross-border task force that has been announced is UK-only. What is the expectation of the task force? You think that the critical point is more dialogue with the European Commission, so should the task force do that? As far as I can see, it is an internal UK task force.

James Withers: The task force is welcome in that it will consider whether we can achieve the current requirements in a more streamlined fashion. The call for a task force was led by the Scottish Salmon Producers Organisation and it has our full support. My understanding is that terms of reference and remits are currently moving backwards and forwards between the Department for Environment, Food and Rural Affairs and the Scottish Government. I believe that the Scotland Office might be the lead on that for the UK Government.

You identify a critical issue, which is that, unless we open a similar twin-track dialogue with the European Commission, we will not be able to explore whether the core requirements can be streamlined. We risk simply rearranging the deckchairs if we look only at how to meet the current requirements in a more streamlined way. The task force absolutely will be helpful and we desperately need it, but part of the process has to be to take its findings to the European Commission to explore whether we can do things a bit differently.

Unfortunately, the mood music that I have been picking up in the UK Government is that it is unlikely that it will want to engage and try to get the EU to the table until April, when we start implementing the checks on its exports into the UK. In other words, the EU has to feel the same pain as we do to get it to the table. That is the same mentality of brinkmanship and last-minute negotiating that has spectacularly failed us so far. We cannot afford to wait until April—we do not have time. The task force is good news, but it is doing 25 per cent of the job. The other 75 per cent is opening dialogue with the European Commission on the findings of the task force to explore whether we can do things differently.

Claire Baker: Mr Adam, do you want to comment on what you hope the task force might achieve? What problems would you like it to focus on?

Charlie Adam: James Withers has covered a great deal of the issues. There are things that need to be done on this side of the water in the short and longer term, and we might need help with resource from the UK and Scottish Governments to do that. We need consistency among UK vets and officials. We definitely need to improve with regard to training people, having enough people and ensuring that they are all singing from the same hymn book.

I am led to believe that, in the face of the pernickety judgment of documents and issues about ink colour and whatever, we need to continue our efforts to ensure that our exporters know to the letter exactly what they need to do to ensure that their consignments and paperwork get through when they arrive. Those issues need to be addressed because, when we are faced with such difficulties, we need to ensure that the problems are not arising because of a lack of knowledge or ignorance as to what needs to be done to get a smooth flow from this side.

Claire Baker: Do you see any progress on some of those issues? Your written submission states that we need to

“increase the number of certifying officers”.

I suppose that capacity needs to increase. Do you see any evidence that that is starting to happen, or are there plans to increase capacity? James Withers suggests that the whole system needs to be reviewed. You say that we need to bring in measures to cope with the system that is in place, but do you agree that the whole system needs to change? That would require political change. How do we deal with the current situation? What needs to happen in relation to logistics and border controls to make the current system work more smoothly? Do you agree that we need change?

Charlie Adam: I agree that we need change. I absolutely echo the point that James Withers made about urgency. It is not about making the current mess work a bit better; it is about arriving at a system that will work in the long term. I believe that Food Standards Scotland is working hard on training officials and increasing their number. To the best of my knowledge from what I have heard, it is making considerable efforts and is probably to be congratulated on that, but the result of that is still to appear.

Unlike some of the people whom James Withers is dealing with, such as shellfish producers, who are feeling the problems immediately, for farmers, the problems that we are discussing are probably having more of an effect on our exporters and processors than they are at the farm gate at the moment. However, I have no doubt that, unless the problems are solved quickly, they will find their

way back to the farm gate and will affect our members directly.

Claire Baker: My final question is for both witnesses. Do you have routes into Government, whether that is the Scottish Government or the UK Government, so that you can raise the points that you have made? Are the people who are making decisions and who can change the situation speaking to you? The task force is in its early stages. Do you imagine that to be the main route to raise issues, or do you have a good relationship with Government and feel that you are being listened to?

Charlie Adam: We certainly have lines into Government and we have means of communication. There has been a teleconference or online meeting with Michael Gove on the subject. The lines are there, but I do not know whether people are listening and acting. Noises are being made about April, but we need to convey to those people that that is too late and that a lot of damage will be done before then. Our message is heard, but we need to have it listened to and acted on.

Claire Baker: I ask James Withers to clarify the significance of April. Is that just when the import rules change or will something else happen in April that I have missed?

James Withers: On your first question, we have no complaints on engagement. This morning, my day started, as most do, with a catch-up call with the Scottish Government and Food Standards Scotland. There are calls with DEFRA twice or three times a week, too. Officials at UK and Scottish levels are working their socks off. The gap is in ministerial and political will to engage at UK level—that is my take on it. We continue to see phrases such as “teething problems” and “short-term issues”, and we even had a statement from DEFRA this week to the BBC that trade “continues to flow smoothly”. No, it does not, and it has not done so for five weeks.

On your second question, at the start of April, we are due to implement the first sanitary and phytosanitary checks on products that come into the UK from the EU. At the moment, we are basically waving everything through, except controlled substances such as tobacco and alcohol. Come April, fresh fruit and vegetables, for example, will face the first health checks, albeit that some customs checks are already causing a few problems.

The other thing that will happen from 21 April is the potential expansion of official controls to a broader set of products, which could include products that have products of animal origin as part of their ingredient mix. A consultation on that is happening now. In April, we will start to see an

additional ream of checks that could make things a lot worse, which is why the timing of the attempts to identify solutions and make progress is critical. We cannot afford to wait until April, or we will potentially double the problems, the pain and the cost. It will take time to get any alleviation of the challenges.

Claire Baker: Is that when the UK consumer is more likely to feel the impact of the changes to exports and imports?

James Withers: It is certainly when the risk will increase. At the moment, the success of Brexit in the first few weeks has been defined as there being no queues of lorries in Kent and no gaps on the shelves in the UK. There are no gaps on the shelves in the UK because most of the checks on imports have not started. There are no queues in Kent because most of the lorries are empty or, as Charlie Adam said, a lot of the business just is not happening.

The Convener: Beatrice Wishart and Jamie Halcro Johnston have supplementary questions.

Beatrice Wishart (Shetland Islands) (LD): James Withers said that his group supports the calls for a task force. Obviously, time is of the essence. Who should be on such a task force and what exactly should it consider? What should its focus be and how quickly might that get things moving?

James Withers: If I was writing the remit and putting people on the task force, I would say that it should be minister-led, and jointly. I would choose Fergus Ewing and George Eustice, the Secretary of State for Environment, Food and Rural Affairs, to be co-chairs. It needs to be a tight and small group with technical expertise. Ideally, it would involve a logistics company, a processor that is into export and probably some of the support agencies. If there are more than 10 people on it, that will probably make quick progress difficult.

It is critical that there is an agreement in the remit that the findings and conclusions on the scope for simplifying the core requirements will be taken to the EU. I would also ask that, starting now, before the task force even meets—I hope that it might meet for the first time next week, although I am unclear on that—Michael Gove, alongside the discussion he is having on GB-NI, opens up a route to consider short straits issues and routes from GB to the continent in order to raise awareness that the task force is starting and is likely to come up with potential solutions.

Jamie Halcro Johnston (Highlands and Islands) (Con): I declare an interest, as a partner in a farming business and a member of NFUS.

What we have heard is interesting and, obviously, there are issues of real concern. I want

to pick up on a couple of issues that have been raised, the first of which is preparedness. James Withers called for a six-month period and did not receive a response, which is not great. In the past few weeks and months, we have seen issues with ink, which we have talked about, and problems with forms. Obviously, in recent days, we have seen issues with vaccines. My understanding is that the UK seed potato industry meets all the requirements, but we are still being blocked, although the issue is to again go before the Standing Committee on Plants, Animals, Food and Feed. Is the political will there on the EU side, or are there concerns about that?

On preparedness, what preparations were done in advance? I know that the information came very late, which was certainly not ideal and has caused considerable problems. Was there an opportunity to prepare for a worst-case scenario? For example, with lorries in groupage, the process has been taking six hours when it had originally been planned to be 45 minutes, and we are now increasing the number of inspectors at Larkhall and other places. Could some of the issues have been dealt with? Was the communication between the UK Government, the Scottish Government and councils prior to the end of the transition period good enough?

James Withers: On the EU's willingness to engage, you are right that we have an issue on seed potatoes. Fresh mince and some shellfish are also, in effect, banned. The EU's view is that those non-tariff barriers that have been created are a result of a conscious decision of the UK Government to sign up to a deal and, crucially, not to sign up to any alignment of standards. From my perspective, that was a fundamental and critical mistake. If we are to try to address that, there will have to be some movement by the UK Government on alignment of standards. I am not aware of any industry body that would be opposed to the alignment of standards.

My point about considering different ways of doing things is not about circumventing or working around the UK-EU trade deal. There is specific scope in the deal to look at simplification and certainly to reduce the frequency of SPS checks. A whole committee structure is being set up to explore that. The argument that the industry is making is that that needs to start now and not some months down the line.

Your point about preparedness is important. It is a complex issue. Did we know that EHCs were going to be part of the mix? Yes, and we probably knew that right through 2020. However, we had the challenges of the pandemic. To be honest, most food and drink companies were just trying to get through the week—they were looking after their workforce and ultimately keeping the food

supply chain moving to keep products on shelves and our cupboards and fridges stocked. The bandwidth, if you like, to find time for staff to work on preparedness just disappeared.

10:00

The most critical thing was the lateness of the deal. The IT systems to manage the process did not go live or were not turned on until 29 December 2020. We have had issues with different IT systems talking to one another and interpretation in companies or at Larkhall, Dover or Calais. None of those things could have been tested beforehand. That was one of the real challenges that we had. Clearly, the UK knew that its systems were not ready, because that is why it has delayed the checks on imports coming in—we just do not have a system built for it. If I was a betting man, I would say that the UK will try to push back even further the date when that will start.

Another crucial point is that the Government's watchdog, the National Audit Office, produced a report that said that disruption was coming and border systems were not ready. All the evidence was there that we were not ready, but we rolled into it anyway. I have asked myself what we could do differently if we went back in time. However, in the circumstances, with the lack of clarity on what we were transitioning to until the last week, IT systems not coming on until 48 hours before the change, the border operating model not coming out until five hours before and the pandemic, I am honestly not sure that we could have done anything more at the time.

The Convener: We have had two supplementary questions, so we will move on to Dean Lockhart.

Dean Lockhart (Mid Scotland and Fife) (Con): Good morning. Thanks very much for joining us.

Let us go back to the question of automation—both of you touched on that—and how the new rules could be streamlined very granularly. I would like to get a general sense of the proportion of issues that are on this side of the channel and are, therefore, under the control of the Scottish and UK Governments and the proportion of issues that are on the EU side, which are, for whatever reason—political or logistical—outside our control. Give us a rough sense of what you are seeing on the ground as to the percentage of issues that we could hopefully address ourselves and the proportion of issues that are on the EU side of the channel.

James Withers: One of the challenges we have had is that the answer to that question has changed day by day. Sometimes, we have challenges at Larkhall with EHCs needing to be

reworked so that we do not end up with a 0.5kg difference between what is inspected in the lorry versus what is on the form. That needs to be reworked.

I have the latest statistics on Larkhall EHC processing. We have been getting them regularly, and the speed is certainly improving. The number of EHCs that are being processed in under two hours is increasing and the percentage that require reworking is decreasing. I spoke to one company that got two loads through on the French side smoothly in the past 24 hours. However, I spoke to another company that had stuff arriving in Boulogne on Saturday and it took until Monday before the stuff left the port, by which point the value of the product had dropped.

My observation would be that the process needs to be tackled at multiple different points. At some point, it will settle into a new normal. I do not believe that the new normal will be sustainable for the level of exports we are doing, hence the need to challenge it, but I do think that, over time, we will be able to streamline some of the requirements. I think that automation will be part of the answer. The challenge is that IT systems take time to set up and they fall down an awful lot—goodness knows that the past few weeks have been a demonstration of that.

I think that we will find a way to streamline the requirements. What is fundamentally in doubt is whether the core requirements make for a sustainable export model for a lot of businesses.

Dean Lockhart: Charlie Adam, you mentioned in your opening remarks that the rules are perhaps being applied inconsistently or arbitrarily. What percentage of the issues that you are seeing could be dealt with on this side of the channel and what percentage of those issues are at the EU level and, therefore, outside our control?

Charlie Adam: Frankly, I am not able to give you a percentage because I do not know. I know that there are issues on both sides. If I had to guess, for convenience, I would say that it is 50:50. I think that there are problems with consistency on both sides. Clearly, it is easier for us to do something about the issue directly if it is on our side. I would say that we can do something about anything that needs to be addressed here. I am a great believer in sorting the things you can sort and not being distracted from that by complaining about things that you cannot sort.

I am told that a degree of politics on the other side of the water is causing some of the problems, which might mean that the will does not necessarily exist to sort them quickly. I had better not name which countries are involved in that, but you will have a fair idea of which they might be.

We need to make sure that our people on this side are up to speed.

The danger in all this, as James Withers said, is that IT systems take time to put in place and the damage may well have been done before we get them in place. We have to set about that urgently, but we also have to make sure that, in the meantime, what we are stuck with works as well as possible.

That is all that I can say on the matter.

Dean Lockhart: That was helpful. You have both spoken about additional resource being required—IT, additional vets or whatever. For my understanding and that of the committee, it would be good to get very specific ideas of where you think the gap in resource at Larkhall and other hubs will be over the next couple of weeks. For the committee's understanding and in order that we can make recommendations, it would be useful to get a detailed sense of where you think additional resource—IT support, vets or whatever—could help. Charlie Adam, where do you think additional resource could make a difference?

Charlie Adam: You have mentioned two things for the immediate term. This is maybe not a direct answer to your question, but I would like to mention the problems that we have with composite products, whereby some ingredients come from abroad—from other sources—and the presence of those ingredients can lead to the whole product being unable to be exported. In terms of resource or effort, one thing that we could do—I do not know how quickly it could be done—is make every effort to, where possible, home produce the ingredients, which would help us to remove that problem.

Beyond that, frankly, I think that James Withers is probably better equipped to tell you specifically what could be done.

James Withers: I am satisfied that we have sufficient public sector resource at Larkhall. It has been a bit fluid. At the start, it was as much about the timing of shifts as it was about the number of resources—there were FSS staff there at 5 am, but the first lorry did not arrive until 11 am. FSS has now put some more staff in there, and it is working closely with the main logistics providers—the likes of DFDS, which is the largest—and responding very quickly when they say that they need a couple more people on the ground.

Larkhall has been identified as where some of the slowest processing has happened, partly because the checks there have been rigorous. If something goes wrong at Larkhall, you can save the product and save the lorry, because you can either fix it there or you can send it back. If problems arise on the other side of the channel, it

is very difficult and either the product is lost or its value disappears altogether.

Some positive news is that a Scottish Government and industry joint plan has been put together that is about both recovering from Covid and adapting to Brexit. It is funded by both industry and the Scottish Government, through the Scotland Food & Drink partnership. As part of that, in the past week, two new trade specialists have started to receive funding through Seafood Scotland to support companies.

Crucially, as of yesterday, we now have a resource on the ground in France, at Boulogne-sur-Mer. Boulogne-sur-Mer is the border inspection post that has been set up to deal with seafood processing and arrival. We now have someone on the ground there who will be working 24 hours a day, six days a week—not on a Sunday—and, if a lorry is stuck, he will head that way. He is not a magician, but he is French and that is a helpful step forward. He was already talking last night and getting better intel on where the particular problems have been around documentation. Hopefully, that is one step forward in trying to put some resource into the right place. It does not deal with the fundamental problems, but, for those who want to give exporting a go and are still trying to move product, it increases the chances of success.

Dean Lockhart: Thanks very much. That is good to hear.

You have both highlighted challenges with produce that is time sensitive going to the single market. Perishable seafood is an example of that. Could you both give us a brief sense of what the impact is on non-perishable items such as whisky and non-perishable agricultural goods? James Withers, what percentage of our overall exports in the seafood and drink sector consists of those perishable items?

James Withers: We export about £6.5 billion worth of goods in a normal year—the figure was a lot lower last year due to Covid—of which £2.2 billion goes to the EU. The split is that £1.2 billion will be food exports and about £1 billion will be Scotch whisky. So, probably 40 per cent of the EU sales will be whisky, which is clearly not a product that will go off. However, it does have some sensitivities because of the supply chain. It has delivery slots and connection slots for onward travel, so it is not immune to disruption.

I am not sure what the impact on non-perishables will be, in large part because the volumes are so low at the moment. If a business that exports to the EU could possibly avoid trying to do anything at the moment, it would. We saw a lot of stockpiling before Christmas, and I am almost certain that, if you look at the whisky export

stats, you will see a spike at the end of last year. Every time that we got to a no-deal Brexit deadline, and, indeed, at the end of the transition period, there was a spike in businesses trying to get product into the market. As the stockpiles are worked through, we will start to see exports pick up.

At the moment, I am not too sure. Whisky absolutely has a bit more time on its side in terms of the perishability of the product, but the integrated just-in-time nature of supply chains means there are still delivery slots that need to be met. This is not a peak exporting time. Had it been a peak exporting time, the system would have collapsed entirely. My instinct and my fear is that those challenges are coming down the track as we increase the volumes. Although it is horrific at the moment for seafood exporters and others, there is a small window to avoid it being horrendous for everybody.

Dean Lockhart: Thanks very much. Charlie Adam, do you have anything to add about agricultural produce that is not time sensitive? Are you seeing a distinction between perishable and non-perishable produce at the moment?

Charlie Adam: I am aware of one or two issues around non-perishable items. In relation to the supply of feed and fertiliser, as has been mentioned, there seems to be a complete lack of clarity as to whether any sort of EHC is required, certainly for some feeds that contain processed animal proteins. That is affecting trade with the EU, but remember that it is also affecting trade with Northern Ireland, as are quite a number of other issues. There is no clear guidance on that. There was a lack of knowledge as to whether phytosanitary certificates are required for grain, which led to a problem, but I believe that we have now resolved that issue and know that they are not.

I do not know whether you regard sheep as a perishable product, but the fact is that there is a problem with the movement of sheep from the UK—from Scotland, that is—to Northern Ireland because of rules about scrapie testing. That has effectively stopped that movement at the moment, and I gather that it might lead to a long-term change in Northern Irish demand for those animals.

Those are a few things that I have a note of. There might well be others that I am unaware of.

Dean Lockhart: Thank you, both, for those very interesting answers. I have taken up more than enough time, so it is back to you, convener.

The Convener: Thank you very much, Dean. Our next questioner is Stewart Stevenson.

10:15

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): Charlie Adam, I have a few questions about seed potatoes, and then I will move on to other things. I just heard you say that grain does not need phytosanitary certification, but I understand that the barrier that is keeping seed potatoes out of Europe is related to phytosanitary issues. Of course, one is grown above ground and one is grown below ground, so they are in different categories. I wonder why one is affected and the other is not.

Let me broaden it out. In my constituency and along the Moray coast, we have significant seed potato growing. I was involved in a constituency case in which the paperwork for exports to Montevideo, in Uruguay, still had not been delivered when the ship was three days from the city. Similarly, I was involved in a case of exporting to the Philippines in which it was alleged that fungal infection on the potatoes had come from Scotland, whereas ultimately we proved that it was acquired in the Philippines. We had a difficulty in that the embassy in Manila, which was trying to deal with the situation, did not seem to have the necessary skills.

Our exporters have been exporting all over the world and are very skilled in it, but they have this absolute barrier to exporting to the EU. I wonder whether the phytosanitary issue is one that we can solve, having heard that it has been solved for grain.

Charlie Adam: It is one that we can and must solve. Currently, there is no UK-EU agreed equivalence on seed potatoes, and I think that 80 per cent of the UK seed tattie trade comes from Scotland. For your information, about 30,000 to 35,000 tonnes of seed potatoes a year go abroad, and that is worth £13.5 million. We famously produce very high-health and high-quality seed potatoes; it is just that we no longer have the alignment and agreement that we had before.

We simply have to come to some agreement. The fact that the UK Government is allowing EU seed in without a reciprocal agreement is something that I would say needs to end. That would, hopefully, put some pressure on the other side to rethink its approach. This year, quite a lot of the tatties went prior to the situation arising, but potato producers are obviously extremely concerned for the future, as was expressed to me by a number of them last night. If we lose that trade—which might already be happening—the European buyers are going to look elsewhere, and, as I have said, if they look elsewhere, we will not automatically or necessarily get that trade back quickly.

The matter needs urgent attention. Just talking about it come April is not good enough. We need things to be happening and discussions to be taking place now to achieve equivalence. If there is no pressure on Europe until April, I would say that that is too late.

Why not get on with it now? That would, hopefully, provoke discussions. There have been discussions, but there have been no decisions. I believe that there was a meeting in the past week, but it turned out to be just a discussion. It is all about getting on with it and sorting it out.

Stewart Stevenson: I do not know whether the matter is ultra vires—I do not think that it is—but could Scotland legislate to totally align with the European phytosanitary standards for potatoes and thereby get a geographically—in UK terms—restricted approval? We have been conforming to those standards for quite a long time, so there is no practical difficulty that I can foresee.

We are talking about politics here, and the EU might like to thumb the nose at people in London by approving something that happens in Scotland. That is speculation on my part—it is not informed by knowledge. Would you encourage the Scottish Government to explore that?

Charlie Adam: I would be in danger of getting into politics, which I do not want to do. As I represent Scottish potato producers, I would never say that we should not do anything that would allow that trade to happen. However, our trade is in all directions and I think there are always problems in creating a difference in the movement of product from different parts of the UK. What we need is a UK-wide solution to the problem. I am not clever enough to know the legal opportunities that might exist, but we need to get the trade working quickly, and anything that would help that to happen would be a good thing. I think that we need UK-wide solutions to such problems.

Stewart Stevenson: Yes, I am sure that you are right.

Let me turn to James Withers. We now have somebody at Boulogne-sur-Mer, which is very welcome news. Are we still allowed to import potatoes from the EU while we are seeing our potato exports being blocked? I know that some potatoes come from Cyprus—not seed potatoes, but potatoes for general consumption. Some of the issues in France have related to the way in which French customs officials are working—I have various bits of personal experience, through my constituency casework, of the difficulties that have always existed in relation to that. Is the customs training school at La Rochelle, which is where they all go to train, providing any extra or modified training for French customs officials to reflect the significant change in workload that they are

experiencing through trade into France? An awful lot of our exports to the EU will hit France in the first instance, even if the ultimate destination is not France, and it will be French customs officials who are involved in that.

James Withers: Unfortunately, there is not much light that I can shed on that. I do not know whether there has been any more investment or effort put into La Rochelle. I do know that one of the challenges we have faced is the number of new French customs agents who are young, inexperienced and—bless them—learning their trade in a heck of a challenging and complex environment.

On the potato trade, we have ware potatoes still coming in and ware potatoes are travelling on either side. Some varieties of seed will be moving, too, but Charlie Adam might be better placed to remind me—I think he has been close to the seed potato issue—of exactly what the converse restrictions are on seed potatoes coming in.

The seed potato issue sits in the same category as the live shellfish and live bivalve and mollusc issue—as does the fresh mince issue and the live sheep to Northern Ireland issue—which is that, in the run-up to this, no one was talking about outright bans on trade. However, that is where we have ended up because of a very conscious decision to erect these barriers.

I go back to the point you made, that the alignment of standards is the ballgame here in trying to alleviate some of the restrictions we have and some of the barriers to trade. Unless there is movement on that, we are stuck, for the foreseeable future, with a very difficult trading environment with our most important export market.

Stewart Stevenson: Convener, I have a tiny supplementary question for Charlie Adam. One of the issues in the meat industry generally, although it will affect exports, has been our dependence on non-UK vets in abattoirs. Has that turned out to be the kind of problem that was previously being raised? There is a fairly brief answer, I suspect.

Charlie Adam: With the volumes that are going abroad, I do not know whether that problem has come about yet, but it brings up the whole issue of labour, given that such a large proportion of our vets are EU nationals. Hopefully, that will be addressed by the regulations that have been put in place, but there is a potential problem there.

On potatoes in general, my understanding at the moment is that there is no barrier to European product coming here. Quite an amount of our seed goes over to Northern Ireland, and we must not forget that in all of this. It cannot go there under the current rules, either.

We need to make sure that we have enough vets. I do not have an immediate, up-to-date answer as to whether that is a problem right now. Given that we are moving only 25 per cent of normal levels, time will tell.

Kenneth Gibson (Cunninghame North) (SNP): Good morning, gentlemen. One thing that concerns me here is the long-term impact on competitiveness, with businesses facing increased costs and perhaps also closure of markets. If European customers feel that their supply has been disrupted, they might look elsewhere. Andrew McCornick said:

“New demands on paperwork and new rules around certification will bring a period of adjustment, the potential for delay and add additional costs.”

Given that export volumes of meat are currently at only 25 to 30 per cent of normal levels, what are your concerns for the medium to long term? Although the Government may provide additional money for the industry in the short term, I fear that there could be significant losses in the future if those issues are not addressed.

Charlie Adam: You are right. The message that I am getting is that that is particularly likely to be an issue for smaller firms. That is probably where the biggest potential loss is. The fear is that they will not send their goods to the continent because of the difficulty and the cost.

On the question of losing markets because buyers look elsewhere, as I said before, it is a fairly basic point that, once they have gone elsewhere, we will have to go through the whole process of trying to win those markets back. We may not get them back, and, even if we do, it may take some time. That brings us back to the need for urgency in sorting out all the problems and for simplification, wherever that is possible, especially on sanitary and phytosanitary standards.

As far as the issue of the volume being down at the moment is concerned, to what extent that is true and to what extent it is a result of people trying to send stuff over to Europe but not being able to and markets being lost, I do not know. There will undoubtedly be some people on the other side who have the product that they need in the short term because we accelerated things before the end of the year. However, with every day that goes by, the pressure will be on. If those people are doubtful about whether they will get their supply in the future, they will start looking elsewhere, so we need to get a move on.

Kenneth Gibson: You have talked about all the bureaucratic nonsense that accompanied the agreement—the additional regulations and so on. What will the cost implications be for your sector? There will obviously be variances according to the product, but do you have a ballpark figure? Will

that put up the price of your exports by 3 or 5 per cent? What should Government do in the long term to ameliorate things, given that it is not the fault of your members that we are in this situation?

Charlie Adam: I am afraid that I cannot give you percentages. As always in farming, the impacts and the cost implications will differ from sector to sector and product to product. When the situation is not our fault, we would look to receive support, where necessary, in order to alleviate matters. It is important that any help that is provided finds its way back to producers, because, at the end of the day, they are the people who are going to be impacted. As ever in farming, the producer cannot simply add a cost on to the price that he gets for his product. It is an old chestnut, but it is worth restating that, whereas other industries can, to an extent, pass a cost on to their customer, the primary producer in farming has virtually no opportunity to claw back from his customer the costs that are put on him.

10:30

Kenneth Gibson: We have spoken on a number of occasions about reciprocal agreements. Understandably, there seems to be an element of frustration from your side that your members are meeting barriers when they export—for example, in trading with Europe—but the UK does not seem to be imposing reciprocal arrangements on imports, which could compete with Scottish and other UK products. I think that James Withers mentioned a lack of ministerial will at UK level. Has the UK Government indicated why that is the case? Is it an ideological position that is based on the idea that free trade trumps all? What reasons, if any, have been given for that? There is not much of an incentive for Europe to lower barriers if we have no barriers. There is not much to negotiate with in that regard.

Charlie Adam: I have to agree with you. Right at the beginning, James Withers or I pointed out that we are often told that the problems are just teething problems, or that the situation has been caused by Covid or whatever else, and that everything will be sorted out on 21 April. Our purpose in being here is to point out that that will be far too late, that the situation is not down to teething problems and that urgency is required. There seems to be a lack of urgency from DEFRA and the UK Government on the matter; I do not think that we have been shy in saying that. We just need to apply the pressure. I do not think that they are giving excuses. I suspect that the reason behind it is a desire to show Brexit as a positive thing and to suggest that it is all fine, when in fact, as James Withers has made very clear, at the moment it is not.

Kenneth Gibson: You indicated that you have concerns about the seasonal worker pilot scheme. We now have the added dimension of Covid. Last year, the regulations on bringing in workers were fairly light touch—they were exempt from some travel restrictions as long as they were kept on farm safely. You have fears about bringing in those workers this year. Has any progress been made on that issue? Are there any early deadlines for the sector that need to be met? What kind of scale are we talking about in the context of Scotland? That could be a significant issue, particularly as we get into spring and summer, if the pandemic does not lift as early as we would hope.

Charlie Adam: We welcome the fact that the seasonal worker scheme limit has been upped to 30,000 for the UK, although we might have liked a bigger number. My understanding is that we needed about 70,000 in the UK and that about 10,000 of those would have been required in Scotland.

As you said, last year, protocols and arrangements were put in place for workers to enable them to come in the face of Covid. Given the likelihood—I had better not say “assumption”—that restrictions will still have to be in place when we get towards peak season, the fundamental thing that we need is for similar arrangements to be put in place again. With what is happening with Covid at the moment, it is likely that people will be even more concerned about disease spread. We would definitely be asking for such measures to be put in place.

As to whether any progress has been made or any answers provided on whether that assurance will be given, I would have to come back to you on that. I am not aware of that having been resolved yet. At the end of the day, there is a huge risk of crop loss or disruption to supply if we do not have those workers.

Kenneth Gibson: Thank you very much.

I will turn to James Withers. On that theme, what is the situation when it comes to food and drink? There are a number of food processors, for example, who rely on EU migrant labour. Will you have enough workers? Will there be difficulties in production as a result of not having enough workers from the EU? What is Scotland's pro rata share of the 30,000 workers? Is it one in seven? Will it be a quarter? Where are we with that?

James Withers: Let me put that in context. About 120,000 people work in the agri-food supply chain in Scotland. About a third of them are non-UK EU nationals. The figure is just under 40,000; at the last look, it was about 39,000. The outcome of the work of the Migration Advisory Committee and the general tone of the immigration debate

raise massive concerns about the flow of workers into the country. That flow is potentially more critical to Scotland as a country that, without immigration, would have depopulation, than it is to other parts of the UK. Given that we are an industry that, despite Covid and Brexit, has an aspiration to grow, that flow of workforce will be critical. I remain hugely concerned about that on a number of fronts, but especially in relation to the red meat and seafood sectors.

I would like to add something in response to the question that you asked Charlie Adam about the risk of buyers going elsewhere—I stress that that is already happening.

Kenneth Gibson: I was going to move on to that issue, so I am delighted that you are addressing it.

James Withers: That is already happening. We know of seafood buyers who are going to Denmark and Norway instead of Scotland and the UK. We know of red meat buyers who are going to Spain and Ireland instead of coming to Scotland and the UK. So much of exporting is about confidence: it is about the exporter's confidence that their product will get to market on time and that they will get paid; and it is about the importer's confidence that they will get that product when they need it to satisfy their customers. That confidence has been shattered in the past five weeks, and that impacts on Britain's reputation as a reliable place to do business. My great fear is that that takes a heck of a lot longer to fix than IT systems do, which is why it is so urgent that we sort out the situation as soon as possible.

On dialogue with the European Commission, if the first few weeks of the new relationship define it, we are not in a good place. From the extremely ill-advised decision not to grant the EU ambassador full diplomatic status to the extremely ill-advised—albeit quickly fixed—decision of the European Commission to invoke article 16 last Friday night, all those things should serve as a massive flashing warning sign of the risks of not talking regularly and closely; they should certainly not be used as reasons for each side to retreat into their trenches. They need to be used as a catalyst to advance and start discussions on all such matters or the situation will get an awful lot worse.

Kenneth Gibson: Yes, I think that the interpersonal relationships need to be worked on. There is a lot of petulance and pettiness, and your industry bears the brunt of the fallout of that kind of nonsense. You are absolutely right—reputation can take years to build up but only hours to destroy. The Scottish seafood sector and our other sectors have an exceptionally high reputation, but nobody cares about reputation if you cannot get the product to your customers who want that food.

Is there any indication of what is happening with regard to the long-term viability of areas of the sector? Are jobs being lost now? Is there a reduction in investment or are people hoping that things will turn up? Everyone is working hard in Scotland and indeed other areas of the UK in the affected sectors in an effort to move things forward, but what is the general view of the medium to long term? Are people retrenching? We are hearing that seafood is being landed directly in places such as Denmark; people are not even bothering to land their catch here, which obviously impacts on the processing sector. What is the general mood?

James Withers: The mood is grim. It has been a rollercoaster of anger to disillusionment to people starting to lose hope. On the twice-weekly calls that we have with DEFRA and the seafood industry, we have seen those emotions from businesses. Many are just saying, "Unless this is fixed or made easier in the next couple of weeks, we're done."

At best, EU trade has now become a high-risk, long-odds gamble, which, a lot of the time, involves loads that are very valuable. The businesses for which that can go wrong are operating on small margins. We are talking about a generation of businesses that are now more fragile than they have been in a lifetime because of the impact of the pandemic and the closure of many of their traditional markets, particularly in hospitality at home and abroad.

We are starting to see the first signs of a fundamental restructuring of EU supply chains. If that gathers pace, some businesses will go under, while many others will contract. They will reduce the number of people in the business and will start to focus on the home market. Crucially, they will look for markets beyond the EU, but it takes a generation to build such markets. In the past 10 years, we have moved from selling 80 per cent of Scottish food to the EU to selling 66 per cent of it to the EU. That is a massive step forward in broadening our risk into different markets, but it has taken a decade to increase that trade to North America, Asia and the middle east. That will take time, and I am worried that the cliff-edge shock that is currently rippling through the seafood sector will only exacerbate as trade volumes start to increase, as more products potentially fall under the new controls and as import checks start to be carried out on products coming into the UK.

In many ways, despite the nightmare that the first five weeks have been for many exporters, it might be the tip of the iceberg unless we act now. We might have been shielded from the worst of it because trade has been lower anyway.

Kenneth Gibson: Yes, I think that the UK Government took an "It'll be all right on the night"

approach to Brexit, which I have to say was a highly irresponsible approach. My concern is that, once the Government stops trying to put money into people's hands, almost to shut them up—a kind of Danegeld approach, in effect—that is when the long-term implications will really seep in.

To move on from food, what is the situation regarding Scotch whisky exports? We have talked a lot about food, but what about whisky? I have whisky production in Arran, in my constituency, and many other members have it in their constituencies, too. Where are we on that front?

James Withers: The jury is out on the immediate impact for the reason that I mentioned to Stewart Stevenson earlier. A lot of product headed out of the country at the end of last year, for fear of disruption. Product was stockpiled, and a lot of it is sitting in warehouses in Europe. People will start to work through that. It is not a perishable product, but it has a very tight supply chain. It needs to be delivered to a warehouse at the arranged slot. If that is missed, the onward connection beyond that becomes a real challenge.

There are issues around labelling. Producers in the whisky industry need to have an EU-registered business on the labels on their bottles—indeed, that applies to every other product. There have been some challenges in understanding how that works and whether that is necessary for Northern Ireland. Is it possible to over-sticker products or does the main sticker need to be altered?

There are some real challenges for the whisky sector, too, but nothing like those that there have been for other sectors. Again, we might not yet have seen the full extent of the problem.

Kenneth Gibson: All those issues have a cost implication. The labels do not stick themselves on; they have to be manufactured, produced and so on.

Thank you very much. I know that I have taken up a lot of your time. I thank the convener for her patience.

The Convener: Thank you very much. We move to questions from Ross Greer.

Ross Greer (West Scotland) (Green): In his first answer to the convener's opening question, Charlie Adam talked about issues with lorries and the challenges that hauliers are facing. I have seen an increasing number of reports about UK-based hauliers who cannot deal with the challenges of exporting. They are now driving entirely empty lorries into mainland Europe to collect a load and bring it back because the importing process is far easier than the exporting one. They are simply not able to break even on their part of the export process. Is that a challenge that you have encountered? Are you finding

hauliers less enthusiastic about taking on those loads? You mentioned lorries that are almost entirely empty. I imagine that it would be pretty hard to break even on a load like that.

Charlie Adam: I do not have direct evidence of that, but I am fairly sure that it is happening. Delays mean costs to a haulier, so any time that a lorry spends being delayed in its passage to Europe will eat into whatever margin there might be on the job. Again, I do not know the detail, but you said that they could send an empty lorry over and come back with a load. There could equally be problems over whether they have the back loads that they need to make the trip pay.

10:45

Timing will also come into it. If a haulier who is supposed to pick something up is held up for 48 hours, I presume that that will have an impact on the arrangements they have made for their return load.

I cannot give you specific examples, but I would be very surprised if there are not people who are nervous about that and will favour domestic work. They might shy away from that until they are certain that they will be able to operate profitably with a full load and get there and back timeously. Perhaps James Withers is aware of specific examples, but I am not.

James Withers: Shall I comment on the haulage point, Mr Greer? Would that be useful?

Ross Greer: Yes.

James Withers: The latest statistics from the Road Haulage Association show that up to 68 per cent of lorries are currently carrying fresh air. They are empty and not carrying goods. A proportion of haulage vehicles were always empty when they were going back—they would not have back haul—but that figure is now about four times higher than it would normally be. There is a distinct issue with a lack of exporters sending goods over or dropping demand.

I have heard many reports from companies that the cost of freight is rising significantly. One seafood business dropped me an email this morning, knowing I was doing some committee sessions today, to say that its haulage costs have gone up by 25 per cent just because of availability. I know that Palletways and DB Schenker, two of Europe's most significant logistics providers, are now reluctant to send vehicles into the UK for fear of the challenges and the disruption.

Haulage was already a challenging issue, and it continued to be so right through Covid, but now something of a perfect storm is building. Again, the point in April at which we start imposing checks will mean a double whammy challenge in moving

either side of the channel, on the way in and the way out. The haulage situation needs to be watched carefully. It will be a nightmare if we hang on to some of our customers and they want our product but we have a real freight shortage. That will compound the challenges and the lack of confidence that our EU customers have in doing business with us.

Ross Greer: That covers the challenge well, thank you. I could ask some supplementary questions, but that would just mean I was asking the guys to repeat themselves. That has given us enough to think about in considering how we could help.

The Convener: Thank you, Ross. I know that some members are still to come in, although they have asked supplementary questions. I will bring in Beatrice Wishart.

Beatrice Wishart: As an example of buyers going elsewhere and lost trade, a shellfish exporter in Shetland told me that they used to supply a customer in Paris, but, because of all the difficulties since 1 January, that customer—whom they had worked with for some time—is now sourcing live scallops from Norway. Of course, products from Shetland face an overnight ferry sailing before they reach mainland Scotland and go any further.

I want to ask Charlie Adam about possible disruption to trading that might be layered on top of Brexit. We have serious concerns here, in the northern isles, about possible unintended consequences to the farming industry as a result of live animal transport regulations that might come from consultation exercises that are being launched by the UK and Scottish Governments. Could you offer any comment? There is certainly very serious concern about the future of livestock farming in Orkney and Shetland, because it remains an anchor industry in both economies. For example, one of the things that is discussed in the consultation exercise is banning sailings in weather beyond force 6. Charlie Adam, do you have any comment on that?

Charlie Adam: I realise that this is not strictly directly related to the subject of this meeting, but I most certainly do have a comment on that. In fact, I have just written a blog on the subject. I believe that our president, Andrew McCornick, is in contact—possibly almost at this moment—with George Eustice on that very subject.

There are two consultations out on the subject from DEFRA and the Scottish Government, and the House of Commons Environment, Food and Rural Affairs Committee has opened an inquiry into the DEFRA proposals on animal transport. Its proposals apply only to England and Wales, but, in reality, the problems that would arise by having

different sets of rules in different parts of the UK would make such transport thoroughly impractical.

They are talking about no sailings taking place if wind speeds are above force 6, and no journeys on land and, I presume, sea taking place when the temperature is below 5 degrees centigrade. Sitting where I am, I do not think the temperature has risen above 5 degrees centigrade since the turn of the year, and it looks very unlikely to do so for the next two weeks. If you consider the problems that would arise because of that, the proposals that are being put forward are ridiculous, frankly.

On sailings from the islands, we all know that the judgment of a good skipper takes into account tide, swell and a whole lot of factors other than just wind speed when they are deciding whether a ship will sail. Our standards are extremely high.

When we held the Farm Animal Welfare Committee in Aberdeen, I had John Copeland come down from Orkney to join that meeting, to show how good our transport is—and it is excellent. Despite having seen all that, it beggars belief that they have come out with these proposals. It shows a complete lack of understanding of what is necessary and what goes on in the more outlying parts of the country.

I hope that DEFRA is embarrassed. I believe that the Scottish Government is taking a much more pragmatic view of this, and I hope that it will not allow some of these ridiculous proposals to be implemented. As I say, derogations and differences in different parts of the UK bring huge problems. Derogations, in particular, are always subject to review, and therefore you never know whether the trade that you did today can be done tomorrow.

If your animal welfare standard is good—and ours is—there is no need for a derogation. If you allow something in one place and not in another, I am sure that people who do not like animal farming at all will be very quick to say, “Why are you allowing it here if you think it is unacceptable there?” We need to lobby extremely hard on this, because the consequences for livestock production, particularly in Beatrice Wishart’s part of the country, could be devastating.

Beatrice Wishart: On top of Brexit, it will be devastating.

Charlie Adam: I am sorry. I suppose that we are here to talk about Brexit, but the issue is very important. If it is piled on top of problems caused by Brexit in terms of distance from market and how difficult it is to get there, you will probably have greater problems—as will certain other parts of the country—than people who are sitting in an office in Whitehall might realise. Such outlying problems might not cross the radar of the people at the coalface of negotiation and political decision

making, and it is very important that they are made aware of them. I am sure that the union is trying its damndest to make people aware of things that they, frankly, make decisions on without knowing enough about them.

Beatrice Wishart: Thank you for your answer. That is helpful.

The Convener: Thank you very much. Jamie Halcro Johnston, I thought that you were away, but I can bring you in now.

Jamie Halcro Johnston: I have returned, so thank you for bringing me in, convener.

Very quickly—because, as Charlie Adam said, the meeting is not about this subject—I had a meeting last night with Douglas Ross and the Scottish Association of Young Farmers Clubs at which that point was very much made, although it did not need to be made to me because I farm in Orkney, as you know. It is something that we are making representations to the UK and Scottish Governments on.

Today, we have been focusing on the deal. Understandably, we have focused on the negatives and what has been going wrong in many areas. The deal with the EU was welcomed by most business organisations across Scotland and by the NFUS, even with the issues that have come up.

There are two parts to my question. One is around the domestic opportunities. Charlie Adam spoke about composite products and the potential for making more products here, in Scotland, and that being an opportunity for certain producers. During the Covid pandemic, when the market in Europe was not available, we saw that there was more local sourcing. Some shellfish producers, particularly in Orkney, and businesses in other places, provided directly to customers in Scotland and created a market there, even if it was only in the short term. Other businesses, such as local stores, provided shopping services with a focus on local produce. Do you think that there are opportunities to use more of our own produce here, in Scotland? If that is the case, how do we support that? How does the Government—whether it is the UK Government, the Scottish Government or local authorities—support that? I put that question to James Withers first, and then to Charlie Adam if we have time.

James Withers: Yes, there are opportunities, but it is worth saying that, at the moment, we sell about £3 of Scottish food into the home market for every £1 we sell overseas. We are already very reliant on the home market. For some sectors, such as our dairy and Scottish beef sectors, which sell more than 90 per cent of our product into the home market, it is still critically important to build markets beyond that. That is absolutely essential.

It cannot ever be a choice between export or home market; it has to be a mix of both.

It is fair to say that the UK retail environment is extraordinarily competitive. Retailers have moved a long way towards supporting local produce and Scottish produce, but it is a tough and competitive environment. I speak to some businesses that say they do UK for volume and they do export for profit. There will be opportunities in the home market and there is a lot of work being done in food tourism. We have just launched the new food academy to support businesses that are trading locally to go regionally across Scotland and nationally across the UK. There is a lot of work to be done there.

On the point about the deal, I, too, welcomed the deal because it was preferable to a crash-out no-deal option. It meant that we would not have had so many of these export problems because products would not have been moving in the first place, because tariffs would have killed off the trade. It is better than a crash-out, but the challenge has come with it coming into effect seven days after it was agreed, which I think is unique in global trading agreements.

Jamie Halcro Johnston: I take those points on board, and I agree with you on the importance of being able to trade abroad. It is a common frustration. You hear people say, "Why do we not have more of—," particularly some of the products that tend to go abroad in large volumes, such as shellfish.

I will move on to another quick point, convener, because I know we are short of time. It is about the non-EU markets. A number of trade deals with other countries have been developed and announced in the past few months. Some might be more relevant to Scotland, particularly the food and drink produce that we are selling, such as whisky, although perhaps some of the foods are limited. James Withers, can you give us an appraisal of some of those new deals or the importance of them? We are working to secure and continue our trade with the EU and get the issues sorted, but we also need to look beyond the EU, because there are opportunities—we have already exploited them over the years—outwith the EU and our domestic markets.

James Withers: We sell around £4 billion of product, which is an awful lot, to export markets beyond the EU—the vast majority of that is whisky—and we have been doing it for a century. In essence, the rest of the food industry is now catching up with the whisky industry, led by salmon, which is the UK's top food export. About 60 deals have now been rolled over by the UK Government. Rollover is the important point here. The deals are largely the same as we had before, but the maintenance of them will be critical.

My one observation is—and we have looked hard at this—that, for many food exports to grow internationally, we do not require a trade deal. Whisky is absolutely essential. The new potential Pacific partnership that Liz Truss announced at the weekend could be valuable for whisky, which faces tariffs of something around 165 per cent into the likes of Malaysia. In most other international markets, there are no major tariff barriers, and even the non-tariff barriers are not enormous. In fact, many are much higher now into the EU than they are elsewhere. There are opportunities to trade overseas, and we will need to keep investing in that. We have a global team that is resident in 16 cities around the world, funded jointly by industry bodies and the Scottish Government, to look at those opportunities.

The critical question for us is what the risks of trade deals might be. Charlie Adam will know that inside out, in terms of a United States trade deal. A conscious decision has been taken not to align with EU standards, and the industry is asking why that is. Is that because that is a bargaining chip or an area of negotiation to be used in trade deals elsewhere? That is of some concern. I agree that there are real opportunities beyond the European market, but they will take years to unlock.

Jamie Halcro Johnston: Convener, do we have time for Charlie Adam to come in briefly on that?

The Convener: Yes. Charlie Adam, do you want to come in briefly?

11:00

Charlie Adam: I endorse what James Withers said about trade deals and risks and opportunities. Obviously, we have concerns about the risks. What we need in terms of primary producers and taking opportunities for the home market is a firming up and some direction and decision making on future policy to enable us to supply. We welcome the fact that there has been an increasing amount of interest in home-produced and high-value products, especially through the Brexit period.

On the importance of developing export markets, considering the effect on the supply chain and the imbalance in the supply chain, there is a big role for expanding our market abroad. Competition for product would prevent the retailers from effectively being able to pay low prices to home producers. There is a direct benefit in just producing an alternative market for a product other than the home market, which we need to develop.

Nobody has mentioned—although it is probably not directly related—the devastating effect of the US tariff on whisky. I saw some pretty shocking figures on the effect that that has had, and I hope

that it will be sorted soon. I am sure that James Withers will feel this. Given the proportion of the revenue in food and drink that comes from whisky, we cannot afford to have further blows applied to whisky production. At the end of the day, although it takes time, that will filter back through to the primary producer, malted barley being an important product from the point of view of the farmer.

Jamie Halcro Johnston: I absolutely agree with that. As somebody who represents the Highlands and Islands and covers the rural brief, I completely agree. I thank the witnesses for that.

The Convener: Stewart Stevenson wishes to make a point.

Stewart Stevenson: Despite writing it in big letters on my bit of paper, I failed to declare that I am a joint owner of a registered agricultural holding, albeit that we derive no income from it. Thank you for allowing me the time to correct that deficiency, convener.

The Convener: Thank you. You have reminded me that I need to put on the record that Christine Grahame sent her apologies for not attending the meeting this morning.

We are slightly over time. Thank you very much for giving your evidence today. We, on the committee, all have different political positions, but we are all supportive of what is best for the food and drink industry, and we all recognise its importance to Scotland's economy. Given that the committee can only exert pressure and advise, what can we do to help Scotland's food and drink sector? What would you like us to do after hearing your pretty devastating evidence today?

James Withers: I will jump in, and then I will leave it to Charlie Adam. Pressure would be welcome at the moment, convener. I warmly welcome the committee's move to support the call for a grace period, which is also echoed by our industry counterparts in Wales and Northern Ireland, by the Confederation of British Industry and by others across the UK. Unfortunately, it felt as though that fell on deaf ears. Engagement on that with the EU is now critical and we cannot afford to wait. The longer we wait, the more difficult the relationship and the ability to look for solutions will become. We need to be in the solutions business. We are not undoing Brexit here; we are trying to make it work—that is the critical point. If there you can bring any pressure to bear on the UK Government at a ministerial level to encourage it to see the benefits of early engagement with the European Commission, given that we have an export system that is currently not fit for purpose, never designed for a country like ours and costing millions, that would be very helpful and welcome.

Charlie Adam: I am not sure that I have much to add to what James Withers has said, because I agree with it all. Urgency and realism are important. Frankly—and I am not implying that it has happened here; we need to keep the politics out of it and deal with the reality—trying to paint something that is a problem as being not a problem does not help. We need to be honest about where there are problems.

The Convener: That is very helpful. Thank you both for that and for coming to give evidence to us today. That concludes the public part of this morning's meeting.

11:05

Meeting continued in private until 11:52.

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